OLYMPUS

Your Vision, Our Future

# Back to Basics

原点回帰

Annual Report 2012

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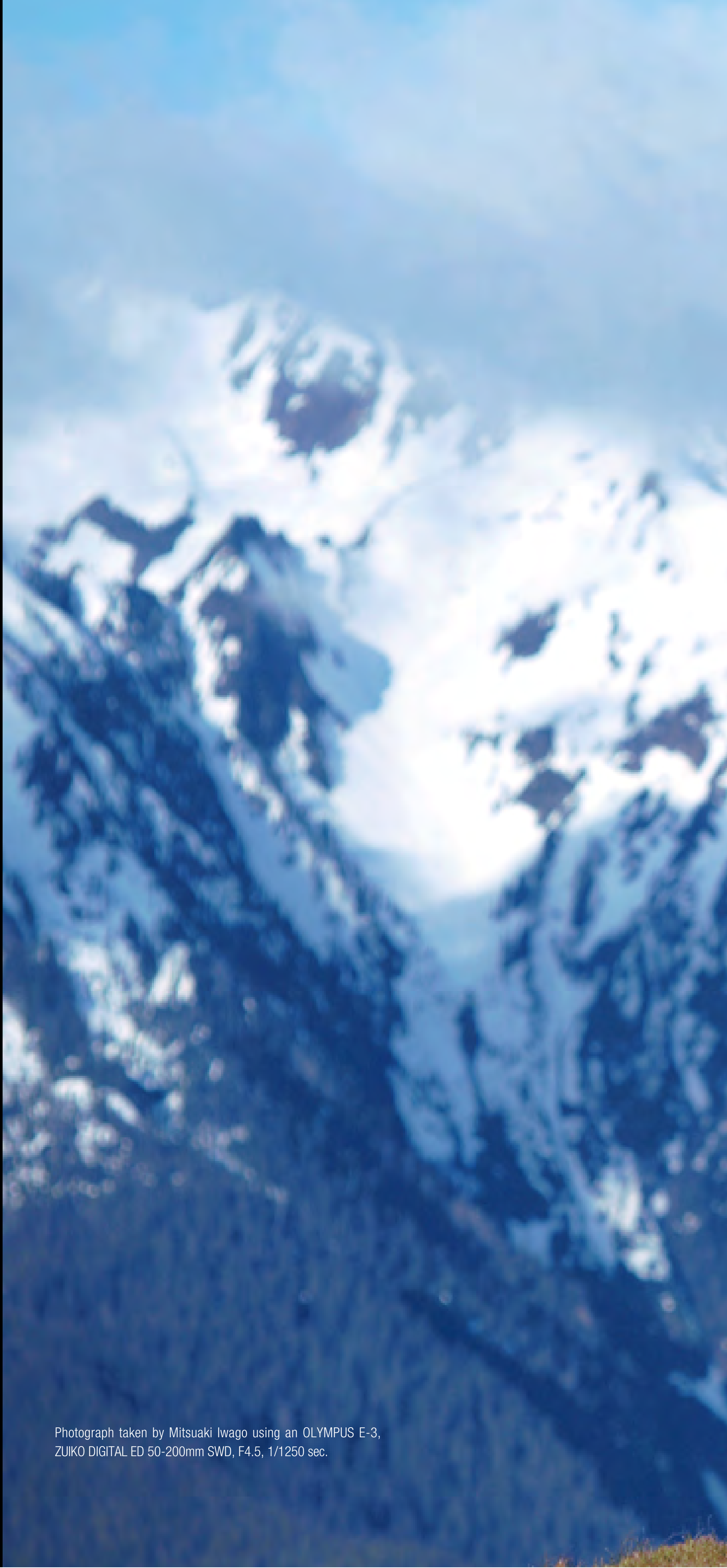
This photograph of the Olympic Mountains crowned by Mount Olympus, glistening with the crystal-clear white of glacial ice and lingering snow, was taken from within Olympic National Park in Washington. The wet woodland area at the base of the mountains has been designated a nature preserve and is a paradise for countless animal species, including the Olympic marmot.



Photograph taken by Mitsuaki Iwago using an OLYMPUS E-3, ZUIKO DIGITAL ED 50-200mm SWD, F4.5, 1/1250 sec.

# We will create a new Olympus with three new corporate aims: “Back to Basics,” “One Olympus,” and “Profitable Growth.”

Our mission is to contribute to society and its development through products and solutions. Recognizing our technological prowess and getting back to the original spirit of *monozukuri* (excellence in manufacturing), the entire Olympus Group will work in unison on the genesis of a new Olympus.

# To Our Stakeholders

Chairman
Yasuyuki Kimoto

President and Representative Director
Hiroyuki Sasa

**Our employees around the world will work in unison to resurrect Olympus and increase corporate value and shareholder value.**

## We offer sincere apologies to our stakeholders for the concerns caused related to Olympus' deferral of losses on past investments.

### Summary of Fiscal 2012

Fiscal 2012, the year ended March 31, 2012, was a year of turmoil for Olympus in which a change of top management, issues related to the deferral of losses, correcting prior financial results, the designation of Olympus shares as "securities on alert" by the Tokyo Stock Exchange, an overhaul of the management structure, and other matters posed the most serious crisis ever faced by Olympus since its founding.

Olympus absorbed the impact of these issues, as well as the impact of numerous external factors, such as worldwide deterioration in business confidence, further yen appreciation, the Great East Japan Earthquake, and the flooding in Thailand, and recorded full-year net sales and operating income at the prior-year's level. Nevertheless, at a time of further acceleration of structural reforms, we posted a net loss for the year after recording a loss due to rigorous revaluation of assets and other items. For this reason, unfortunately, Olympus decided not to pay a year-end dividend for fiscal 2012.

On the other hand, we were able to introduce major new products in the Medical, Life Science & Industrial, and Imaging business in fiscal 2012. In this way, we are already steadily implementing strategic moves that can be expected to contribute to business performance in fiscal 2013 and beyond. In fiscal 2013, the first year under the new management structure, we will strive to return to profitability.

Yasuyuki Kimoto
Chairman

### Medium-Term Vision: Back to Basics Launches a New Olympus under a New Management Structure

At the Extraordinary General Meeting of Shareholders held on April 20, 2012, Olympus received a vote of confidence from shareholders, and a new management structure was launched. The new management team is entrusted with the mission to repair the damage done to the Olympus brand and restore the trust of stakeholders as soon as possible. To that end, we will make fundamental reforms to the management framework to ensure that such issues never recur.

In the medium-term vision announced in June 2012 under the new management structure, we have set forth drastic structural reforms of the business. As expressed by the slogan "Back to Basics" under the medium-term vision, Olympus will rigorously focus on our core businesses—Medical, Life Science & Industrial, and Imaging—and implement fundamental reforms that extend to the cost structure and production structure. These reforms differ essentially from short-term profit improvement measures. We are set to reach the objectives of the medium-term vision, create a new Olympus, and achieve the transformation necessary to become a stronger business with a stronger financial structure.

Finally, to restore trust and increase corporate value as soon as possible, Olympus is already implementing a thorough overhaul of corporate governance. Our employees around the world will work in unison and bring to bear all of the Group's intelligence and wisdom to resurrect Olympus and increase corporate value and shareholder value.

Hiroyuki Sasa
President and Representative Director

## Introducing the New Management Structure

**Under the new management structure, Olympus will implement full-fledged structural reforms to restore trust. We will focus on our customers and their needs and continue our quest to create world-first, world-class products.**

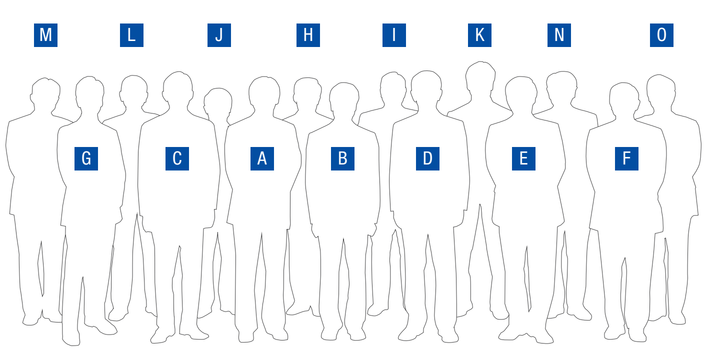
The new management received a vote of confidence from shareholders at the Extraordinary General Meeting of Shareholders held on April 20, 2012, and has begun charting a new course toward the rebirth of Olympus.

Olympus introduced three new corporate management policies: Back to Basics, One Olympus, and Profitable Growth. For Olympus, Back to Basics means carrying on the quest to create world-first, world-class products by focusing on customers and their needs as part of the mission to contribute to the development of society through products and solutions. One Olympus refers to the unification of the Group's overall aspirations and strategies, efficient utilization of management resources, and maximization of output. Finally, Olympus will break free from an excessive emphasis on sales and pursue Profitable Growth.

Olympus' shares were designated as "securities on alert" by the Tokyo Stock Exchange on January 21, 2012. Olympus aims to reverse the designation in one year by strengthening the corporate governance system, developing internal control systems, reviewing compliance, and rebuilding the internal management system.

Under the new management structure, Olympus will continue to undergo fundamental reforms to restore the public's trust as soon as possible.

| | | | |
|---|---|---|---|
| A Chairman<br>Yasuyuki Kimoto | B President and Representative Director<br>Hiroyuki Sasa | C Director, Senior Executive Managing Officer<br>Hideaki Fujizuka | D Director, Senior Executive Managing Officer<br>Yasuo Takeuchi |
| E Director, Executive Managing Officer<br>Shigeo Hayashi | F Outside Director<br>Takuya Goto | G Outside Director<br>Shiro Hiruta | H Outside Director<br>Sumitaka Fujita |
| I Outside Director<br>Motoyoshi Nishikawa | J Outside Director<br>Hikari Imai | K Outside Director<br>Kiyotaka Fujii | |
| L Standing Corporate Auditor<br>Takashi Saito | M Standing Corporate Auditor<br>Masashi Shimizu | N Outside Corporate Auditor<br>Nobuo Nagoya | O Outside Corporate Auditor<br>Katsuya Natori |



# Introducing the New Management

## Directors

Chairman

**Yasuyuki Kimoto**

(Date of birth: February 26, 1949)
April 1971: Joined The Sumitomo Bank, Limited (current Sumitomo Mitsui Banking Corporation)
June 1998: Director, The Sumitomo Bank, Limited (current Sumitomo Mitsui Banking Corporation)
June 1999: Executive Officer, The Sumitomo Bank, Limited (current Sumitomo Mitsui Banking Corporation)
June 2002: Managing Executive Officer, Sumitomo Mitsui Banking Corporation
April 2004: Managing Director and Managing Executive Officer, Sumitomo Mitsui Banking Corporation
June 2005: Senior Managing Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation
May 2006: President and CEO, The Japan Research Institute, Limited
April 2012: Special Advisor, The Japan Research Institute, Limited (to present)
Chairman of Olympus (to present)

President and
Representative Director

**Hiroyuki Sasa**

(Date of birth: September 14, 1955)
April 1982: Joined Olympus
April 2001: General Manager, Endoscope Business Planning Dept.
April 2005: Division Manager, First Development Div., Olympus Medical Systems Corp.
April 2007: Division Manager, Marketing Div., Olympus Medical Systems Corp.
June 2007: Executive Officer, Director, Olympus Medical Systems Corp.
March 2012: Assistant to President and Assistant to Group President, Information & Communication Group
April 2012: Representative Director of Olympus (to present)
President of Olympus (to present)

Director,
Senior Executive Managing Officer

**Hideaki Fujizuka**

(Date of birth: September 1, 1955)
April 1980: Joined The Mitsubishi Bank, Limited (current The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
June 2007: Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
June 2010: President and Director, Chitose Kosan Co., Ltd.
April 2012: Director of Olympus (to present)
Senior Executive Managing Officer of Olympus (to present)
Group President, Corporate Center (to present)

Director,
Senior Executive Managing Officer

**Yasuo Takeuchi**

(Date of birth: February 25, 1957)
April 1980: Joined the Company
April 2005: General Division Manager, Olympus Medical Systems Corp.
April 2009: Director, Olympus Europa Holding GmbH
June 2009: Executive Officer
October 2011: Executive Managing Director and Chairman of the Board, Olympus Europa Holding GmbH
February 2012: Assistant to Group President, Corporate Center
March 2012: Assistant to President, Group Management Office
April 2012: Director of Olympus (to present)
Senior Executive Managing Officer of Olympus (to present)
President, Group Management Office (to present)

Director,
Executive Managing Officer

**Shigeo Hayashi**

(Date of birth: August 21, 1957)
April 1981: Joined Olympus
April 2003: Production Innovation Manager, Business Strategy Dept.
January 2006: General Manager, Production Research Dept.
April 2008: Head, Ina Factory
June 2009: Executive Officer
April 2010: Division Manager, Manufacturing Technology Div., Corporate Monozukuri Innovation Center
October 2011: President and Representative Director, Nagano Olympus Co., Ltd.
March 2012: Assistant to Group President, Corporate Monozukuri Innovation Center
April 2012: Director of Olympus (to present)
Senior Executive Managing Officer of Olympus (to present)
Group President, Corporate Monozukuri Innovation Center (to present)

Outside Director

**Takuya Goto**

(Date of birth: August 19, 1940)
April 1964: Joined Kao Soap Co., Ltd. (current Kao Corporation)
June 1990: Director, Kao Corporation
July 1991: Director and Executive Vice President, Kao Corporation
June 1996: Director and Senior Executive Vice President, Kao Corporation
June 1997: Representative Director, President and Chief Executive Officer, Kao Corporation
June 2004: Chairman of the Board, Kao Corporation
March 2005: Director, Asahi Glass Co., Ltd.
June 2005: Director, Nagase & Co., Ltd.
June 2006: Director, Ricoh Company, Ltd.
June 2008: Advisor, Kao Corporation
June 2011: Director, JSR Corporation (to present)
April 2012: Director of Olympus (to present)
[Important concurrent positions]
Director, JSR Corporation
President, Japan Marketing Association
President, Asia Marketing Federation

Outside Director

**Shiro Hiruta**

(Date of birth: December 20, 1941)
April 1964: Joined Asahi Chemical Industry Co., Ltd. (current Asahi Kasei Corporation)
June 1997: Director, Asahi Chemical Industry Co., Ltd. (current Asahi Kasei Corporation)
June 1999: Managing Director, Asahi Chemical Industry Co., Ltd. (current Asahi Kasei Corporation)
June 2001: Senior Managing Director, Asahi Kasei Corporation
June 2002: Executive Vice President, Asahi Kasei Corporation
April 2003: President and Representative Director, Asahi Kasei Corporation
April 2010: Director and Senior Advisor, Asahi Kasei Corporation
June 2010: Senior Advisor, Asahi Kasei Corporation (to present)
March 2011: Corporate Auditor, Nikkei Inc. (to present)
April 2012: Director of Olympus (to present)
[Important concurrent positions]
Corporate Auditor, Nikkei Inc.

Outside Director

**Sumitaka Fujita**

(Date of birth: December 24, 1942)
April 1965: Joined ITOCHU Corporation
June 1995: Director, ITOCHU Corporation
April 1997: Managing Director, ITOCHU Corporation
April 1998: Representative Managing Director, ITOCHU Corporation
April 1999: Representative Senior Managing Director, ITOCHU Corporation
April 2001: Representative Executive Vice President, ITOCHU Corporation
April 2006: Representative Vice Chairman, ITOCHU Corporation
June 2006: Vice Chairman, ITOCHU Corporation
June 2007: Director, Orient Corporation
June 2008: Senior Corporate Adviser, ITOCHU Corporation
Director, Furukawa Electric Co., Ltd. (to present)
Corporate Auditor, NIPPONKOA Insurance Company, Limited
June 2009: Director, Nippon Sheet Glass Co., Ltd. (to present)
April 2010: Director, NKSJ Holdings, Inc. (to present)
July 2011: Advisory Member, ITOCHU Corporation (to present)
April 2012: Director of Olympus (to present)
[Important concurrent positions]
Director, Furukawa Electric Co., Ltd.
Director, Nippon Sheet Glass Co., Ltd.
Director, NKSJ Holdings, Inc.
Chairman, Japan Association for CFOs

Outside Director

## Motoyoshi Nishikawa

(Date of birth: January 1, 1946)
April 1968: Joined Yawata Iron & Steel Co., Ltd. (current Nippon Steel Corporation)
June 1997: Director, Nippon Steel Corporation
April 2001: Managing Director, Nippon Steel Corporation
June 2003: Senior Advisor (Chief Legal Counsel), Nippon Steel Corporation
July 2007: Advisor, Nippon Steel Corporation
June 2009: Corporate Auditor, NITTETSU ELEX Co., Ltd.
April 2010: Corporate Auditor, NKSJ Holdings, Inc. (to present)
July 2011: Registered as attorney-at-law at TOKYO BAR ASSOCIATION
Joined Nomura & Partners
April 2012: Director of Olympus (to present)
[Important concurrent positions]
Corporate Auditor, NKSJ Holdings, Inc.

Outside Director

## Hikari Imai

(Date of birth: July 23, 1949)
April 1974: Joined Yamaichi Securities Co., Ltd.
January 1986: Joined Morgan Stanley Japan Limited
April 1993: Joined Merrill Lynch Japan Incorporated
January 1999: Deputy Chairman, Merrill Lynch Japan Securities Co., Ltd.
November 2007: Vice-President and Director, RECOF Corporation
April 2008: President and Representative Director, RECOF Corporation
April 2012: Director of Olympus (to present)

Outside Director

## Kiyotaka Fujii

(Date of birth: February 10, 1957)
April 1981: Joined McKinsey & Company
September 1986: Joined The First Boston Corporation
June 1993: Vice-President and Director, Booze Allen Hamilton Japan Inc.
September 1997: President and Representative Director, Cadence Design Systems, Japan
January 2000: President, SAP Japan Co., Ltd.
May 2006: President and Representative Director, Louis Vuitton Japan Company, LVJ Group K.K.
October 2008: President, Better Place Japan Co., Ltd. (to present)
April 2012: Director of Olympus (to present)
[Important concurrent positions]
President, Better Place Japan Co., Ltd.

## Auditors

Standing Corporate Auditor

**Takashi Saito**

(Date of birth: February 11, 1952)
April 1976: Joined Olympus
June 2005: Executive Officer
April 2006: Division Manager, Business Support Div.
June 2007: President and Representative Director, Aizu Olympus Co., Ltd.
June 2010: Executive Managing Officer
President and Representative Director, Olympus Medical Science Sales Co., Ltd.
April 2012: Standing Corporate Auditor of Olympus (to present)

Standing Corporate Auditor

**Masashi Shimizu**

(Date of birth: December 19, 1957)
April 1982: Joined Nippon Life Insurance Company
March 2007: General Manager, Credit Department, Nippon Life Insurance Company
April 2012: Standing Corporate Auditor of Olympus (to present)

Outside Corporate Auditor

**Nobuo Nagoya**

(Date of birth: January 30, 1945)
October 1968: Joined Iwao Goto CPA Office
August 1970: Registered as certified public accountant
June 1971: Registered as certified public tax accountant
April 1978: Partner, Shinko Audit Corporation
February 1989: Managing Partner, Chuo Shinko Audit Corporation
October 2006: Chief, Nagoya CPA Office (to present)
June 2009: Auditor, Core Corporation (to present)
April 2012: Corporate Auditor of Olympus (to present)
[Important concurrent positions]
Chief, Nagoya CPA Office
Auditor, Core Corporation

Outside Corporate Auditor

**Katsuya Natori**

(Date of birth: May 15, 1959)
April 1986: Joined Masuda and Ejiri Law Office (current Nishimura & Asahi)
June 1990: Joined Davis Wright Tremaine LLP
July 1992: Joined Wilmer, Cutler & Pickering
July 1993: Joined Esso Petroleum Corporation
January 1995: Joined Apple Japan, Inc.
January 1997: Director, Sun Microsystems, Inc.
March 2002: Senior Vice President, Fast Retailing Co., Ltd.
January 2004: Vice President, IBM Japan, Ltd.
April 2010: Executive Officer, IBM Japan, Ltd.
February 2012: Chief, Natori Law Office (to present)
April 2012: Corporate Auditor of Olympus (to present)
[Important concurrent positions]
Chief, Natori Law Office

**In April 2012, the new management team signed a commitment to compliance declaration, and Olympus transitioned to a new management system in which the business execution function and supervision function are clearly segregated. We asked Chairman Yasuyuki Kimoto about corporate governance at the reborn Olympus and outstanding governance issues.**

## Q1 Three months have passed since you became chairman of Olympus in April. How do you view your role at Olympus in consideration of your previous experience?

I joined The Sumitomo Bank (now Sumitomo Mitsui Banking Corporation) in 1971. After retiring from the bank as a director, in 2006 I became president and representative director of Japan Research Institute. I spent more than two-thirds of my 36-year career at the bank in work related to overseas operations. In Europe, I served as president and chaired the board of directors of a locally incorporated bank. Banking has traditionally been a regulated industry. I served for many years in overseas countries where deregulation and liberalization have advanced further than in Japan, and have accumulated wide-ranging experience which allows me to better forecast how the Japanese market will change in the coming years. I have also been involved in large-scale organizational reform, and my experience includes starting up organizations from scratch on several occasions. I consider my mission to be to apply these experiences in leading Olympus to rebirth and renewal.

Olympus is now in a period of unprecedented turbulence. If we examine Olympus employees and products, it is clear that Olympus has a broad range of products, many of which are not suited to mass production, and as a result has a diverse portfolio of technologies and many talented employees who have mastered them. Since there are no problems with Olympus businesses themselves, I think the best approach is for the employees to carry on with work as before. However, it is necessary to rebuild corporate governance nearly from scratch. To that end, the most important thing is to establish a framework in which people go about their business as usual rather than relying on a new scheme, and I consider this to be the most important task for the Board of Directors.

The members of the Board of Directors will work in unison to establish a corporate governance system for a rebirth of Olympus that will ensure management that is highly appropriate and transparent by the standards of society, not biased by some internal logic of Olympus.

## Q2 In the new corporate governance system, Olympus has clearly segregated business execution and supervision. How do the roles of the chairman and president differ under the new system?

The division of roles of the chairman and president is crystal clear in Olympus' current system. The president controls the overall conduct of business at Olympus.

The main roles of the chairman are to chair and lead the Board of Directors and to take the initiative in supervising and overseeing the execution of duties by the inside directors and executive officers from a standpoint independent of management. The position is not chairman of Olympus, but rather chairman of the Board of Directors, a supervisory function. Accordingly, the chairman does not have right of representation and does not directly participate in decisions pertaining to business execution. The responsiilites of the chairman of the Board of Directors include participating as an observer and expressing opinions at meetings of the Executive Management Committee, the body that makes decisions about business execution. In addition, I personally believe that it is important for the chairman to be a good adviser to the president. I also believe that the most important job of the chairman is to support the work of the president, and I hope to fulfill that role.

**Under the new corporate governance system, we aim to regain the trust of our stakeholders and improve corporate value.**

## Q3 One finding in the investigative report of the Third Party Committee is that the Board of Directors was not fulfilling its oversight responsibility. What improvements in this area have been made with regard to the new corporate governance system?

We acknowledge the Third Party Committee's finding that previous Board of Directors did not function adequately, despite institutional sufficiency, with respect to the internal control environment, risk assessment and response, information communication and monitoring, and failed in their supervision function, which is at the center of corporate governance and internal control.

Under the new corporate governance system, the composition of the Board of Directors has been completely transformed. A system has been established to ensure an environment in which management supervision can be fully realized by having outside directors highly independent from management account for a majority of six of the eleven directors. Furthermore, since the outside directors appointed by the Nominating Committee express opinions grounded in a clear recognition of issues and a sense of responsibility, I believe that the management supervision function, the most important proposition for the Board of Directors, will be fully executed.

By attaining synergy between the internal code of ethics and measures to strengthen the compliance system, we will lead the development of Olympus into a company that can promise to restore stakeholder trust and improve corporate value as quickly as possible. I encourage our stakeholders to have high expectations for the future.

## Q4 The Board of Directors manages and supervises the execution of business. Please describe specific management and supervision measures.

In the new corporate governance system, the Board of Directors has the right to vote on important matters raised at the Executive Management Committee. That is to say, since a process has been established by which decisions on management strategy and other important management matters are made by approval of the Board of Directors, a mechanism is in place to ensure management soundness.

In addition, the Board of Directors has requested reporting on matters decided by the Executive Management Committee and president. Since failure to report and lack of communication are causes of governance malfunction, the Board of Directors will engage in ongoing improvements of the governance system, focusing on functional enhancement of information communication and monitoring.

# Highly rational and transparent management will support the sound growth of Olympus.

## Q5 What is your assessment of the functioning of the current Board of Directors three months after its formation?

Although board meetings at large corporations tend to be conducted as a formality, active discussion takes place at Olympus Board of Directors meetings. Board members express opinions openly, in part because they are keenly aware of the problems facing Olympus, and I think that Olympus has one of the most spirited and active boards of any Japanese company.

Having a highly reliable corporate governance system in place, the Board of Directors must shift to the next task: offering constructive commentary on the direction Olympus should take in the future. Since the Board has many members who bring a wealth of experience and keen insight as business managers, I believe that high expectations of Olympus are warranted.

## Q6 What are your thoughts on the management issues facing the reborn Olympus?

Olympus is the world's only manufacturer with the development and manufacturing technologies that can meet the diversity of needs for endoscope products, ranging from diagnosis to therapy, and I consider it a tremendous company with proven worldwide competitive strength.

Since taking office, I have visited a variety of production sites, learned about the work performed there, and had conversations with many employees. Without exception, I feel the employees who work in production take pride in their work and enjoy making things. Given such circumstances, the Back to Basics policy set forth in the medium-term vision is by no means a tall order. To the contrary, I am convinced that we can achieve ample business growth provided employees throughout the Group further build on and develop the work they have performed heretofore at their workplaces. These visits filled me with the strong belief that the future of Olympus is bright.

At the same time, one of the business execution tasks is to ensure financial health by rebuilding the business portfolio, reviewing cost structures, and improving the equity ratio, among others. Financial soundness can only be achieved through the steady, step-by-step continuation of these measures. Although it will take time for such measures to produce visible results, we will deliver those results without fail, and I encourage our stakeholders to have high expectations in this regard.

## Q7 Do you have a message for Olympus stakeholders and what are your aspirations as chairman of the Board of Directors?

Olympus has an overwhelmingly high market share and has set the global standard for medical endoscopes. I believe that the management of Olympus should above all fulfill its responsibility toward the worldwide medical profession and those who seek health and that corporate governance should function to that end. Through the pursuit of highly rational and transparent management under a corporate governance system in which the business execution and supervision functions are clearly segregated, it will become possible for Olympus to achieve stable growth and demonstrate its true corporate value. I believe that this will lead to the restoration of public confidence and, by extension, lead to meeting the expectations of our stakeholders.

As an Olympus director, I have a fiduciary duty and duty of loyalty toward Olympus, and I have absolutely no intention of placing the interests of creditors over the interest of our shareholders. Olympus has responsibility to continue to grow for the benefit of the health and happiness of people around the world and the interest of shareholders. By developing a highly reliable corporate governance system and practicing fair and open investor relations, we will give rise to a new Olympus that proudly and unashamedly demonstrates its value to the world. I request the continued support and encouragement of our stakeholders in the coming years.

# Corporate Governance

## Basic Policy on Corporate Governance

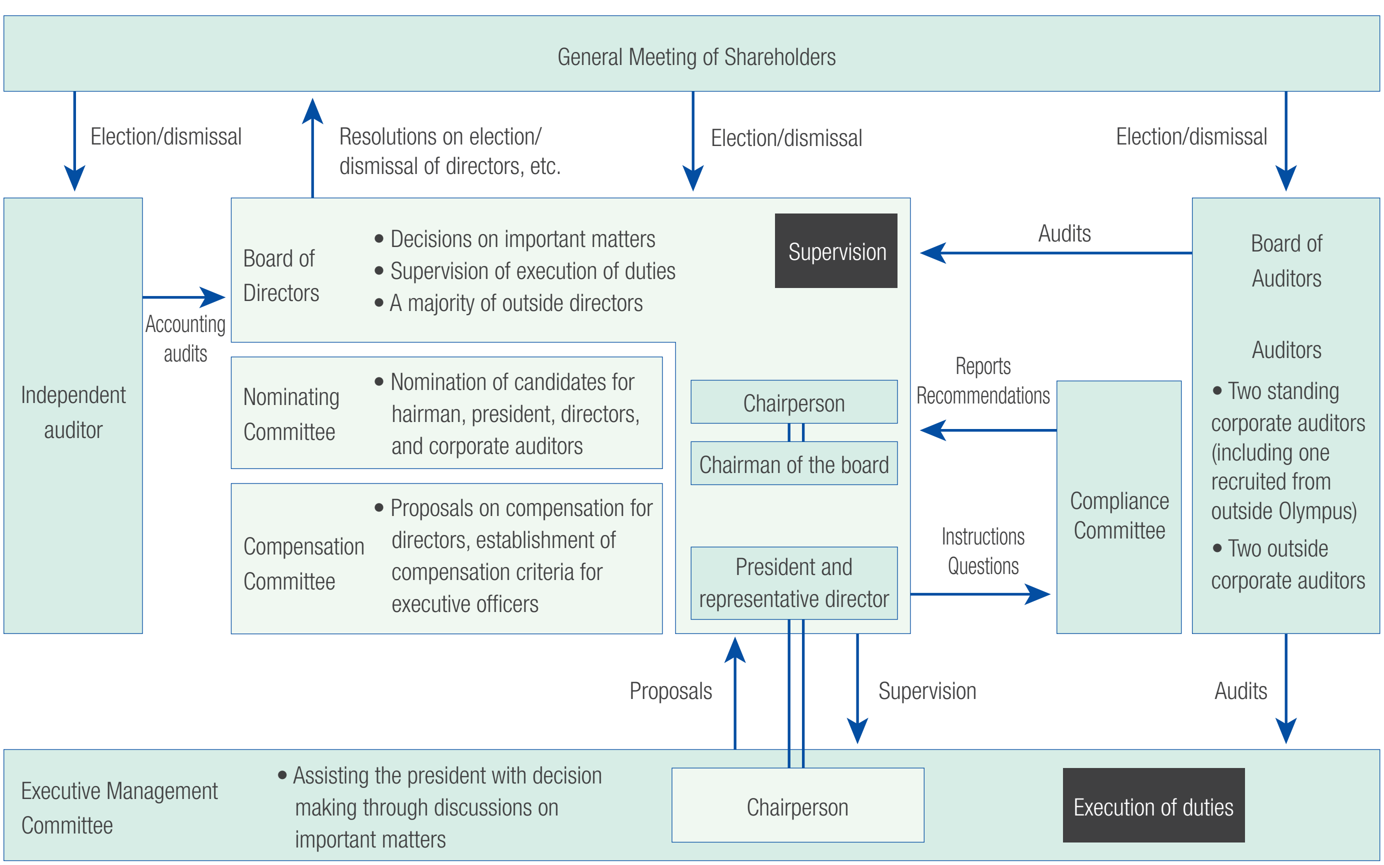
Olympus as an active member of society that shares its values, seeks to contribute to people's health and happiness by proposing new value through its business endeavors. We call this aim "Social IN" and make it the core philosophy that underlies all of our activities. In accordance with this philosophy, the Board of Directors seeks to develop, operate, and continuously improve the corporate governance structure to ensure the appropriateness and reliability of financial reporting and the effectiveness and efficiency of business operations.

## Corporate Governance Structure

The Board of Directors consists of 11 members, including a majority of 6 outside directors. In principle, the Board of Directors meets once per month, and strives to make timely decisions regarding Olympus' business strategies and other important management matters and to exercise appropriate oversight of business execution. A corporate officer other than the president (the chairman of the board) chairs meetings of the Board of Directors. The term of office of directors is one year, and Olympus clarifies the responsibilities of directors by assessing their performance each year. Olympus expects the 6 outside directors to apply their specialized expertise in management by engaging in decision making and oversight over the Board of Directors from an independent perspective. Furthermore, to strengthen corporate governance, Olympus has adopted an executive officer system, which segregates the decision-making function and supervisory function of the Board of Directors from the business execution function of the executive officers, and has set a maximum tenure period for the president, a maximum tenure period for executive officers of business divisions, and a maximum age for corporate officers.

Olympus' Articles of Incorporation provide for a maximum of 15

### Corporate Governance Structure (Summary)



directors, and nominations for directors are approved by a majority of voting rights of the shareholders present at the general meeting of shareholders where shareholders holding one third or more of the voting rights of shareholders are entitled to exercise voting rights.

Olympus' Executive Management Committee meets three times per month, in principle, to assist the president and chief operating officer (COO) with decision making by deliberating on important matters. The Executive Management Committee consists of the president, the managers of the business division and other organizations and the chief compliance officer (CCO), while the chairman of the board and the standing corporate auditors participate as observers.

Olympus has adopted a corporate auditor system. Two of the 4 corporate auditors are outside auditors. Of the 2 outside auditors, Mr. Nobuo Nagoya is a certified public accountant and has considerable knowledge of finance and accounting. One of the 2 standing auditors was recruited from outside Olympus. Olympus has established the Corporate Auditors' Office to support corporate auditors and assigned full-time employees to assist with their work. In principle, the Board of Auditors, like the Board of Directors, meets once per month. The corporate auditors attend important meetings, including Board of Directors' meetings, and periodically exchange opinions with directors and executive officers. In particular, in principle, they exchange opinions with the representative director four times per year. Furthermore, the corporate auditors receive periodic reports from independent auditors about matters such as the annual audit plan, matters related to the quarterly closing of accounts, and year-end audit reporting and exchange opinions with the independent auditors as necessary.

Olympus will voluntarily establish independent committees (the Nominating Committee and Compensation Committee) comprising a majority of outside directors who will share their views and offer advice to the Board of Directors concerning the nomination of candidates for director, corporate auditor, president, and chairman and the compensation of directors.

The Group Internal Audit Office, an internal audit organization of 19 members, evaluates the development and implementation of internal controls, conducts compliance audits, systems audits, and other audits in accordance with an annual audit plan approved by the president, reports audit findings to the president and the Board of Directors, and also reports to the Board of Auditors.

As described above, Olympus seeks to enhance the management oversight function by appointing outside directors and outside auditors; it has enhanced the audit structure by establishing the Corporate Auditors' Office and the Internal Audit Office. Olympus believes that the current governance structure is an appropriate structure for Olympus.

## Outside Directors and Outside Corporate Auditors

Olympus has strengthened the corporate governance structure by appointing 6 outside directors out of its 11 directors and utilizing their objective standpoint, wealth of experience, and extensive knowledge of management. Furthermore, Olympus has increased the objectivity and fairness of management oversight by appointing 2 outside auditors out of the 4 corporate auditors.

Olympus has designated 6 outside directors and 2 outside corporate auditors as independent officers pursuant to the rules for listed companies stipulated by the Tokyo Stock Exchange.

## Internal Controls

Olympus seeks to contribute to people's health and happiness. We call this aim "Social IN" and make it the core philosophy that underlies all of our activities. In accordance with this philosophy, the Board of Directors seeks to develop, operate, and continuously improve the corporate governance structure to ensure the appropriateness and reliability of financial reporting and the effectiveness and efficiency of business operations.

1. Framework to ensure compliance with applicable laws and regulations as well as the Articles of Incorporation of directors and employees when performing their duties:

(a) In order to ensure a system whereby directors and employees perform their duties in compliance with laws and regulations and the Articles of Incorporation, the Board of Directors shall establish the Olympus Group Corporate Conduct Charter and Olympus Group Code of Conduct and other basic policies and internal corporate regulations.

(b) The Board of Directors shall establish the Compliance Committee chaired by an outside director as a body to oversee and improve the compliance system. It shall also establish a compliance promotion system by appointing an officer in charge of compliance, CCO (chief compliance officer), and by creating a department in charge of Groupwide compliance. The department in charge of Groupwide compliance shall be responsible for the improvement of the Group compliance system based on Global Compliance Guidelines. Furthermore, it shall continue to educate directors and employees and implement measures relating to assessment. It shall establish a helpline for the purpose of consultation or requesting information on compliance-related issues and develop a system to report the details of such issues, if they arise, to the Board of Directors and the Board of Auditors.

(c) Olympus shall set up a CSR Committee chaired by the president and regularly hold meetings to set objectives for and evaluate CSR activities. The Committee shall promote measures to realize the Olympus Group Corporate Conduct Charter and Olympus Group Code of Conduct in order to foster compliance with laws and regulations and high ethical standards.

(d) Olympus shall establish the Group Internal Audit Office, to directly report to the President. The Group Internal Audit Office shall, pursuant to the provisions of the Internal Audit Regulations, periodically conduct internal audits of all business operations with respect to compliance with laws and regulations, the Articles of Incorporation, internal rules and regulations, and the appropriateness of business execution procedures and details, and other matters.

(e) In order to ensure the appropriateness and reliability of financial reporting, the Group Audit Office shall conduct ongoing improvements by regularly evaluating its activities and operations to ensure that control functions relating to financial reporting work effectively under the internal control system.

(f) The Administration Department shall be responsible for cooperating with lawyers, the police, and other parties to systematically and resolutely deal with antisocial forces and organizations that threaten social order and safety.

2. Framework for the maintenance of records and management of information in relation to the execution of duties by directors

(a) Pursuant to applicable laws and regulations and internal corporate regulations, including the internal rules on document management, Olympus shall maintain and manage documents or electronic data.

(b) Directors and corporate auditors may access important documents, such as the minutes of a meeting of the Board of Directors and authorizations, at any time.

## Risk Control Structure

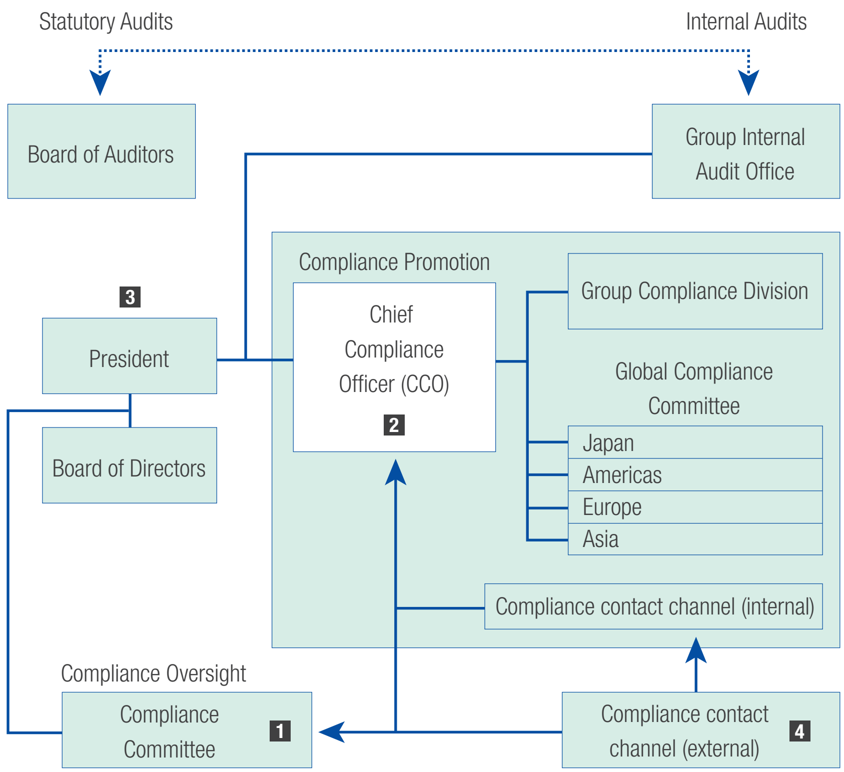
Olympus newly formed the CSR Committee in 2011 and is strengthening activities pertaining to risk management. Olympus has established risk management rules, a Risk Management Committee based on those rules, and made decisions on risk management policies and evaluation, verification, and procedural guidelines.

Furthermore, Olympus has set up a Risk Management Bureau with a full-time staff that collects and assesses information, formulates countermeasures, and ensures their effectiveness. In addition, each in-house company, business site, and affiliate has developed its own risk management structure. Should any risks arise that could have a significant impact on the maintenance of Olympus corporate value, such risks are immediately reported to the president and the Risk Management Committee, who determine appropriate countermeasures and ensure prompt resolution of the issue. Olympus is also developing a structure to minimize the impact on corporate value even in time of a developing crisis.

At the time of the Great East Japan Earthquake of March 2011, Olympus concentrated on implementing business continuity activities and was able to quickly restore operations. On the basis of this experience, Olympus is reviewing its disaster preparedness manual and business continuity plan (BCP).

## Strengthening the Compliance System

Olympus will commence initiatives to raise compliance awareness and strengthen the compliance promotion system.




1. Establishment of a Compliance Committee chaired by an outside director
2. Appointment of a Chief Compliance Officer (CCO) and development of a compliance promotion organization
3. Compliance commitment declaration by the management team and enhancement of compliance education at all organizational levels
4. Upgrading of the internal compliance-related reporting system

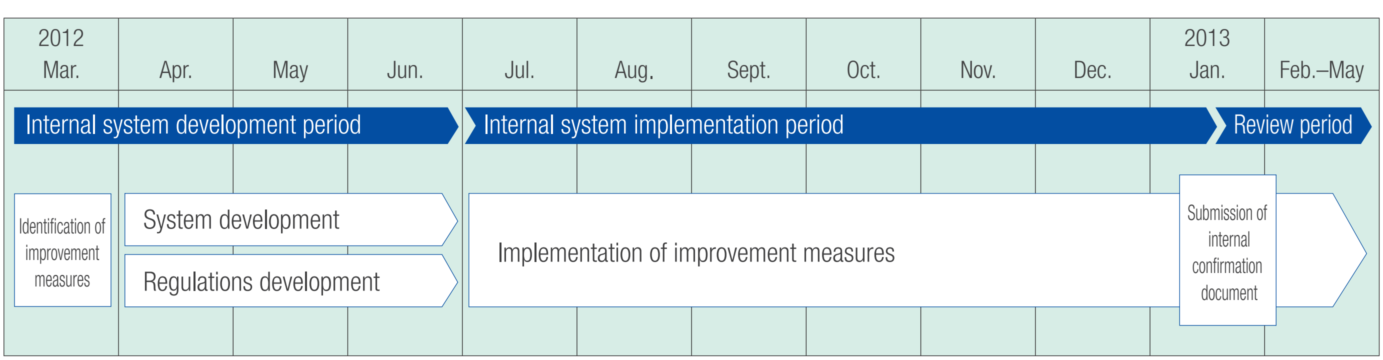
   Upgrading of the compliance helpline (external)

## Measures to Remove the "Securities on Alert" Designation

Aiming to remove the designation within one year

Formation of an internal project team in March 2012

Future project team expansion to more than 100 staff members Groupwide



# Comments from Outside Directors

## The outside directors will guide the rebirth of Olympus and onto a growth path through sound, independent supervision and business execution.

Outside Director

**Takuya Goto**

At Kao, we adopted an outside director system early on and have pioneered the establishment of a sound governance system, implementing such measures as the abolition of retirement benefits for corporate officers. In light of that experience, I understand that our role as outside directors is to check from an outside perspective whether accepted practices at Olympus contravene commonly accepted practices in society at large and express different views and opinions. I hope that by fulfilling our respective roles, the outside directors will contribute to the sound growth of Olympus while conferring to find rapid solutions to problems.

Outside Director

**Shiro Hiruta**

The new governance configuration is only a means to an end, and the true objective is to lead the management of Olympus in an appropriate, sound direction. Now that outside directors make up a majority of the board, we bear a heavy responsibility to maintain a deep understanding of the Company's operations in order to make clear judgments. For Olympus to accomplish a robust revitalization, I am committed to giving the management team my full support to ensure that the strategy for business execution is appropriate for the operating environment moving forward.

Outside Director

**Sumitaka Fujita**

The most important factor in corporate governance is not the specific structure of the governance system, in and of itself, but rather, how effectively the system is implemented. In the case of Olympus, I believe that fully independent outside directors with a diversity of management experience and expertise are essential for corporate supervision and management guidance, including vigilance against insular corporate values and decision-making. In my own role, I pledge to work diligently to help rebuild Olympus and set it on a path of sustainable growth.

Outside Director

Motoyoshi Nishikawa

At this time, Olympus has at last embarked on the difficult voyage through rough seas to restore public trust. In these circumstances, I recognize that the most important role of an independent outside director is to supervise whether business execution is sound, whether the management decision-making process conforms to appropriate procedures, and whether conflicts of interest exist, and to strive to restore trust in Olympus at the earliest date possible through fair information disclosure. I intend to assist in activating frank discussion and restoring a free and open-minded corporate culture.

Outside Director

Hikari Imai

Under the new governance structure, the outside directors have secured a certain amount of authority, which has strengthened transparency and the management oversight function. At the same time, now that the Board of Directors includes several outside directors with entirely separate backgrounds, who bring insight and a sense of balance, the outside directors can also be expected to provide support for vigorous business execution by directors. Since Olympus is a company with market competitiveness, clearly established core values, and high growth potential, I hope to be of assistance in returning it to a proper growth path.

Outside Director

Kiyotaka Fujii

As a leader in the medical industry Olympus is expected to adopt a new governance structure which meets the global best practice. I believe “openness” is the key philosophy here. I would like to contribute to Olympus’ further growth by helping to construct and implement such a governance structure and by leveraging my past experience with global, leading companies.

# President Hiroyuki Sasa Discusses the Medium-Term Vision: Back to Basics

**Olympus employees around the world will work in unison to achieve the Medium-Term Vision: Back to Basics and Olympus will be reborn as a company with more robust businesses and a stronger financial position.**

Fiscal year ("Fiscal," "FY"), the year ended March 31

## Q1

**You became president in April 2012 in adverse circumstances in which Olympus faced important business challenges. Please describe your aspirations as president and how you will guide Olympus utilizing your past experience.**

**A** I am sobered by the responsibility of managing Olympus at this crucial juncture where we face the most serious crisis since Olympus was founded.

I joined Olympus in 1982, and over the course of nearly 30 years, including an overseas assignment in the United States, I have accumulated experience in the Medical Business, primarily with endoscopes. When I first started with Olympus, in my role as an endoscope developer, I was involved in the design of the world's first waterproof endoscope. Subsequently, on two occasions, I served as planning and development leader of endoscope systems, mainstay Olympus products, and we successfully introduced leading-edge technologies, such as the world's first NBI[1] and a high-definition imaging system. Products incorporating these technologies have a highly favorable reputation among physicians, and I take pride in having contributed to the expansion and acceleration of minimally invasive treatment using endoscopes. After serving as manager of an endoscope development division, I became division manager in charge of marketing for the Medical Business and worked to implement our global sales strategy.

What is required of Olympus at this time is results. It is not enough to merely prepare a medium-term plan; the revitalization of Olympus is at stake, and we must without fail implement the plan. To create a new Olympus on the basis of reflection on past events, we must first return to basics. In other words, I believe that it is important to contribute to society by creating world-first, world-class products. I am confident that we will not fail to overcome the current crisis if all Olympus employees everywhere in the world unite as One Olympus to achieve reforms and our objectives by means of teamwork. To that end, I intend to stand at the forefront of the effort, apply my wide-ranging experience in areas from development to marketing and sales, and achieve profitable growth driven by the Medical Business. I consider my most important mission to be the urgent improvement of our vulnerable financial position by restoring the damaged trust as quickly as possible while simultaneously further enhancing shareholder value.

[1] NBI (narrow band imaging) is an observation method that utilizes an image-enhanced endoscopy technology involving an optical-digital method. Olympus was the first company in the world to practically apply this method, which facilitates the detection of difficult to observe changes in mucosal capillaries and fine mucosal patterns.

# Q2

## How does the newly established Medium-Term Vision: Back to Basics differ from past medium-term plans?

**A** The key point of the new medium-term vision can be summed up as a "focus on core business domains." That is to say, we have embarked on fundamental reforms that extend to cost structures and production structures and involve the clear redefinition of our chosen business domains, the rebuilding of the business portfolio, and optimal allocation of management resources. Such reforms, beginning with the business structure, will stabilize and solidify Olympus foundation over the medium to long term as they are fundamentally different from the short-term profit improvement measures implemented up until now.

As the results for fiscal 2012, the year ended March 31, 2012, indicate, Olympus faces a crisis situation in every aspect of financial performance: declining profitability, balance sheet results, and equity ratio. I believe that unless we overcome this adverse situation as soon as possible and achieve a financial performance level on a par with competitors, we will be unable to compete effectively, or to revitalize Olympus, or achieve further growth.

The Medium-Term Vision: Back to Basics formulated in light of these circumstances, summarizes in a five-year plan starting in fiscal 2013, a vision for the rebirth of Olympus to which all Olympus employees worldwide should aspire and a methodology for the realization of that vision. It is a critically important plan for the revitalization of Olympus.

We will monitor the implementation of this plan and the results and evaluate our progress toward the achievement of the medium-term vision using four performance indices: return on invested capital (ROIC)[2], operating margin, free cash flows, and the equity ratio. Our targets for these performance indices are an ROIC and an operating margin of 10% or more, free cash flows of ¥70.0 billion or more, and an improvement in the equity ratio to 30% or more.

[2] ROIC is a financial indicator that expresses how efficiently the capital a company invests in its businesses generates profits. Because assets from which profit cannot directly be expected are excluded, ROIC enables more accurate measurement of the efficiency of a company's core business.

### Performance Indices and Targets

| Performance Indices | Results (FY ended March 2012) | Targets (FY ending March 2017) |
|---|---|---|
| Return on invested capital (ROIC) | 2.7% | 10% or more |
| Operating margin | 4.2% | 10% or more |
| Free cash flows (Cash flow from operating activities + cash flow from investing activities) | -¥4.8 billion | ¥70.0 billion or more |
| Equity ratio | 4.6% | 30% or more |

### >>> Addressing Current Issues

To achieve these targets, we must recognize and address the issues that Olympus faces. Broadly stated, we recognize four problems. The first is excessive investment in non-core business domains. This refers to the equity investments that were the cause of the scandal and excessive investment in non-strategic fields and unprofitable domains. The second problem is decline in profitability. In the Imaging Business and life science business, a slow response to visible changes in the operating environment has led to a decline in profitability. These problems have resulted in the third problem, the current vulnerable financial position, which must be urgently improved. The fourth problem is an insufficient governance system, the framework that controls all corporate activities. In recognizing these issues, we have set out to address them by formulating concrete corporate management policies and strategies.

| | |
|---|---|
| **Current Issues** | • Excessive investment in non-core business domains<br>• Decline in profitability<br>• Vulnerable financial position<br>• Insufficient governance system |

## Q3

**Please discuss the corporate management policies the new management has adopted and the basic strategies of the medium-term vision.**

Corporate Management Policies

- Back to Basics
- One Olympus
- Profitable Growth

### >>> Corporate Management Policies

**A** The new management has set out the following corporate management policies; Back to Basics, One Olympus, and Profitable Growth.

The first policy, Back to Basics, is also the motto for the medium-term vision. The cause of the recent scandals was the pursuit of profits from equity investments in areas that are not our core business domains to begin with and the attempt to dispose of losses on those investments by illegal methods.

Olympus was originally founded on the drive to fulfill a mission—to contribute to the development of society through products and solutions. This was the desire to contribute to the health of the Japanese people through epidemiology by manufacturing microscopes in Japan. The Olympus PEN, the world's first half-frame film camera, the OM-1, the world's lightest single-lens reflex camera, the gastrocamera, and waterproof endoscopes are all world-first, world-class products developed through meticulous attention to customer needs. With the same sense of mission, we will restore the corporate culture that originally characterized Olympus: a culture that values freedom of spirit and integrity and enables employees to say what needs to be said.

The second policy is One Olympus. The days when it was acceptable for each business to pursue individual optimization have passed. To overcome the current crisis, Olympus employees around the world must unite behind a common business strategy and demonstrate teamwork.

The third policy, Profitable Growth, goes without saying. The mission of a company is to grow while earning profits. We will abandon the management approach that prioritizes sales turnover and company size, rigorously review cost structures, and aim for profitable growth.

### >>> Basic Strategies

On the basis of the corporate management policies and the issues that need to be addressed, mentioned earlier, we have set forth four basic strategies. First, in formulating the medium-term vision we clearly redefined our chosen business domains and the businesses in which we should invest. There are three core business domains: the Medical Business, Life Science & Industrial Business, and Imaging Business. We will concentrate management resources principally on the Medical Business, a growth driver, and transform Olympus into a medical-field focused company. Second, we will thoroughly review cost structures and aim for profitable growth. Third, we will urgently improve our current vulnerable financial position, one of the most important management issues. The fourth strategy aims at restructuring governance. By implementing these four strategies, we will achieve the rebirth of Olympus.

**Four Basic Strategies**

| | | | |
|---|---|---|---|
| Rebuilding of business portfolio/ Optimal allocation of management resources | Review of cost structures | Restoration of financial health | Restructuring of governance |

## Q4

**Please discuss how you arrived at positioning the Medical, Life Science & Industrial, and Imaging businesses as core business domains and the growth strategies for each.**

**A** For the first time, under the current medium-term vision, we have clearly defined our business domains. Let's consider the roles of these business domains. The Medical Business is a profit and growth driver. Within the Life Science & Industrial Business, the life science business is an optical technologies driver, and the industrial business is a growth driver. The Imaging Business is a driver of leading-edge imaging technologies as well as optical technologies and a driver of the Olympus brand.

**Business Domain Clarification and Growth Drivers**

| Medical | Life Science & Industrial | Imaging |
|---|---|---|
| Driver of profit and growth<br>Strategic investment of management resources | Driver of optical technologies and growth | Driver of optical and imaging technologies and the Olympus brand |

Olympus aspires to be a medical-field focused company that contributes to people's physical and mental health.

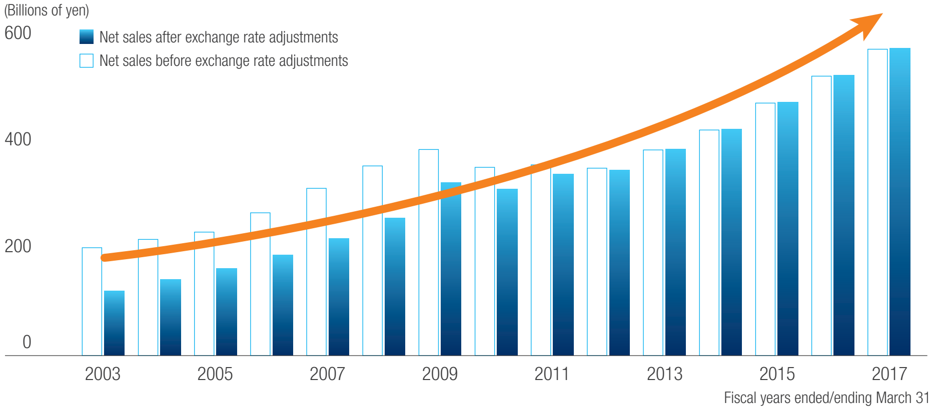
## >>> Basic Policies for the Medical Business

The Medical Business has achieved stable growth over the years, and I believe that growth will continue in view of the social environment. In the medium-term vision, we aim for an average annual net sales growth of 10% and operating income growth of 13% from the Medical Business. We have three basic policies for the Medical Business. The first aims at an average annual growth rate of 9% in the gastroenterological endoscope field, which has achieved a global market share exceeding 70%, while further strengthening the business base and maintaining high market share. The second policy aims to position the surgical devices field as a growth driver with an average annual growth rate of 14%. The third policy aims to achieve sales expansion in emerging markets with the high average annual growth of 23%. (For detailed strategies that make up the three basic policies, see Medical Business on page 45 in the Review of Operations.)

Let's consider the environment surrounding the Medical Business that is the backdrop to this growth. At a time of rapid aging of populations, especially in developed countries, improvement of patient quality of life and control of healthcare costs and social security costs have become urgent priorities in countries all over the world. Early detection and diagnosis and minimally invasive treatment, as exemplified by endoscopic surgery, will play an increasingly important role in meeting these needs. Today, Olympus is the only company in the world with technologies for the development and manufacture of devices that meet the full gamut of needs from early detection and diagnosis to minimally invasive treatment. Olympus will seek further business expansion by capitalizing on the highly strategically advantageous position of being capable of simultaneously developing devices necessary for new minimally invasive treatments as well as new diagnostic methods closely related to those new treatments.

The surgical devices field, a growth driver in which Olympus aims for average annual sales growth of 14%, offers high growth potential because there is a process flow from diagnosis through treatment. As a matter of fact, although there are a great many gastrointestinal surgical procedures, the number of laparoscopic stomach or colon surgical procedures is limited. The reason is inadequate image definition level and energy device capabilities. This represents a major business opportunity. Olympus seeks to leverage its unique, world-leading technologies in the field of gastrointestinal endoscopy to make possible to date impossible surgeries by combining high-definition endosurgery imaging devices and energy devices with

### Net Sales in the Medical Business




Note to the graph: Net sales adjusted using the exchange rate assumptions in the medium-term vision: 80 yen to the US dollar and 100 yen to the euro. Figures for fiscal 2013 and beyond are projected amounts.

sharp cutting edges and unique hemostasis capabilities. We will replace existing devices with new devices and create a new market by applying highly superior technologies that competitors cannot imitate. Furthermore, we will steadily expand our business in this field by taking maximum advantage of the Gyrus' powerful sales network.

By geographical region, sales expansion in high-growth emerging markets is the key to growth in the Medical Business. In these markets, we aim for high average annual growth of 23%. What is important in emerging markets is to increase the number of physicians who are able to use endoscopes. To meet this need, we will establish more than twenty training centers in Asia and further accelerate the training of endoscopic physicians and dissemination of endoscopic procedures.

### >>> Growth Strategies for the Life Science & Industrial Business

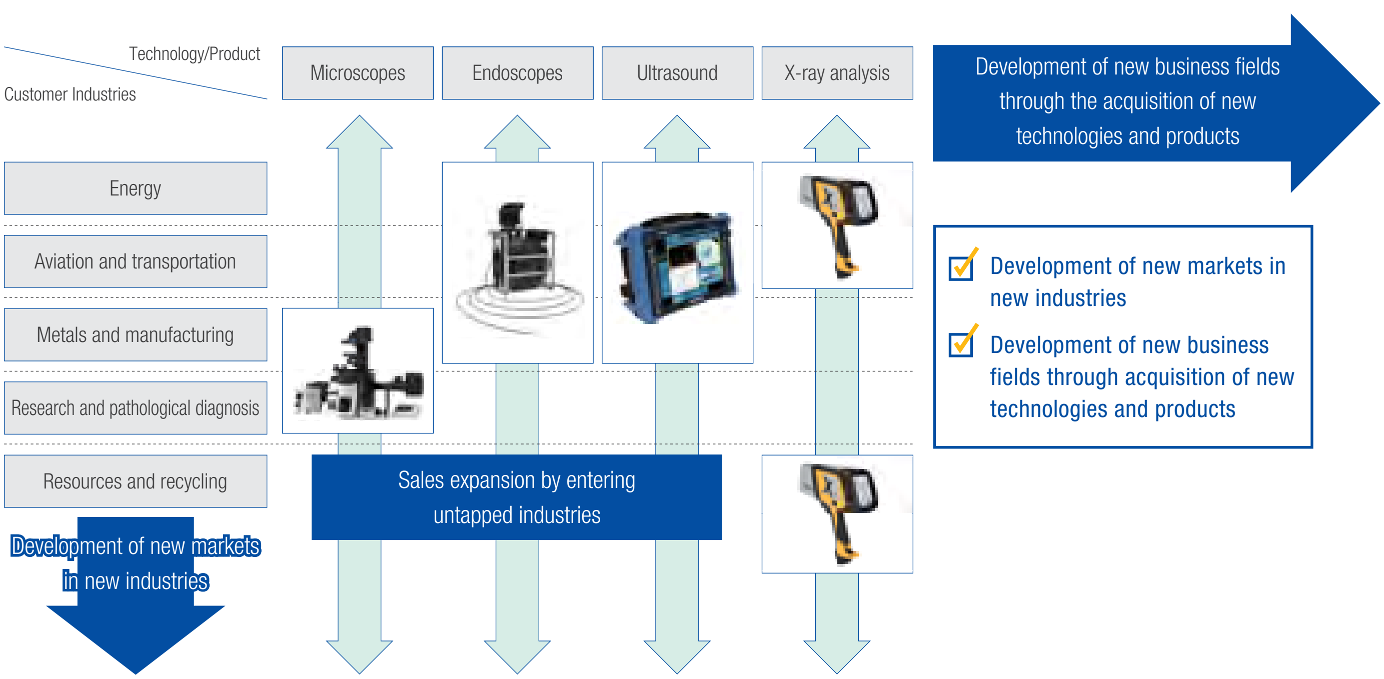
We aim for average annual growth of 5% in sales and 21% in operating income from profit improvement in the life science field and product portfolio expansion in the industrial field.

One growth strategy is product portfolio expansion. The vertical axis in the graph below indicates customer industry categories, and the horizontal axis indicates technologies and product categories. We will leverage the Olympus Group's global infrastructure to efficiently open up new customers (in the direction of the arrow). Similarly, we will open up new business fields and expand our business by acquiring new technologies and products. In addition, we will focus on emerging countries, which are growth markets.

The second strategy is full-fledged reform of the profit structure of the life science field. For instance,

### Proactive Expansion of the Product Portfolio

Effectively expand business fields based on the needs of customer industries and technologies/products
by leveraging the Olympus Group's global infrastructure



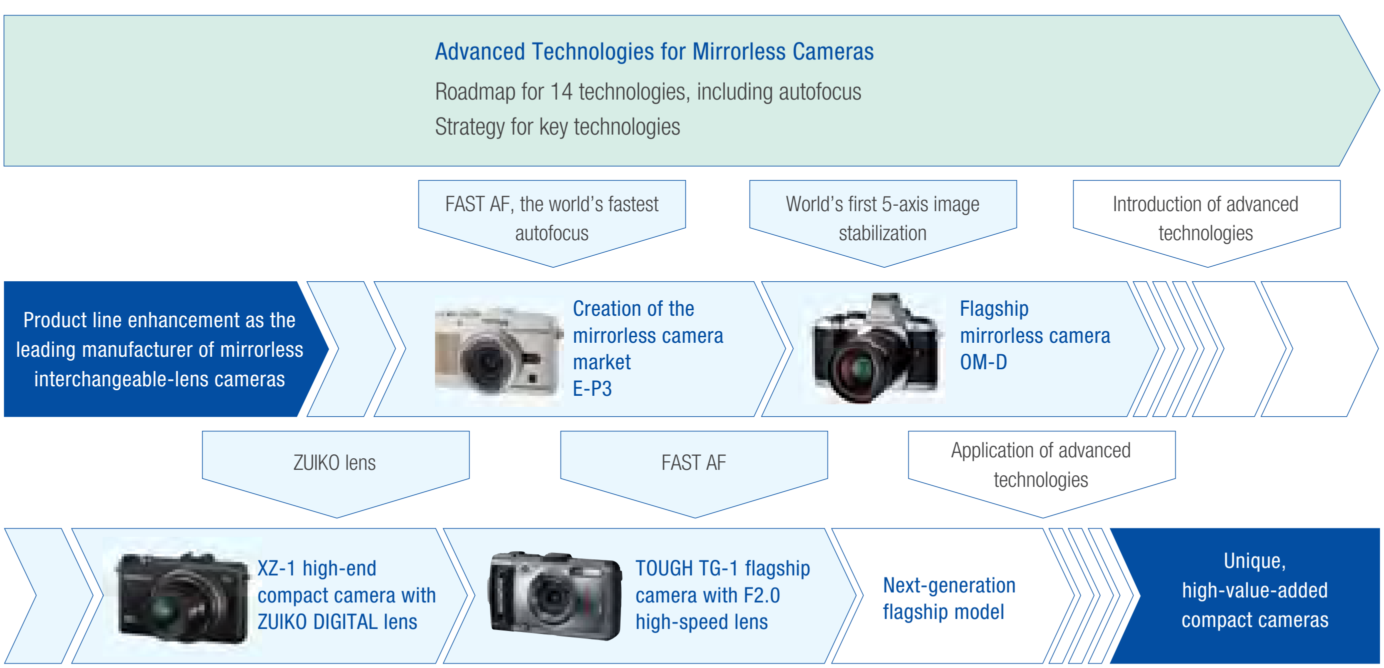
one key point is manufacturing cost reductions and operating efficiency improvements applied across our global network after a review of production sites, including plants in the Philippines and Nagano. Through these initiatives, we expect an improvement of one percentage point in the cost of sales ratio and two points in the SG&A ratio in three years. (For details of these strategies, see Life Science & Industrial Business on page 49 in the Review of Operations.)

### >>> Growth Strategies for the Imaging Business

Restructuring of the Imaging Business is our most important task. We must establish a business structure to ensure stable profitability. To that end, we have two key strategies: the first is to focus on mirrorless interchangeable-lens cameras and high-end compact cameras, and the second is the restructuring of manufacturing and fundamental reform of the cost structure, including SG&A expenses. By implementing these strategies, we will return the business to profitability in fiscal 2013 and secure an operating margin of 5% five years from now. (See Imaging Business on page 53 of the Review of Operations for details of these strategies.)

What is important in the Imaging Business is continuity of profit generation, and the key to that is a high-value-added strategy. The key aspect of rebuilding the business in the medium to long term is the nurturing of differentiated technologies. We must introduce advanced technologies ahead of competitors as we did when Olympus developed the world's first mirrorless interchangeable-lens camera and created a market for this product. For that purpose, we have prepared a roadmap for fourteen advanced technologies, one being autofocus, looking five years into the future and are already engaged in their development. By continuing to introduce new technologies, we will create successful models to follow the PEN and OM series.

### Application of Leading-Edge Technologies Cultivated in the Development of Mirrorless Interchangeable-lens Cameras toward High-Value-Added Compact Cameras



We will also apply the advanced technologies cultivated in the development of mirrorless interchangeable-lens cameras to high value-added compact cameras. For instance, the XZ-1 is equipped with a bright, high-performance lens and the PEN image engine. It has been well received and has maintained a high share of the market in its category since its introduction in February 2011. Furthermore, in June 2012, we added a new model equipped with the world's fastest autofocus available in a mirrorless interchangeable-lens camera to the Tough series of waterproof, shock-resistant cameras at which Olympus excels. This model has met with high acclaim.

In this way, we will work to increase product profitability by regularly introducing unique, high-value-added compact cameras unmatched by competitors while efficiently leveraging development resources, that is, applying advanced technologies cultivated in the development of mirrorless interchangeable-lens cameras to high-value-added compact cameras.

In addition to such product innovation, we will greatly improve the profit structure. One way is to reinforce cost competitiveness by raising manufacturing value-added and enhancing productivity. For instance, we will increase productivity by introducing the latest production technologies at the Shenzhen plant in China, focus production on high-value-added lens barrels and interchangeable lenses, and actively utilize outside production in assembly processes, in which it is generally difficult to create added value. Furthermore, by fiscal 2015, we will achieve an improvement of eight percentage points in the SG&A ratio in the Imaging Business through selection and concentration of advertising investment and personnel optimization in Japan and overseas.

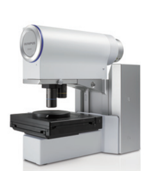
## Q5

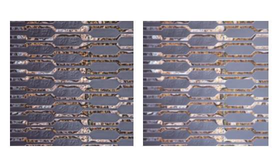
**The competitive environment facing the Imaging Business and the profit structure seem more adverse than those facing the other core business domains. In such circumstances, what reasons are there for Olympus to continue the Imaging Business?**

### Providing superb imaging technologies to the Medical Business and the life science field

**A** As I mentioned previously, the Imaging Business is simultaneously a brand driver and an optical and imaging technology driver. An important purpose of the Imaging Business is to apply imaging technologies created in an adverse competitive environment to the medical and life science fields.

For instance, one strength of Olympus' Medical Business is technological capabilities in the imaging field. For gastrointestinal endoscopes and surgical endoscopes alike, the existence of high-value-added, excellent imaging technologies is a prerequisite to the establishment of new diagnostic methods. Since product cycles in the Imaging Business are extremely short, Olympus continually operates on the leading edge of imaging technologies. In the Medical Business, however, to cite one example, the development period for the EVIS EXERA III, a core endoscopy system introduced this spring, was seven years. Products in the Medical Business have different lifecycles from those in the Imaging Business, and development cycles are rather long. If we didn't have the Imaging Business, a seven-year gap would occur in imaging technologies that might make it difficult to introduce the latest innovations into the medical field. This would result in a wide technological gap between Olympus and competitors and might lead us to lose our competitive edge in development. That is not to say that it is acceptable for the Imaging Business to operate at a loss. By reliably implementing the measures in the medium-term vision, we will devise ways of creating a business structure that can continuously and reliably generate operating income.





# Q6

**What is the future direction for non-core business domains?**

A We have defined businesses other than the Medical, Life Science & Industrial, and Imaging businesses as non-core business domains, and will reconsider optimal measures to improve the value of each of them. Although we have invested in wide-ranging fields for the purpose of creating new businesses, as things now stand there are many investments that have not developed into businesses. We recognize that stringent business selection and concentration is necessary and will decisively divest, downsize, liquidate, or withdraw from businesses whose profitability or growth potential make continuation of operations within the Olympus Group difficult after examining their relationship to the core business domains.

We have already begun this initiative. Specifically, we have decided to proceed with the sale or liquidation of three companies in Japan (Altis, NEWS CHEF, and Humalabo) by the end of the current fiscal year. In addition, Olympus Business Creation Corp., a company with more than 20 subsidiaries that engages in wide-ranging projects related to new businesses, such as medical-related service businesses and the construction and operation of IT infrastructure, plans to reduce the number of subsidiaries to a few companies in the next two years. We will move steadily ahead with selection and concentration measures, including the disposal of subsidiaries from which synergies with the core business domains cannot be expected.

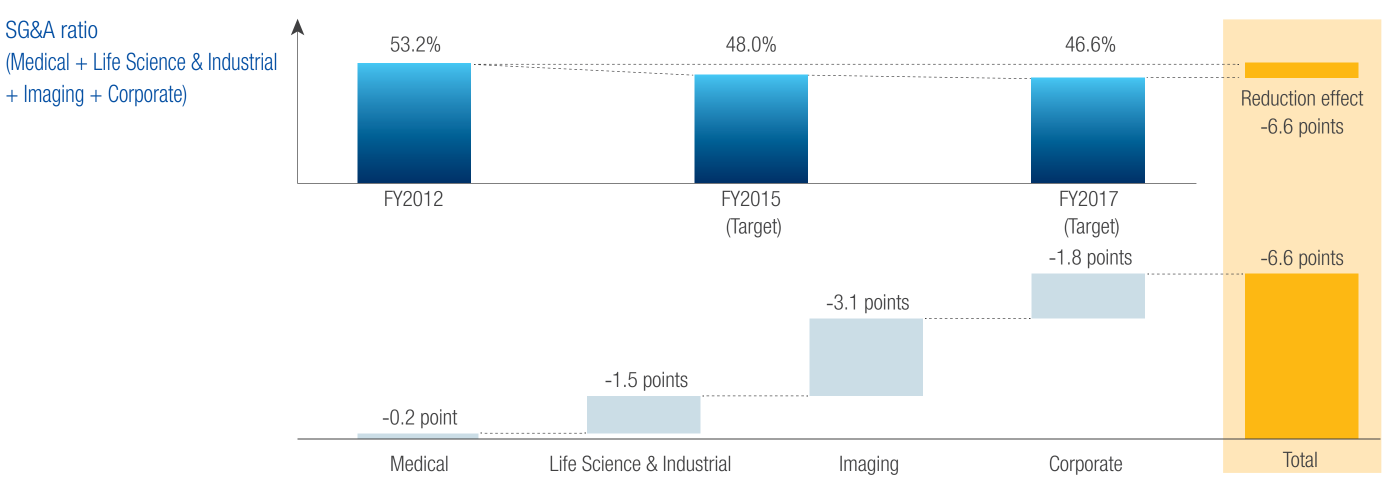
# Q7

**Please discuss in detail the second strategy: the review of cost structures. How is it different from Cost Cutting 20, the previously announced initiative?**

A Although we have already engaged in cost-cutting initiatives, such as Cost Cutting 20, these initiatives have stopped at cost-reduction measures, which consist only of short-term measures to reduce expenses. The review is a more in-depth cost-reduction initiative that will transform all cost structures through business restructuring and will reform business structures at Olympus from a medium- to long-term perspective. It does not end with mere cost reductions. By fundamentally reviewing cost structures and reinvesting the resulting cash flows, we seek to improve overall Group profitability in the long term.

The ratio of SG&A expenses to sales at Olympus is extremely high. Looking at the situation the other way around, there is enormous room for improvement. By proactively accelerating cutbacks to Groupwide SG&A expenses, which means reducing costs by restructuring production sites and reinforcing procurement

**SG&A Expense Reduction Activities**



capabilities, and through personnel optimization, we aim to reduce the total SG&A ratio, including of core business domains (Medical, Life Science & Industrial, and Imaging) and corporate expenses, by 6.6 percentage points over the five-year period to fiscal 2017. This represents a reduction of approximately ¥38.0 billion on a fiscal 2012 sales basis. The fruits of these efforts will contribute to investment in next-generation products and businesses. By preparing for future growth, we are working to further improve corporate value.

### >>> Groupwide Personnel Optimization

Through the restructuring of subsidiaries and production sites worldwide, in addition to selection and concentration in each business field, and to enhance the efficiency of the workforce at corporate departments, we plan to reduce the number of employees worldwide by 2,700, or approximately 7%, by the end of fiscal 2014. At the same time, we will reassign personnel to organizations that require additional staff, focusing on growth fields.

### >>> Cost Reductions from Restructuring Production Sites and Strengthening Procurement

To reduce costs, we will also engage in structural reforms of procurement and by restructuring production sites. Specifically, we will first of all, centrally control Groupwide procurement to reduce procurement costs. Furthermore, we will boost cost competitiveness by eliminating approximately 40% of our thirty production sites worldwide by fiscal 2015 and increasing plant efficiency and operating rate. We plan to finalize the details together with the authorities in host countries. To cite one example, we have already decided to begin procedures to deactivate a microscope plant in the Philippines in fiscal 2013.

Through such initiatives, we seek an improvement of two percentage points in the cost of sales ratio in the core business domains by fiscal 2015 and an improvement of three points by fiscal 2017.

## Q8

**Please discuss the current financial situation and medium- to long-term improvement measures.**

**A** As the plans in the medium-term vision demonstrate, we will improve the financial position without fail in the medium to long term. By vigorously implementing business structure reforms, we will secure stable profits and steadily increase shareholders' equity. We will also maximize cash flows and reduce interest-bearing debt by efficiently investing in each business taking an overall management perspective.

### Current Financial Indicators and Targets

| | FY2012 | FY2017 (Plan) |
|---|---|---|
| Operating margin | 4% | 10% or more |
| (Medical) | 20% | 22% |
| (Life Science & Industrial) | 6% | 12% |
| (Imaging) | -8% | 5% |
| SG&A ratio to net sales (Medical, Life Science & Industrial, Imaging, Corporate) | 53% | 47% |
| Free cash flows | -¥4.8 billion | ¥70.0 billion or more |
| Equity ratio | 4.6% | 30% or more |
| Balance of interest-bearing debt | ¥642.4 billion | ¥300.0 billion |

### >>> Current Financial Conditions and Targets

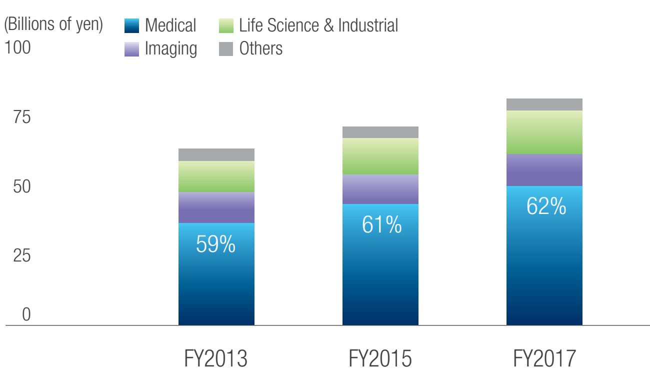
The equity ratio decreased from 11% at the fiscal 2011 year-end to 4.6% at the fiscal 2012 year-end. In view of global economic trends, that include the European economic crisis and yen appreciation, the current operating environment is highly adverse, and one of the most important management tasks is to rapidly restore a stable financial position. Our immediate aim is to swiftly achieve an equity ratio of approximately 10% by further strengthening our businesses and financial position.

Our target is an equity ratio of 30% or more at the end of fiscal 2017, and one initiative to achieve this target is the streamlining of assets through the rapid sale of idle property, plant and equipment and inventory reduction. In addition, we will allocate cash flows generated by our businesses to the repayment of interest-bearing debt. In this way, we will nearly halve interest-bearing debt to approximately ¥300 billion by fiscal 2017.

## Capital Allocation (R&D, CAPEX, Shareholder Returns)

Continue to invest to promote growth, with particular focus on the Medical Business, and aim for rapid resumption of dividend payments and higher shareholder returns.

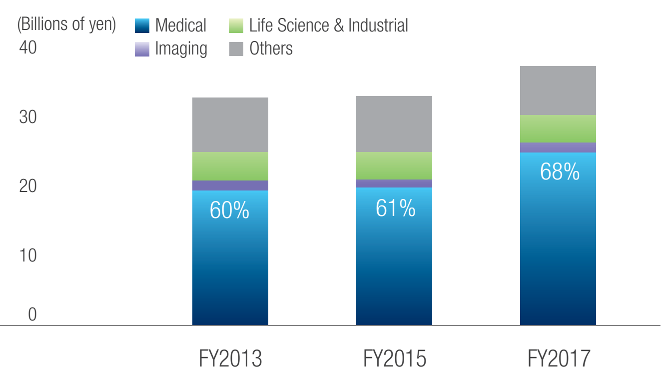
### R&D Investment




**Ratio of R&D expenses to net sales**: 7.0% (FY2013), 7.1% (FY2015), 7.0% (FY2017)

- **Maintain the ratio of R&D expenses to consolidated net sales at the 7% level**
- **Increase the composition ratio of the Medical Business by 3 points**

### CAPEX




**Ratio of CAPEX to net sales**: 3.6% (FY2013), 3.3% (FY2015), 3.2% (FY2017)

- **Maintain the ratio of CAPEX to consolidated net sales at the 3% level**
- **Increase the composition ratio of the Medical Business by 8 points**

### >>> R&D Investment and Capital Expenditures

Since Olympus is a manufacturing company, I believe that investment in the future is extremely important. Even as we strive for rigorous cost reductions and profitability improvements, we will step up investment in technology development and facilities and make strategic moves for future growth. We plan to invest 7% of net sales in R&D on an ongoing basis. Although we will allocate the appropriate capital to each business sector, we plan to increase the share of investments in the Medical Business, a growth sector, by three percentage points in fiscal 2017.

We plan to maintain capital expenditures at 3% of net sales. We plan to increase the CAPEX share of the Medical Business by eight percentage points in fiscal 2017 in step with the expansion of the surgical devices business.

## Q9

**Finally, what is your message to stakeholders?**

A Through these various reforms, Olympus will succeed in returning to profitability by fiscal 2013. We aim to achieve net sales of ¥1,160 billion, operating income of ¥130 billion, and an operating margin of approximately 11% within five years, by fiscal 2017. I believe the key to the revitalization of Olympus will be how earnestly we implement and achieve this medium-term vision.

Olympus is a profoundly earnest company, and our employees exhibit great honesty and integrity. For this reason, I am convinced that we will not fail to achieve our financial plans if all our Olympus employees share in the aspirations of the medium-term vision and devote themselves wholeheartedly to implementing the plan.

I promise to revitalize Olympus without fail and to meet the expectations of our shareholders and other stakeholders. I urge you to have high expectations of the reborn Olympus.

### Financial Plans

| | FY2012 Results | FY2013 Plan | FY2015 Plan | FY2017 Plan |
|---|---|---|---|---|
| Net sales | ¥848.5 billion | ¥920.0 billion | ¥1,010.0 billion | ¥1,160.0 billion |
| Operating income (Operating margin) | ¥35.5 billion<br>4% | ¥50.0 billion<br>5% | ¥90.0 billion<br>9% | ¥130.0 billion<br>11% |
| Ordinary income (Ordinary income ratio) | ¥17.9 billion<br>2% | ¥21.0 billion<br>2% | ¥70.0 billion<br>7% | ¥115.0 billion<br>10% |
| Net income (Net income ratio) | –¥49.0 billion<br>-6% | ¥7.0 billion<br>1% | ¥40.0 billion<br>4% | ¥85.0 billion<br>7% |
| EBITDA (Net sales ratio) | ¥80.3 billion<br>9% | ¥95.0 billion<br>10% | ¥140.0 billion<br>14% | ¥185.0 billion<br>16% |

Note: These figures include the Information & Communication Business, however, Olympus has resolved to transfer the business to Japan Industrial Partners, Inc., on August 24, 2012. The transfer will be carried out on September 28, 2012.

Exchange rates: US$1 = ¥80, 1 EUR = ¥100

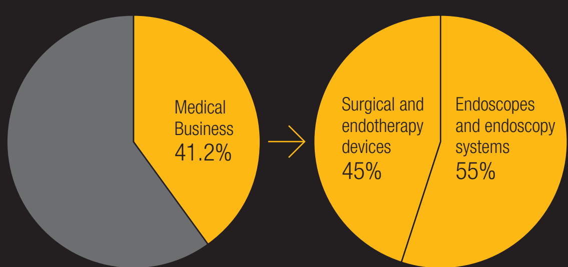
# SPECIAL FEATURE

# Olympus Medical Technology

Strategic products designed to deliver exceptional medical outcomes and drive future growth

## Leading Olympus Business Segment

The Medical Business accounts for more than 40% of consolidated net sales at Olympus, making it the largest core business of the Company. This segment is comprised of three business lines: endoscopes and endoscopy systems, surgical devices, and endotherapy (diagnostic and therapeutic) devices.




Consolidated Sales
¥848.5 billion
(Results of period ended March 2012)

## Global Sales, Service, and Manufacturing Activities

We have over 200 service locations around the world on six continents: North America, South America, Europe, Asia, Australia, and Africa. This network is second to none among global manufacturers of medical instruments. Olympus conducts service quality evaluations at our locations worldwide, building toward a service system that ensures the same high-quality service in any country or region.

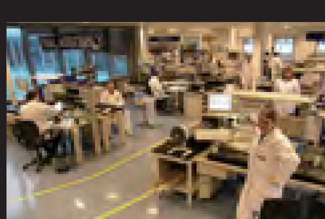
## A Global Trilateral Organization for Production

Olympus is currently constructing a global, trilateral organization comprised of the Americas, Europe, and Japan/Asia. In the Americas, manufacturing is based at Olympus Surgical Technologies America (formerly Gyrus ACMI) and focuses on flexible and rigid endoscopes for surgery as well as devices for otorhinolaryngology, urology, and gynecology. In Europe, manufacturing focuses on rigid endoscopes and endotherapy devices. In Japan/Asia, our plants manufacture endoscope systems (endoscopes, video processors, and light sources) and endotherapy devices. At the plant in Vietnam, Olympus plans to further expand production of devices.

## Global Manufacturing Activities and Sales/Service System

**Sales: 1 domestic, 35 overseas**
**Services: More than 200 worldwide**
**Manufacturing: 4 domestic, 10 overseas**

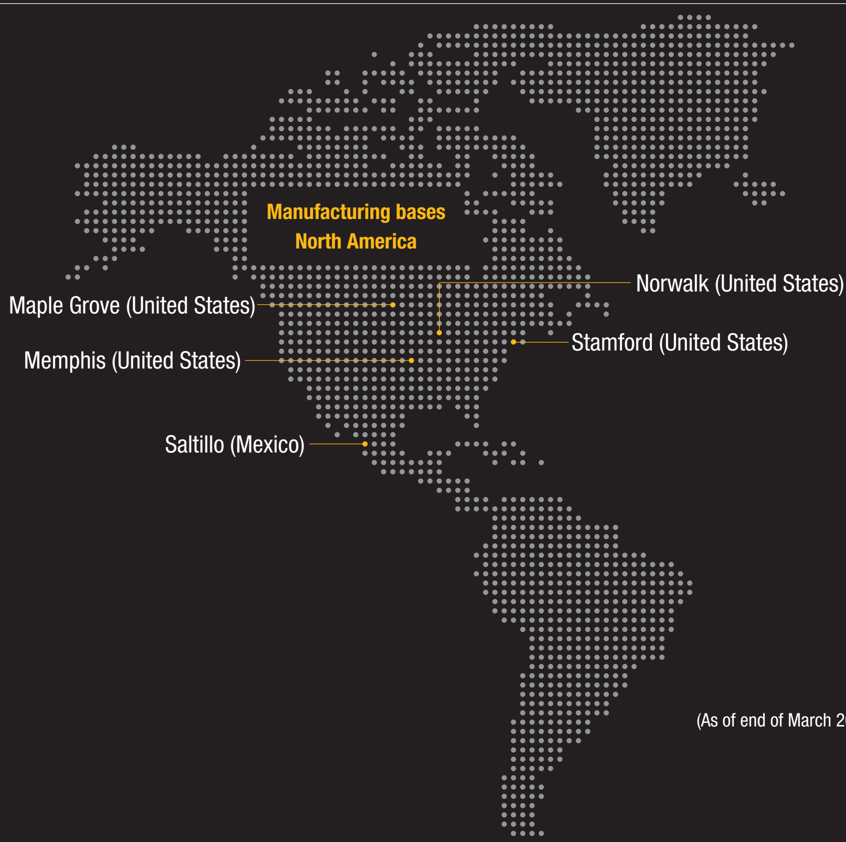

Manufacturing expertise unique to Olympus (Aizu/Fukushima, Japan)



Repairing equipment to new product standards (Hamburg, Germany)

Olympus service center (Gurgaon, India)

World-class training center (Shanghai, China)




(As of end of March 2012)

World's largest endoscope repair center (San Jose, U.S.A.)

Manufacturing market-leading urological and gynecological equipment (Maple Grove, U.S.A., formerly a Gyrus ACMI facility)

SPECIAL FEATURE

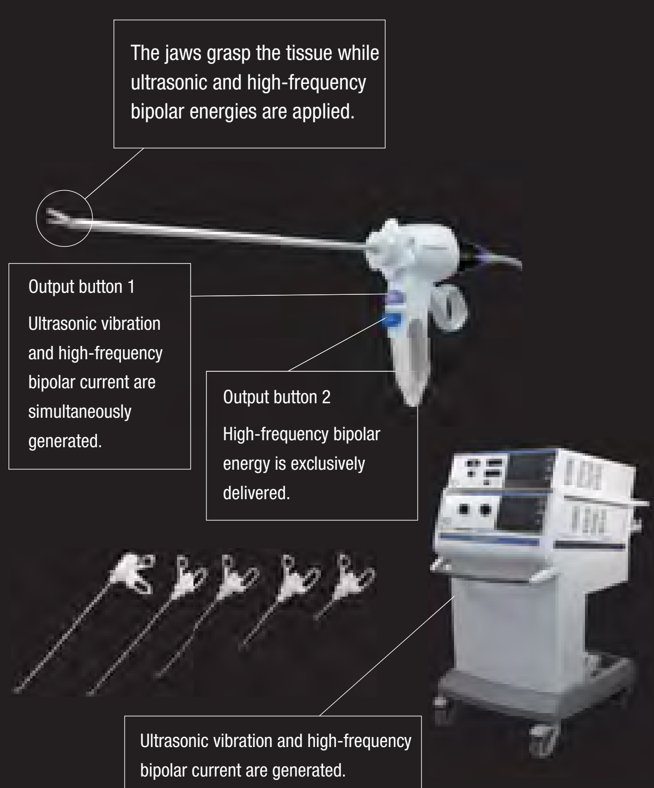
Olympus Medical Technology


## Surgical Energy Device

# THUNDERBEAT

Olympus has succeeded in developing the world's only surgical device that simultaneously delivers high-frequency bipolar energy, for effective vessel sealing, and ultrasonic energy, for precise tissue cutting and dissection, with minimal thermal spread. The jaw's precision design also provides excellent grasping capabilities.

### Overview of the THUNDERBEAT System




Note: Launch of THUNDERBEAT surgical energy device in Japan is pending regulatory approval. THUNDERBEAT has been launched in the Europe and the Americas.

### A Word from the Developers

#### The Challenge of Creating the World's First Integrated Energy Device

In the course of developing medical solutions, we research current products and how to improve them by talking directly with doctors engaged in implementing new surgical procedures. On one occasion, we observed tissue being removed by ultrasonic vibration following the cauterization of the diseased portion using high-frequency bipolar current. It occurred to us that by integrating these two devices, it would become possible to rapidly cut tissue while effectively sealing blood vessels. This led us to address the requirements for this kind of system, such as improving the vessel-sealing ability of the ultrasonic energy device and simplifying the operation of the bipolar energy device.

At the time, Olympus possessed both bipolar current and ultrasonic vibration technology, but not in a single device. This innovation would represent the world's first device that integrated the two technologies; therefore, it proved to be a process of experimentation by trial and error. We repeatedly developed prototypes and sought advice from some of the world's best surgeons in Japan, the United States, and Europe. We are proud that our endeavor resulted in THUNDERBEAT. This integrated energy device is highly functional and minimally invasive, achieving the Olympus Medical Business Group's mission: "Driven by our customers' quest for clinical excellence, efficiency, and peace of mind, we apply knowledge, vision, and solutions."

**Mitsumasa Okada**

General Manager, Therapeutic Products Department
Olympus Medical Systems Corp.

## Background: From Major Abdominal Operations to Minimally Invasive Endoscopic Surgery

With the introduction of laparoscopic cholecystectomy (minimally invasive surgical gallbladder removal) in the 1990s, laparoscopic or minimally invasive surgery has become widely accepted due to its reduced impact on patients. Recently, laparoscopic applications have expanded to surgeries requiring advanced technology, such as operations on malignant tumors and bariatric surgeries. Moreover, an increasing demand for these procedures can be expected in the future due to the spread of colorectal cancer and obesity in the global population.

To improve the efficiency of these operations as well as promote their widespread acceptance and use, we developed a single-energy device capable of multiple, complex tasks. Our innovation, THUNDERBEAT, enables not only vessel sealing, hemostasis, and tissue coagulation but also precise dissection and cutting, which is made possible by the jaw tip's precision design. In addition, the combination of THUNDERBEAT with high-resolution endoscopic imagery is expected to enable far more precise and effective surgical procedures.

To contribute value to society, Olympus will continue to advance minimally invasive solutions with a "see and treat" approach. By integrating observation, diagnosis, and treatment technologies, we strive to enhance lives around the globe.

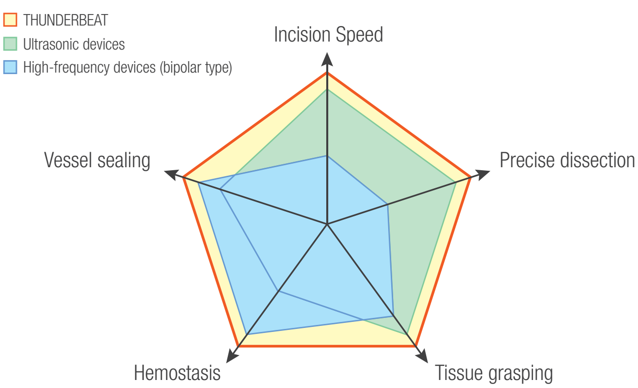
## Product Features: Hemostatic Function and an Unprecedented Incision Speed for Improved Surgical Efficiency

We were motivated to work toward a single device that could meet surgeons' demands for superior medical effectiveness and efficiency through safer, swifter incisions, and convenient, reliable vessel sealing to minimize blood loss.

### THUNDERBEAT Features

1. Simple operation delivering unprecedented incision speeds
2. Reliable sealing of blood vessels up to and including 7 mm in diameter
3. Integrated delivery via a single device capable of multiple tasks, including incision, tissue removal, blood vessel sealing, and hemostasis

### THUNDERBEAT Features—Comparison of Effectiveness



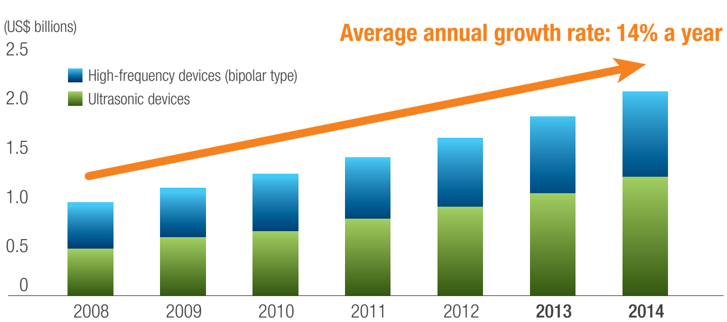

## Market Scale and Future Outlook: Energy Devices

With a robust average growth rate for the surgical energy device market of 14% per year (source: Olympus internal study), the market scale for the fiscal year ended March 31, 2011, reached about US$1.4 billion.

Two U.S. manufacturers currently account for more than 80% of the global market share (source: Olympus internal study). By contrast, while Olympus holds the top position among Japanese manufacturers, our share of the global market is only about 13%.

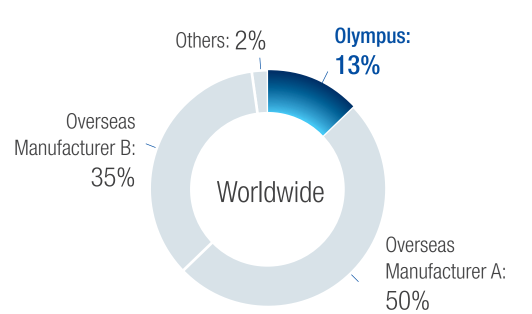
By creating new markets based on our overwhelming and inimitable technological edge, and by maximizing the power of the Olympus sales network (bolstered by our acquisition of Gyrus ACMI), we expect to achieve steady future gains in the surgical arena.

### Global Market for Surgical Energy Devices




Source: Olympus internal study, 2011

### Market Share for Surgical Energy Devices




Source: Olympus internal study, 2011

SPECIAL FEATURE
Olympus Medical Technology

## Gastrointestinal Video Endoscopy System

# EVIS EXERA III

EVIS EXERA III

After seven years in development, Olympus has brought together all of our expert technology to unveil the EVIS EXERA III video endoscopy system, a renewed, next-generation series for the global gastrointestinal endoscopy market.

This endoscopy platform provides superior image quality to commercially available products, which enables observation with greater detail, delivers improved ease of operation, and contributes to operational efficiencies.

### Drawing on the Evolution from Gastrocamera to Endoscope

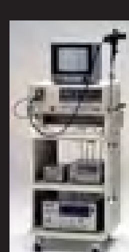
In 1950, Olympus developed the world's first practical gastrocamera, making a major contribution to the establishment of early-stage detection for stomach cancer, Japan's most prevalent killer at the time. In subsequent years, we have worked diligently to perfect fiberscope and videoscope technologies, pouring our resources into the development of a wide variety of detection and treatment methods using endoscopes and endoscopic devices. Olympus has added to these pioneering achievements with other breakthroughs, such as the world's first high-definition endoscope system and our own proprietary narrow band imaging (NBI) technology. By consistently working to understand the complex needs of physicians while enhancing the lives of patients, Olympus continues to be the leader in endoscopy, with a 70% market share worldwide.

### Timeline of Olympus Endoscope Development

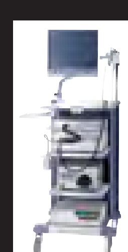
1950 — Gastrocamera

1963 — Fiberscope

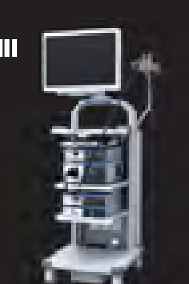
1982 — Videoscope system



2002 — High-definition endoscope system



2012 — EVIS EXERA III



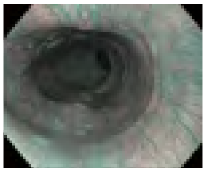
## Product Features: Three Major Improvements in Enhanced Performance and Efficiency

### 1. Improvement of observation performance

Unprecedented high-density imaging and improvements in optical digital technology enables improved observation performance, intended to allow physicians to provide more accurate patient diagnoses.

Development of NBI optical digital technology
- Improvement of xenon lamp and optical system
- Sensitivity improvements in charge-coupled device (CCD)
- Image improvements through decreased noise

Conventional product
NBI observation mode



New product
NBI observation mode

### 3. Improvement of operation efficiency with simplified setup and reprocessing

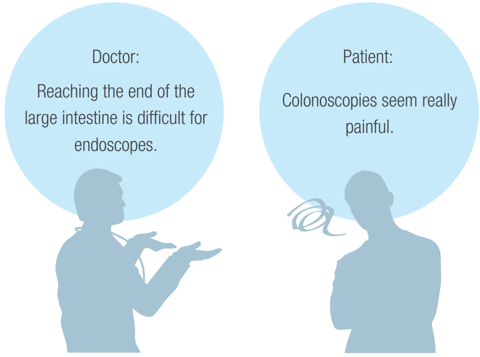
With improved operability and complete waterproofing of the endoscope, this new series improves procedural efficiency and reduces the workload placed on both the doctor and hospital staff.

Conventional product
Cable splicing in two locations and installation of waterproof caps

New product
One action design and complete waterproof design

### 2. Improvement of insertion

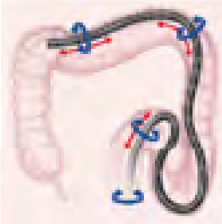
Improvements in the ease of colonoscope insertion enhance control for the physician and reduce discomfort for the patient.




**Passive bending**

The new, soft, passive bending insertion section is designed to better follow the acute turns of the intestine.

**High force transmission**



The high force transmission insertion section enables a 1:1 transfer of pushing and rotating forces to the distal end of the colonoscope, improving ergonomics and scope responsiveness.

## Outlook for the Future: Aiming for Further Expansion of Our Current 70% Global Market Share

In June 2012, Olympus announced a medium-term vision that includes an ambitious average annual growth target of 9% while securing a large share of the gastrointestinal endoscope market segment.

As aging populations grow in developed countries, controlling the cost of social security in those economies is becoming an increasingly pressing concern. Patient quality of life and efficient hospital management are recognized to be serious issues in every country. As such, the demand for endoscopy as a means for early diagnosis and treatment can be expected to expand.

As the leading company in gastrointestinal endoscopy, Olympus will continue contributing to the realization of a medical environment characterized by greater consideration for the physical and psychological needs of people around the world. We will achieve this through our commitment to the ongoing development and introduction of cutting-edge endoscopic solutions that reflect the procedural needs of physicians and medical staff as they work toward more effective and efficient care for their patients.

### EVIS EXERA III: For a Broad Range of Diagnostic and Treatment Applications

In addition to gastrointestinal endoscopy applications, the EVIS EXERA III universal platform can help contribute to efficient surgical environments in medical institutions. It can be used effectively for endoscopy in laparoscopic surgery, as well as for respiratory, urinary, and otorhinolaryngology procedures.

For instance, gastrointestinal endoscopy is routinely used in the operating room ("GI in the OR") by U.S. surgeons. Following surgeries involving incisions in the stomach or colon resection, gastrointestinal endoscopy can be performed to visually inspect the procedure site and to maintain postoperative observation, increasing the chances for a safe and efficient outcome. Our gastrointestinal endoscopy systems developed for Europe and the United States are also configured for connecting to a surgical scope, giving them a significant advantage over competing products.

Olympus strives to help improve procedural outcomes and enhance the quality of life for patients. We do so by providing cutting-edge systems for healthcare professionals and capitalizing on our leading position as the only manufacturer offering comprehensive, minimally invasive endoscopy systems focused on early diagnosis and treatment.

# SPECIAL FEATURE
**Olympus Medical Technology**


## Video Endoscopy System for Emerging Markets

# Axeon

Axeon

Axeon is a gastrointestinal endoscopy system developed primarily for emerging markets with the legacy of Olympus technology to meet customer expectations globally for high-performing, quality products.

An LED built into the tip of the endoscope functions as the light source, enabling the Axeon system to achieve reduced power requirements. By offering these affordable, state-of-the-art endoscopic solutions, Olympus provides effective endoscopic examination support for medical institutions in emerging markets.

## Product Features: Low Price and Simplicity of Design Achieved Without Compromising Performance or Quality

1. Compact and light-weight system
• About half the size and weight of conventional integrated light source models
• Easy operation via a simple front panel design

2. Distal-end LED
• Long-lasting, compact, integrated LED light source makes conventional lamp replacement obsolete, eliminates the need for a cooling fan, and increases energy efficiency

3. Waterproof design
• Waterproof, one-touch connector simplifies reprocessing
• Simple and easy to use, even for staff members new to the system

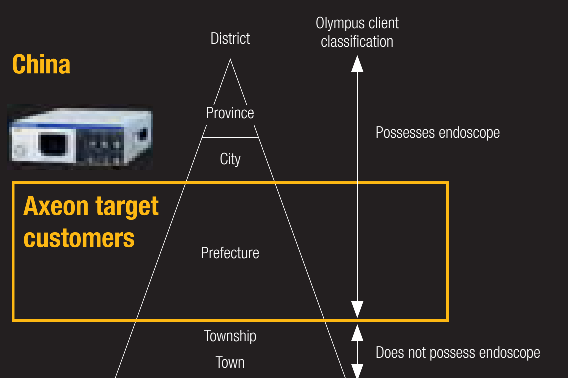
## Future Outlook: Expanding the Range of Endoscopic Medical Treatment by Establishing Training Centers

Economic growth is expanding the demand for endoscopy as a means of early detection and treatment of gastrointestinal diseases, such as cancerous lesions, in emerging markets. However, the number of doctors trained to perform endoscopy is insufficient, and medical facilities are unable to keep pace with the growing demand in these markets.

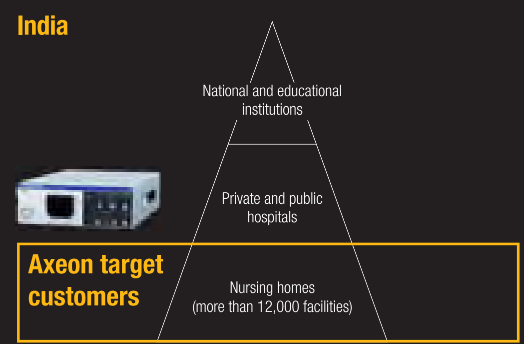
In our medium-term vision, Olympus has set an aggressive growth target for average annual sales of 23% in emerging markets. One of the critical components affecting this target is the implementation of physician training programs in developing nations so that they are able to offer endoscopy services. Toward that end, Olympus has already established a training center in China for advanced endoscopic treatment. In the future, training centers will also be established in more than 20 other regions in Asia.

### Target Area of Axeon: BRICS (Brazil, Russia, India, China and South Africa), Asia (excluding Japan), Middle East, and Latin America

Note: Launch date for each country will vary depending on regulatory compliance and approval. Axeon is not for sale in the United States, UK, Japan and some Asian Pacific countries.




Note: To be introduced to the Chinese market after obtaining regulatory approval




Nursing homes • Indian regional healthcare platform
• Small hospitals with 40 beds or less

## New Endotherapy Device

# ITknife nanoTM

In June 2012, Olympus Japan launched the ITknife nanoTM, a disposable, high-frequency knife for endoscopic submucosal dissection (ESD) of lesions in the esophagus and large intestine. Olympus in the Americas will launch this exciting new product later this year.

### Product Features

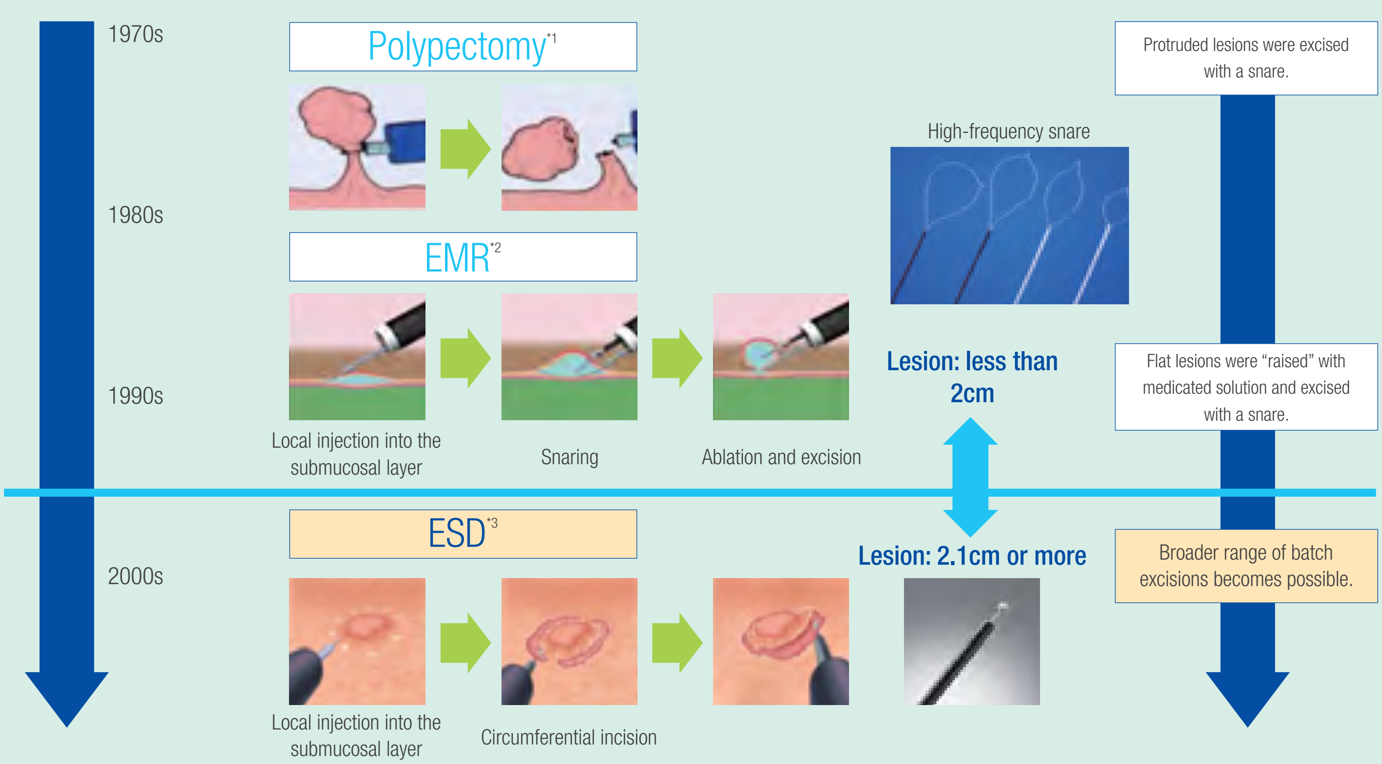
1. The ceramic tip at the distal end of this device is insulated to help perform incisions and dissections more effectively without impacting deeper areas of the mucosa.
2. The incision knife tip is smaller in size than its predecessor, the ITKnife2, and is designed to improve maneuverability.


### ESD and Olympus

The advent of ESD marked a departure in endoscopy therapy from that of the 20th century, greatly expanding the range of endoscopic treatment by enabling more minimally invasive procedures than previously thought possible. However, ESD was very difficult technically and there were many hurdles which limited general acceptance, including the length of treatment times and the risks of procedural error.

To remedy this situation, in 2002, Olympus introduced the world's first dedicated ESD device, the ITknifeTM. Lesions exceeding 2cm that were previously removed through laparotomy could now be removed and treated with an integrated endoscope and endotherapy device. Subsequently, the range of treatments using ESD has expanded to both the esophagus and large intestine. Over the past decade, Olympus has continued to develop and fine tune ESD products based on valuable feedback from medical professionals. This has contributed to the increasing acceptance and procedural advancement of ESD in the marketplace. Over the past decade, Olympus has remained the leader in ESD technologies, commanding a significant share of this growing market. We intend to continue this trend, developing technologies optimized for ESD, to further expand their application.

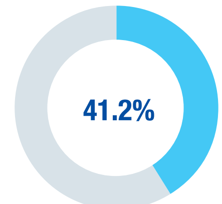
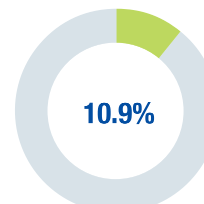
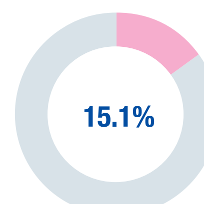
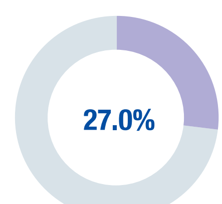
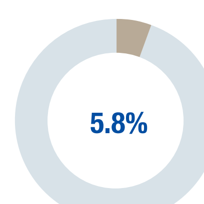
### ESD in Endoscopic Therapy: Evolution of Endoscope Treatment Techniques for Early Stage Cancer

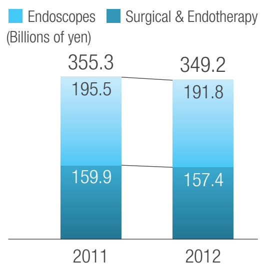
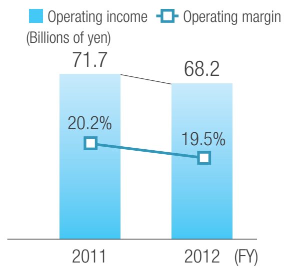
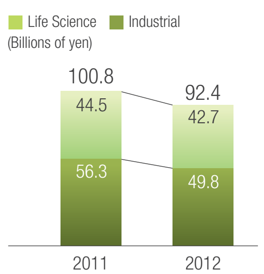
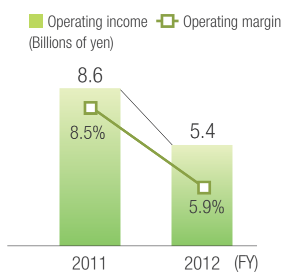
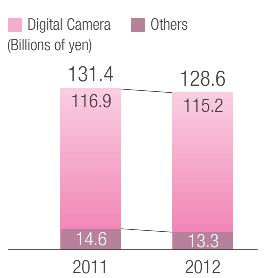
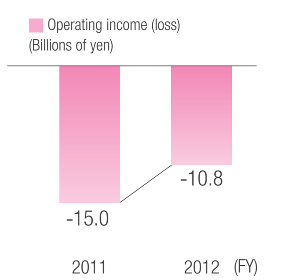
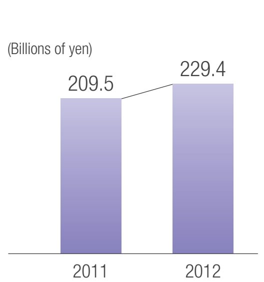
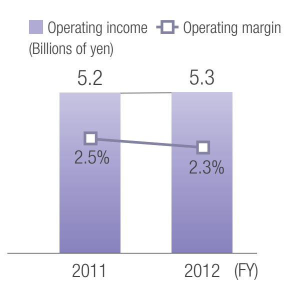
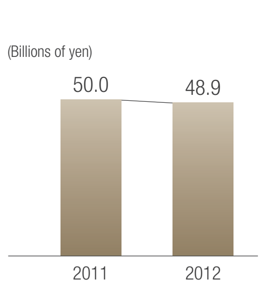
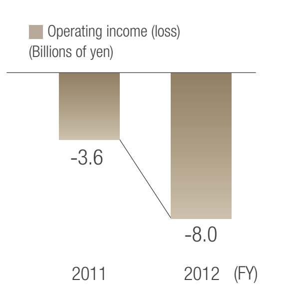



*1 Polypectomy: Technique used to excise polyp lesions that protrude from mucosal epithelia
*2 EMR (endoscopic mucosal resection, that is, endoscopic mucous membrane excision): Technique for injecting organic saline solution between normal tissue and cancers of the stomach or large intestine, and excising the cancer with a snare
*3 ESD (endoscopic submucosal dissection): Technique used in excision of a broad range of early-stage lesions

# At a Glance

Fiscal year ("Fiscal," "FY"), the year ended/ending March 31

| Business Segment | Business Description | Results of Operations (FY2012) | Share of Net Sales (FY2012) |
|---|---|---|---|
| Medical Business  | Olympus has the world's highest market share in the gastrointestinal endoscope field and is currently focusing on accelerating growth in the surgical and endotherapy devices field and in emerging markets. | In the first half of the fiscal year ended March 31, 2012, sales of mainstay gastrointestinal endoscopes were substantially affected by the Great East Japan Earthquake. In the second half of the year, however, product supply was restored and sales were strong. As a result, full-year net sales and operating income fell only 2% and 5% year-on-year, respectively. |  41.2% |
| Life Science & Industrial Business  | In the life science business, Olympus is a global market share leader for biological microscopes. Key products in the industrial business include industrial microscopes, industrial endoscopes, and ultrasonic flaw detectors. | Although full-year sales and profits declined year on year as a result of factors including the transfer of the inkjet printer business in March 2011 and the impact of foreign exchange and the Great East Japan Earthquake, both sales and profits were stable when these additional factors are excluded. |  10.9% |
| Imaging Business  | Olympus offers unique digital cameras, such as PEN and OM-D series next-generation mirrorless interchangeable-lens cameras and high-end, high-power zoom compact cameras, and voice recorders that command high market share. | Fiscal 2012, brought higher sales of mainstay models, nevertheless, full-year consolidated net sales fell year on year as a result of factors including the flooding in Thailand. Although an operating loss was recorded, the amount of loss decreased thanks to improvement in the cost of sales ratio and cost reductions. |  15.1% |
| Information & Communication Business  | Consolidated subsidiary ITX Corporation is one of the share leaders in the mobile handset sales market and operates stores all over Japan as a primary distributor for all mobile network operators. | Sales increased by 9.5% as a result of expansion of the mobile handset sales network and buoyant sales of smartphones. Operating income was nearly flat year on year, rising 0.7%, as a result of factors including the impact on goodwill of making ITX Corporation a wholly owned subsidiary in March 2011. |  27.0% |
| Others  | The focus of new business creation is the medical and healthcare fields, such as bone replacement material, and new businesses operated by Olympus Business Creation Corp. | Net sales from the Others business fell 2.3% year on year due to the impact of worsening market conditions overseas. Operating loss in the Others segment increased as a result of higher R&D costs attendant on the acquisition of a regenerative medicine-related business. |  5.8% |

| Net Sales | Operating Income / Margin | Targets in the Medium-Term Vision |
|---|---|---|
|  |  | FY2013<br>Net sales: ¥383.0 billion<br>Operating income: ¥75.0 billion<br>FY2015<br>Net sales: ¥470.0 billion<br>Operating income: ¥97.0 billion<br>FY2017<br>Net sales: ¥570.0 billion<br>Operating income: ¥126.0 billion |
|  |  | FY2013<br>Net sales: ¥97.0 billion<br>Operating income: ¥5.5 billion<br>FY2015<br>Net sales: ¥108.0 billion<br>Operating income: ¥8.0 billion<br>FY2017<br>Net sales: ¥120.0 billion<br>Operating income: ¥14.0 billion |
|  |  | FY2013<br>Net sales: ¥149.0 billion<br>Operating income: ¥1.0 billion<br>FY2015<br>Net sales: ¥160.0 billion<br>Operating income: ¥7.0 billion<br>FY2017<br>Net sales: ¥170.0 billion<br>Operating income: ¥9.0 billion |
|  |  | Olympus has resolved to transfer its Information & Communication Business to Japan Industrial Partners, Inc., on August 24, 2012. The transfer will be carried out on September 28, 2012. |
|  |  | For non-core business domains, Olympus will consider optimal value enhancement measures and decisively divest, downsize, liquidate, or withdraw from businesses whose profitability or growth potential make continuation of operations within the Olympus Group difficult. |













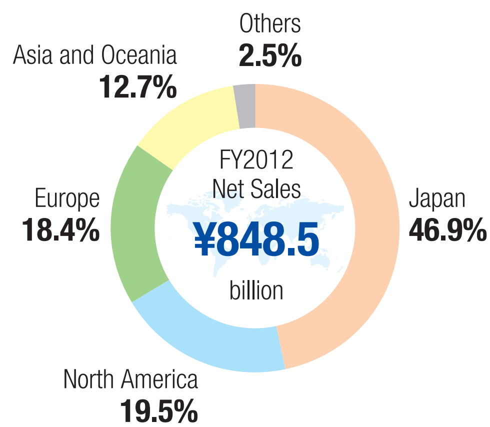








## Share of Net Sales by Region




## Company History

**1919**
Established as Takachiho Seisakusho to manufacture microscopes in Japan

**1936**
Launch of the first camera, marking entry into the camera business

**1950**
Development of the world's first practical gastro camera

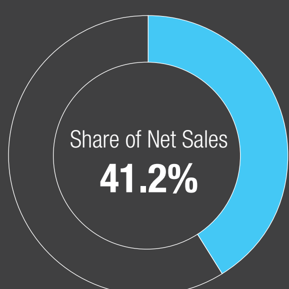
**1968**
Entry into the industrial endoscope area

**1975**
Entry into medical surgical endoscopy area

**1996**
Entry into the digital camera business

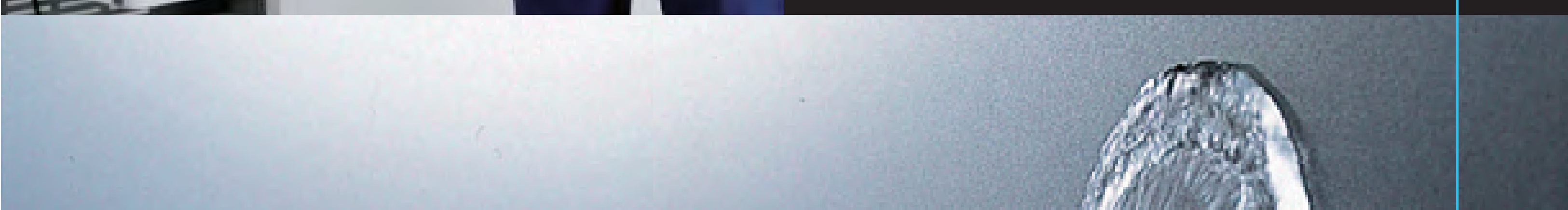
**2008**
Acquisition of the Gyrus Group PLC to strengthen the surgical area of the Medical Business

# MEDICAL BUSINESS




Olympus developed the world's first practical gastrointestinal endoscope in 1950, contributing greatly to the establishment of a method for the early diagnosis of gastric cancer, the leading cause of death in Japan at the time. Subsequently, we have worked diligently to perfect fiberscope and videoscope technologies, and to develop a wide variety of detection and treatment methods using endoscopes and endoscopic devices.

Today, the trend toward minimally invasive treatment is revolutionizing the front lines of medical care. Whereas surgery for gastric cancer and colon cancer previously required opening the abdominal cavity, it is now possible to perform surgery by simply making a small opening in the skin or eliminating the incision entirely by performing the procedure endoscopically. These breakthroughs have helped reduce the physical burden on patients and contributed to overall improvements in the quality of life.

## Main Products

### Gastrointestinal Endoscopy

**Endoscope systems:**

Flexible videoscopes and fiberscopes, video processors, light sources, liquid crystal display (LCD) panels, etc.

**Peripheral equipment:**

Video printers, endoscope cleaning systems, sterilization system, etc.

**Capsule endoscopy:**

Capsule endoscopes, recorders, real-time viewers, etc.

### Surgical Devices

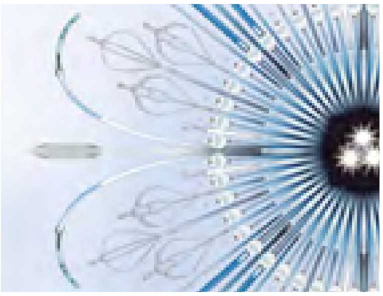
**Medical equipment for surgical therapy and surgery:**

Surgical video endoscope systems (surgical endoscopes, video processors, light sources, LCD panels, etc.), peripheral devices for endoscopic surgery, electrosurgical knives, etc.

### Endotherapy Devices

**Endoscopic devices for all disciplines of endoscopy:**

Biopsy forceps, high-frequency polypectomy snares, grasping forceps, stone retrieval and lithotriptor baskets, hemostasis accessories, etc.

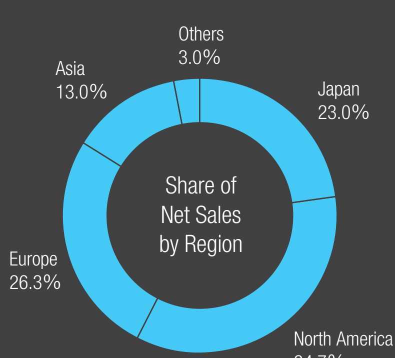


**Akihiro Taguchi**
President
Medical Group

# MEDICAL BUSINESS

Consolidated Net Sales
¥349.2 billion

Consolidated Operating Income
¥68.2 billion




(Fiscal 2012 results)

## Fiscal 2012 Business Results and Activities

In the first half of fiscal year ended March 31, 2012, sales of mainstay gastrointestinal endoscopes (LUCERA series) were substantially affected by the Great East Japan Earthquake. In the second half of the year, however, product supply was restored and sales were strong. As a result, full-year net sales and operating income fell only 2% and 5% year-on-year, respectively.

Although the impact on business of the deferred posting of past losses was a concern, business partners and physicians were understanding. As a result, the impact was limited, and the business was supported by strong demand.

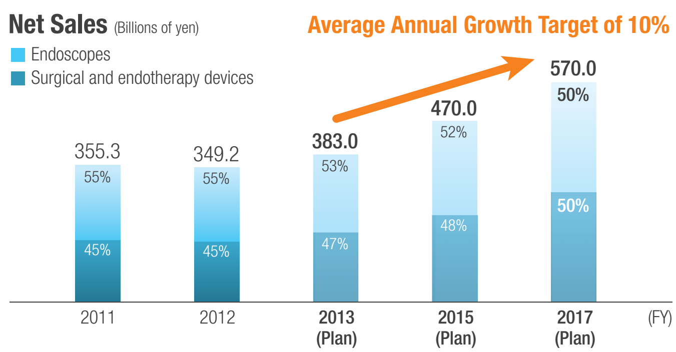
Consolidated net sales rose 3% and operating income rose 4% year-on-year, excluding the impact of foreign exchange transactions. Today, the Medical Business is achieving steady sales growth.

### New Products

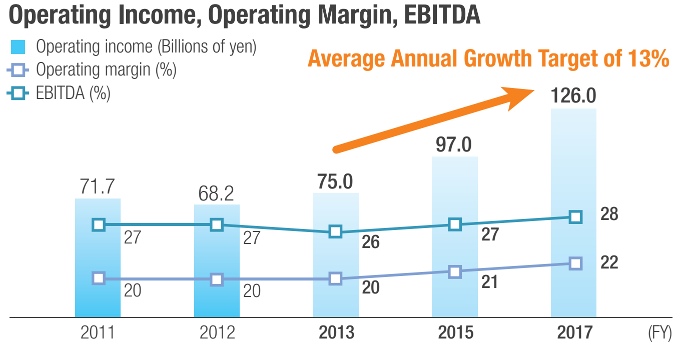
In our endoscopy, surgical, and endotherapy device businesses, Olympus has made significant progress in the development of strategically important new products that will serve as future growth drivers. In the spring of 2012, Olympus introduced to the gastrointestinal endoscopy field the EVIS EXERA III series, a next-generation gastrointestinal endoscope system, and Axeon, Olympus' first low-cost endoscope model for emerging markets.

In the surgical device field, Olympus introduced VISERA ELITE, a surgical endoscopy video system, as well as THUNDERBEAT, the world's first surgical energy device capable of simultaneously delivering bipolar high-frequency and ultrasonic energies.

**Net Sales** (Billions of yen)




**Operating Income, Operating Margin, EBITDA**



## Business Strategy as Part of Our Medium-Term Vision

**Medical Business**

➡ **Profit and growth driver**

### Business Environment

As aging populations increase, especially in developed countries, improvement of patient quality of life and control of both healthcare and social security costs have become urgent priorities in countries all over the world. Olympus is the only company in the world with technologies for the development and manufacture of medical and surgical devices that meet the full spectrum of procedural needs, from early detection and diagnoses to minimally invasive treatments. Olympus will seek further business expansion by capitalizing on our unique ability to create solutions capable of delivering both new diagnostic methods and new minimally invasive treatments.

### Policy 1

**In the field of gastrointestinal endoscopy, in which Olympus has captured a global market share exceeding 70%, Olympus aims for average annual growth of 9%, while further strengthening the business base and maintaining high market share.**

In April 2012, during the first year of our medium-term vision, Olympus introduced the EVIS EXERA III series. This represented our first release of a new gastrointestinal endoscope system for Europe and North America in more than seven years. This new platform delivers improved observation, new insertion technologies, and enhanced operational efficiencies.

Olympus aims to maintain our dominant market share and achieve high growth by continuously introducing new products incorporating differentiating technologies, such as narrow band imaging (NBI).

### Policy 2

**The field of surgical devices is a growth driver in which Olympus aims for average annual sales growth of 14% by providing solutions that help surgeons diagnose and treat more effectively.**

One of our growth strategies in the surgical devices field was the introduction of VISERA ELITE, our first release of a new surgical endoscopy video system in the last five years. Olympus aims to take advantage of the system's extremely high-resolution and high-fidelity color reproduction to capture a global market share within the next three years of 25% in the operating-room imaging arena.

A second key strategy is to drive business growth with sales of THUNDERBEAT, the world's first surgical energy device capable of simultaneously delivering bipolar high-frequency and ultrasonic energies.

In the coming years, Olympus will pursue business expansion in this field by taking maximum advantage of the powerful sales network we acquired through our acquisition of Gyrus ACMI.

### Policy 3

**Aim for an average annual growth of 23% by expanding total sales in emerging markets.**

In emerging markets, principally China, demand for healthcare has rapidly increased in step with rapid economic development, and Olympus has pursued a business strategy adapted to this growth. In China in particular, Olympus has achieved significant expansion with growth in annual sales exceeding 25% over the last several years.

What is important in emerging markets is to increase the number of physicians capable of using endoscopes. To meet this need, Olympus established an advanced training center in Shanghai in 2008 and another in Beijing in 2010. Both facilities have been successful in training physicians and promoting the use of endoscopy in China. Future plans call for establishing more than 20 other training centers in Asia to further accelerate this initiative.

In addition, to meet needs in high-growth countries, Olympus introduced Axeon, the Company's first low-cost endoscope model for emerging markets. This introduction will help with Olympus' expansion plans, designed to enable general practitioners to perform endoscopic examinations to better meet the needs of their communities.

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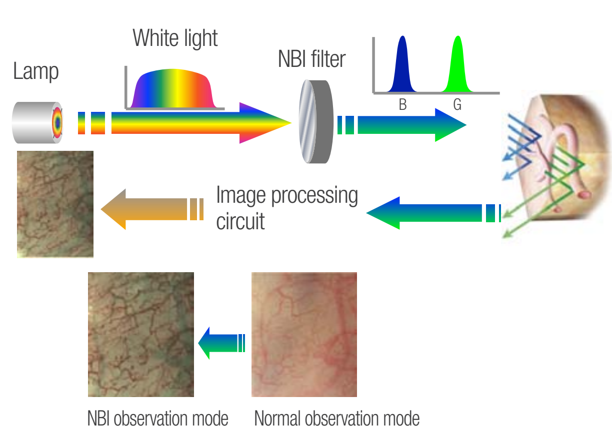
Improved Observation Performance from Further Advancements in NBI

### Systems equipped with NBI, an Olympus proprietary technology, enhance visibility.

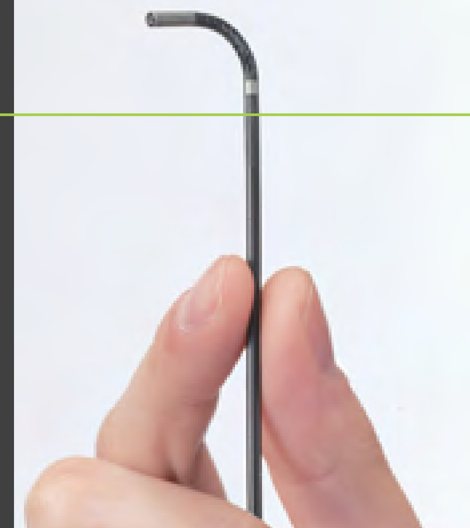
Narrow band imaging (NBI) is a technology that uses blue and green wavelength light to enhance the visibility of capillaries and other structures on the mucosal surface. Specifically, irradiation with light having wavelengths easily absorbed by the hemoglobin in the blood enables highlighted observation of clusters of capillaries.

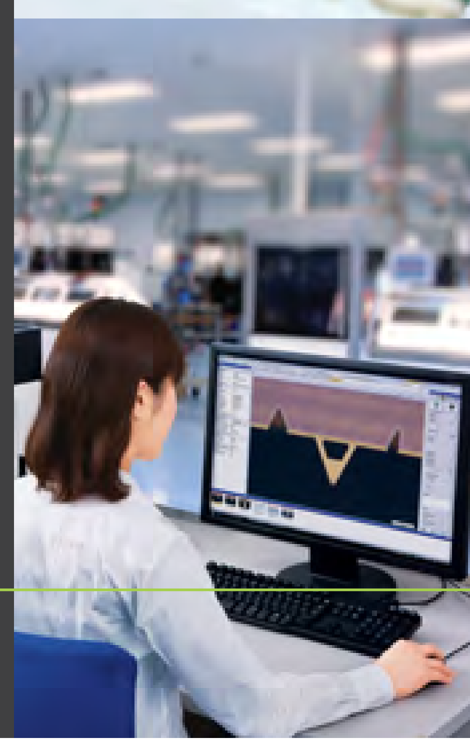
Note: The EVIS EXERA III gastrointestinal video endoscope system is being sequentially introduced in Europe (excluding the U.K.), the U.S.A., Asia (excluding Japan), Oceania, the Middle East, and Africa, following regulatory compliance and approval. In Japan and the U.K., Olympus has already launched a comparable system under the LUCERA brand name.

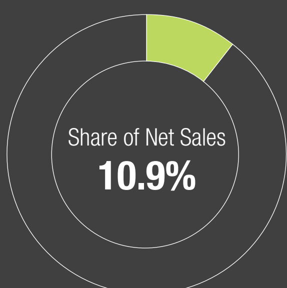
Improvements in NBI Optical-Digital Technology



# LIFE SCIENCE & INDUSTRIAL BUSINESS








In the life science field, tremendous strides are being made toward the realization of next-generation healthcare in areas such as the elucidation of brain mechanisms, the mechanisms of cancer occurrence and metastasis, and the mechanisms of drug activity and immune response. Olympus supports such research with bio-imaging technologies for the visualization of the movement and activity of molecules within organisms. In addition, Olympus high-accuracy microscope technologies contribute to society in wide-ranging fields, including science education, hospital and pathology, food products, and agriculture.

In the industrial field, in the area of non-destructive testing, Olympus supports public infrastructure safety and security and contributes to R&D and quality improvement in production by offering industrial endoscopes, ultrasonic flaw detectors, eddy current flaw detectors, and X-ray diffraction analyzers. Olympus meets wide-ranging needs in the area of industrial endoscopes, where rigorous observation, measurement, and control have become increasingly important for responding to the higher density of electronic component and semiconductor packaging technologies.

## Main Products

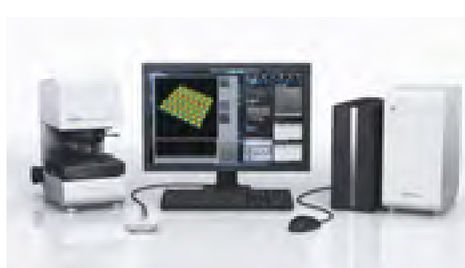
### Life Science

Upright microscopes and polarizing microscopes, inverted microscopes, laser confocal microscopes, box-type fluorescence imaging devices, stereo microscopes, fluorescence macro-microscopes, microscope digital cameras, imaging software, bio-imaging systems, virtual slide systems

### Industrial

Metallurgical microscopes, semiconductor inspection microscopes, flat panel display inspection microscopes, laser microscopes, measuring microscopes, microscopic 3D measurement systems, industrial videoscopes, industrial fiberscopes, industrial rigid scopes, ultrasonic flaw detectors, eddy current flaw detectors, phased array flaw detectors, X-ray diffraction analyzers, peripheral equipment

BX3 series biological microscopes



LEXT OLS4000 industrial microscope

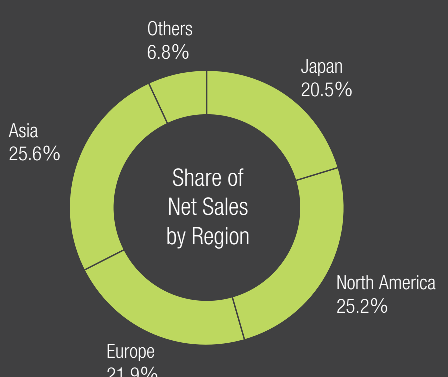
OmniScan MX2 ultrasonic flaw detector

**Shinichi Nishigaki**
President
Life Science & Industrial Group

# LIFE SCIENCE & INDUSTRIAL BUSINESS

Consolidated Net Sales
¥92.4 billion

Consolidated Operating Income
¥5.4 billion




(Fiscal 2012 results)

## Fiscal 2012 Business Results and Activities

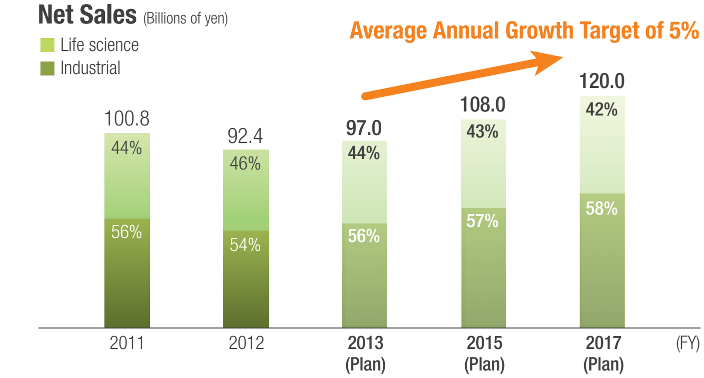
Although full-year sales and profits declined year on year as a result of factors including the transfer of the inkjet printer business in March 2011 and the impact of yen appreciation and the Great East Japan Earthquake, both sales and profits are stable when these additional factors are excluded.

In the industrial field in particular, sales increased on higher sales of ultrasonic non-destructive testing (NDT) devices, ultrasonic flaw detectors, which contribute to public safety and security, a new industrial videoscope that is the smallest and lightest in the series, and favorable sales of products such as industrial microscopes and optical measuring devices fueled by buoyant conditions in semiconductor-related markets.

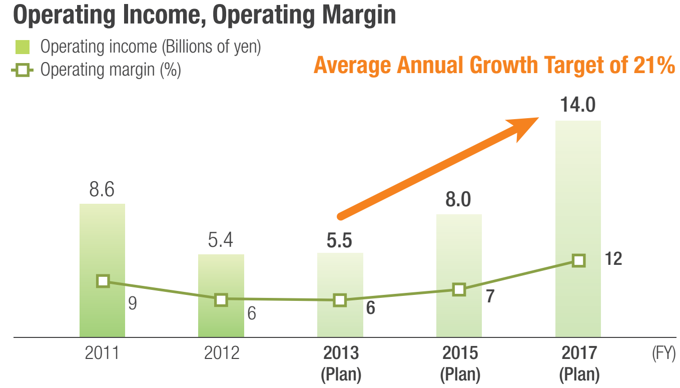
### New Products

In the industrial field, newly introduced industrial microscopes and industrial endoscopes are expected to contribute to future sales. January 2012 marked the launch of the DSX series of opto-digital microscopes, the industry's first industrial microscopes that fuse optical technology and digital technology, and IPLEX UltraLite, Olympus' first handheld industrial videoscope.

**Net Sales** (Billions of yen)




**Operating Income, Operating Margin**



## Business Strategy as Part of Our Medium-Term Vision

**Life Science Field**
➡ **Optical technology driver**

**Industrial Field**
➡ **Growth driver**

### Business Environment

In the life science field, the forecast is for growth for biological microscopes in mature markets and strong growth in fast-growing emerging markets. The life science field is an optical technologies driver because microscope lens technologies and other technologies, that go back to Olympus' origins, are applied to production technologies for photographic lenses, medical endoscopes, and other products.

Olympus aims to achieve further growth by leveraging these industry-leading technology development capabilities and high market share to continue to introduce differentiated new products that contribute to society.

In the industrial field, in the global semiconductor and electronic components market, further robust expansion of demand for industrial microscopes is expected to accompany the creation of new market sectors, such as the smartphone market, and higher development investment in the "eco" sector. In addition, strong demand for industrial endoscopes and NDT devices is forecast against a backdrop of robust demand in the aviation, automotive, and other markets, mainly in emerging countries.

### Policy 1 — Proactive expansion of product portfolio

In the industrial field, Olympus' industrial microscopes, industrial endoscopes, ultrasonic flaw detectors, and eddy current flaw detectors have been industry-leading products for many years. In addition to these products, in 2010, Olympus strengthened and expanded the portable X-ray fluorescence analyzer business, which has steadily contributed to profits. Future plans call for unfailingly linking this success to profitability improvement by actively entering untapped growth sectors and offering high-value-added products.

### Policy 2 — Drastic reform of the earnings structure through a review of the high cost structure

In addition to strengthening product competitiveness, important priorities are production structure reform and improvement in operating efficiency. Specifically, Olympus will reduce SG&A expenses and implement profit structure reform by means including manufacturing cost reductions from a review of production sites including the closing of manufacturing sites in the Philippines and transferring production to plants in China, global control of procurement, and shared utilization of the Group's existing infrastructure. These initiatives are expected to yield an improvement of one percentage point in the cost of sales ratio and an improvement of two percentage points in the SG&A ratio in the Life Science & Industrial Business in three years.

### Policy 3 — Market share expansion in emerging markets

Aim for particularly high growth in fast-growing emerging markets, principally China and India. Specifically, seek to increase sales by means including the development and enhancement of the sales personnel in China and sales network and service upgrading and expansion in India. Pursue stable growth while maintaining high market share in Europe, U.S.A., Japan, and other mature markets, and simultaneously seek profit improvement from sales expansion in emerging countries.

### Ongoing Introduction of New Products to Become Future Profit Drivers

**January 2012 Launch of Strategically Important New Industrial Microscopes and Industrial Endoscopes**

**The DSX series of opto-digital microscopes**
These opto-digital microscopes feature touch panel operation that makes it possible for even people not thoroughly familiar with microscope operation to obtain optimal images, perform measurements, and prepare reports using a single microscope. Excellent ease of use and high performance are expected to contribute to further expansion of their application to areas including natural science research.

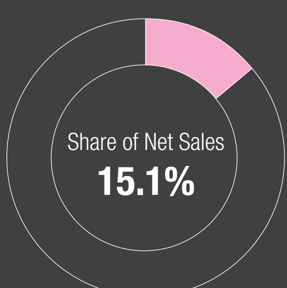
**The IPLEX UltraLite industrial videoscope**
This industrial videoscope features a unique design that reduces fatigue even during long hours of inspection. Although it is Olympus' smallest and lightest videoscope, it delivers the image quality and durability of high-end models. IPLEX series videoscopes are widely used in inspections of pipes at manufacturing plants and thermal and nuclear power plants, and Olympus aims to continue to contribute to people's safety and peace of mind through industrial videoscopes.

**July 2012 Launch of Strategically Important New Biological Microscopes and Industrial Endoscopes**

**Life Science Field**
**IX3 series of biological microscopes — A new mainstay product line**
These microscopes meet needs in the fields of life science and medical research by realizing ease of operation and advanced capacities to observe living cells under cultivation.

**Industrial Field**
**The IPLEX TX—The world's thinnest industrial articulating videoscope**
At a time of ever-advancing precision in parts and molds in the automotive industry and other sectors, the IPLEX TX offers the world's smallest insertion tube, with a tip diameter of 2.4 mm, for an ultra-thin scope and improved image quality and durability.

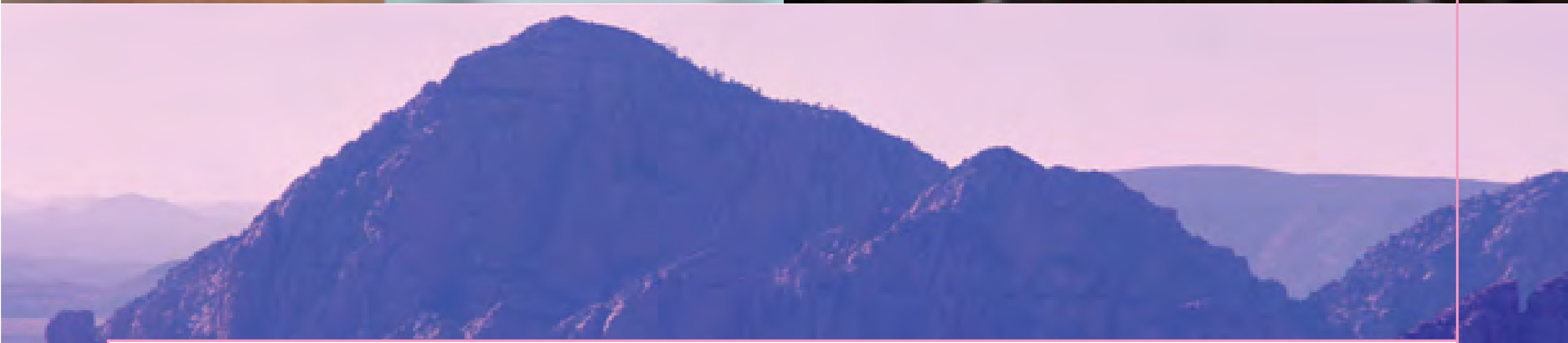
# IMAGING BUSINESS




**Olympus provides products that overturn the conventional wisdom of digital single-lens reflex (SLR) cameras and open up new possibilities in photography, such as the OM-D mirrorless interchangeable-lens camera incorporating new mirrorless and electronic viewfinder technologies and the compact, lightweight PEN series of mirrorless interchangeable-lens cameras. Olympus will continue its quest to increase the fun of photography and audio recording and listening by offering groundbreaking digital cameras and voice recorders which boast the world's top share.**





## Main Products

### Digital Cameras

Digital single-lens cameras, compact digital cameras, digital camera-related products, digital camera lens barrels, optical components

OLYMPUS OM-D E-M5

OLYMPUS PEN E-P3

OLYMPUS XZ-1

OLYMPUS Tough TG-1

### Others

IC recorders, binoculars

Voice-Trek V-803

**Haruo Ogawa**
President
Imaging Group

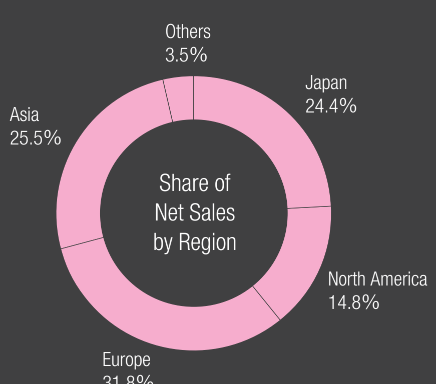
# IMAGING BUSINESS

Consolidated Net Sales

¥128.6 billion

Consolidated Operating Income

-¥10.8 billion




(Fiscal 2012 results)

## Fiscal 2012 Business Results and Activities

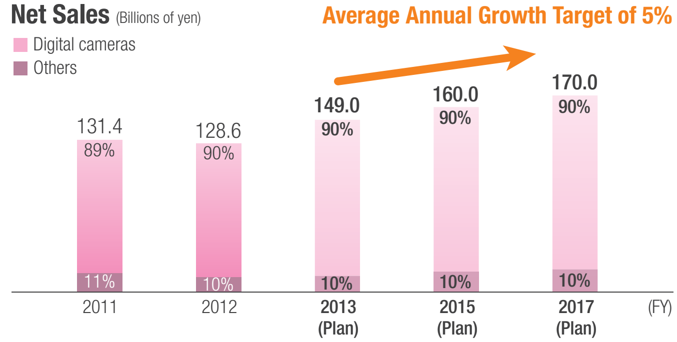
Fiscal 2012 brought higher sales, especially in Japan, Asia, and Europe, of high-value-added models such as the mainstay PEN series of mirrorless interchangeable-lens cameras and XZ-1 cameras, which deliver the highest image quality available from a compact camera. Nevertheless, full-year consolidated net sales fell year on year as a result of factors including intensification of competition and the inability to introduce the OM-D and other new products as scheduled because of parts procurement difficulties in the second half due to the flooding in Thailand. Operating loss decreased thanks to improvements in the cost of sales ratio and cost reductions.

Excluding the impact of foreign exchange, consolidated net sales rose 1.5% and operating loss fell by ¥2.0 billion year on year.

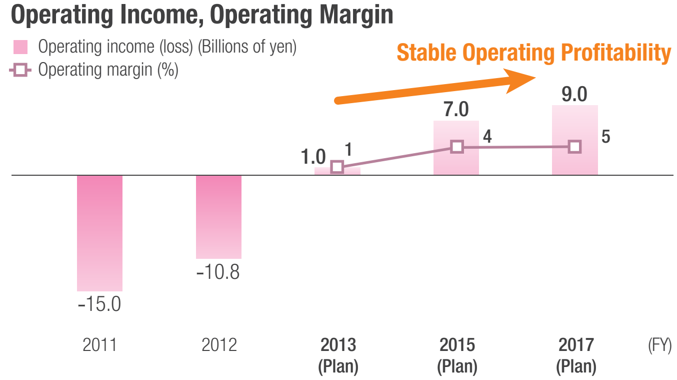
### New Products

In the results for mirrorless interchangeable-lens cameras, Olympus began sequential introduction of models in the third-generation PEN series in July 2011, and the PEN E-P3 drove favorable sales performance. Furthermore, Olympus launched the new OM-D series of mirrorless interchangeable-lens cameras in March 31, 2012. The OM-D realizes higher image quality while incorporating numerous leading-edge technologies, including the first dust-proof and splash-proof construction in a mirrorless camera and an electronic viewfinder. Both series have been favorably received, and sales are steadily increasing.

**Net Sales** (Billions of yen)




**Operating Income, Operating Margin**



## Business Strategy as Part of Our Medium-Term Vision

**Imaging Business**
**➡ Optical and imaging technology and brand driver**

### Business Environment

The business environment for digital cameras has greatly changed in the past few years. The market for low-priced compact cameras is contracting, mainly in developed countries, because of the rise of smartphones. At the same time, high-value-added compact cameras and mirrorless interchangeable-lens cameras, a product category created by Olympus, are highly rated by customers who place importance on photography, and these are stable or growing segments in the digital camera market.

Olympus will rebuild the Imaging Business and establish a business structure to ensure stable profitability by means of a product strategy aligned with market changes and customer needs and fundamental improvements in the profit structure.

### Policy 1 Focus on Mirrorless and High-End Compact Cameras

A review of the past product strategy revealed that a lack of differentiation technologies and loss of uniqueness are shortcomings. With mirrorless cameras, we were able to enhance the product line and create a market through the pioneering development of a differentiated technology. Monthly unit sales in 2012 have increased to the level of approximately half of total sales in the interchangeable lens digital camera market in Japan (information compiled by research firm BCN Inc.).

In high-end compact cameras, another priority segment, Olympus will pursue uniqueness by applying leading-edge technologies cultivated in the development of mirrorless cameras. The plan is for Olympus products to account for more than half of total unit sales of single-lens cameras (mirrorless and conventional models) and high-end compact cameras by fiscal 2017.

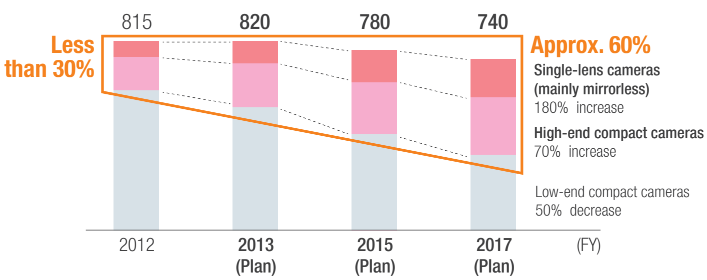
### Policy 2 Significant Improvements in Revenue Structure for Manufacturing Costs and SG&A Expenses

Whereas heretofore Olympus had invested in manufacturing in the pursuit of scale spurred by a growth trend in digital cameras, We will now undertake restructuring of the manufacturing function. First, at the Shenzhen Plant in China, we will introduce the latest production technologies and exhaustively pursue productivity. Next, we will focus in-house production on high-value-added lens barrels and interchangeable lenses and actively utilize OEM and EMS for assembly processes, in which it is generally difficult to create added value.

In addition, our policy is to achieve an improvement of three percentage points in the cost of sales ratio and eight points in the SG&A ratio by fiscal 2015 by undertaking improvements in SG&A expenses by means including optimization of the number of employees in Japan and overseas.

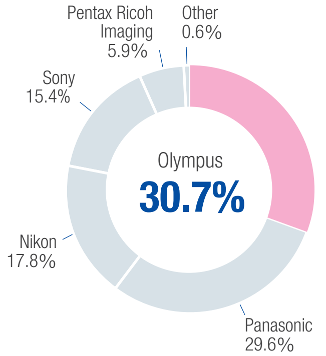
**Targets for Digital Camera Unit Sales (Sales Ratios)**

(10,000 units)




**Mirrorless Camera Sales Share in Japan**

(January to June 2012)
*Information compiled by BCN Inc.




### OM-D Technologies, "The Beginning of the New"

The OM-D is a mirrorless interchangeable-lens camera developed for serious camera users. By completely converting the mirror and optical rangefinder functions characteristic of SLR cameras to electronic devices, we realized substantial reductions in product size and weight. In addition, the use of an electronic viewfinder has made it possible to confirm in real time inside the rangefinder exposure, color balance, and other details.

The OM-D incorporates many other new technologies. Above all, we were uncompromising about image quality. Since we were reviving the storied OM brand, we developed a new imaging sensor to achieve superb image quality befitting the brand. We also introduced 5-axis image stabilization, the world's first technology in a still camera to compensate for camera shake, which is important for image quality improvement. We overcame a weakness of mirrorless cameras by achieving the world's fastest autofocus by means of the FAST AF system. We engaged in technical development of the OM-D in parallel with development of the PEN series and are confident that we have succeeded in building into the product performance that meets people's expectations for the OM brand.

In this way, Olympus excels given the challenge of developing leading-edge technologies and incorporating them into products. The incorporation of new functions and product miniaturization are a source of pride, a pride that carries the spirit of Olympus engineers which we have inherited. We will continue to provide products that delight Olympus fans, and I encourage you to have high expectations for more great things to come.

**Akira Watanabe**
General Manager, Brand Strategy Department
Olympus Imaging Corp.

# INFORMATION & COMMUNICATION BUSINESS

Consolidated Net Sales

¥229.4 billion

Consolidated Operating Income

¥5.3 billion

**Consolidated subsidiary ITX Corporation engages in information and communication services businesses, with a telecommunications service business as its principal business. It engages in sales of mobile handsets, its mainstay business, through a nationwide network of stores for all mobile phone carriers, and sales are increasing in tandem with the rapid growth of the smartphone market.**

## Fiscal 2012 Business Results and Activities

Sales increased by 9.5% as a result of expansion of the mobile handset sales network and buoyant sales of smartphones.

Operating income was nearly flat year on year, rising 0.7%, as a result of factors including the impact on goodwill of making ITX Corporation a wholly owned subsidiary through a share exchange in March 2011.

### Future Business Development

To secure stable profits, ITX Corporation will expand its mobile handset sales network by forging partnerships with small and medium-sized local sales agents, among other measures.

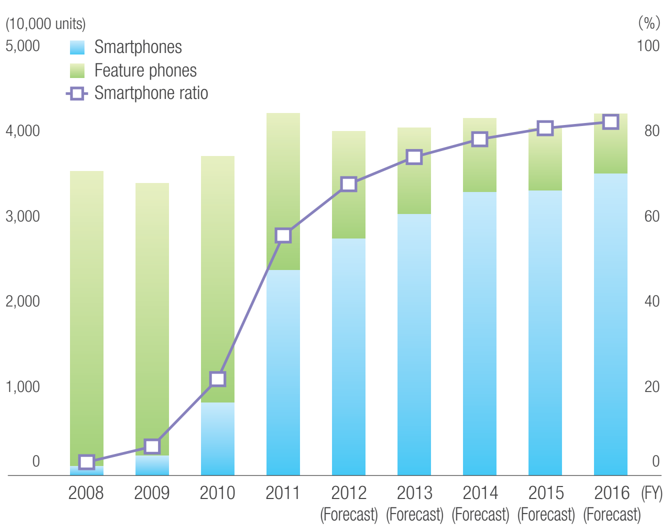
Sales networks and markets for smartphones continue to expand, and ITX Corporation will strengthen its selling capabilities by implementing measures to improve the quality of operations, such as waiting on customers.

In businesses other than mobile handset sales, the company will strengthen its fixed communication lines business and ICT solutions business.

Note: Olympus resolved to transfer its Information & Communication Business to Japan Industrial Partners, Inc., on August 24, 2012. The transfer will be carried out on September 28, 2012.

**Further robust growth in the smartphone market can be expected.**

**Shipments of Mobile Handsets in Japan**




Information compiled by MM Research Institute, Ltd.

# OTHERS

Consolidated Net Sales

¥48.9
billion

Consolidated Operating Income

-¥8.0
billion

**In the Others business segment, Olympus seeks to nurture businesses from which synergies with Olympus core business domains can be expected. We will decisively liquidate or consider reorganization of businesses with poor growth or profit potential.**

## Fiscal 2012 Business Results and Activities

Net sales from Others business fell 2.3% year on year due to the impact of worsening of market conditions overseas.

Operating loss in the Others segment increased as a result of higher R&D costs attendant on the acquisition of a regenerative medicine-related business.

### Business Strategy as Part of Our Medium-Term Vision

**Optimal value enhancement measures for each business**

Although Olympus has acquired and nurtured a wide range of businesses for the purpose of creating new businesses, We decided in the current medium-term vision to avoid, in principle, new investments in areas outside the core business domains.

In accordance with this policy, Olympus will review the businesses in the Others segment one by one and decisively divest, downsize, liquidate, or withdraw from businesses whose profitability or growth potential make continuation of operations within the Olympus Group difficult. As of March 2012, Olympus Business Creation Corp., a subsidiary in charge of the nurturing of new businesses, has more than 20 subsidiaries. It plans to reduce the number to a few companies during the coming two years.

### Reference information: Subsidiaries scheduled for liquidation

| | |
|---|---|
| Dissolution decided at a Board of Directors' meeting on April 27, 2012<br>・Altis Co., Ltd.<br>・NEWS CHEF Inc.<br>・Humalabo Co., Ltd. | To be sold or liquidated by March 31, 2013 |
| Liquidation decided at a Executive Management Committee meeting on March 2, 2012<br>・Olympus Visual Communications Corp. | To be liquidated by November 30, 2012 |

# Intellectual Property Report

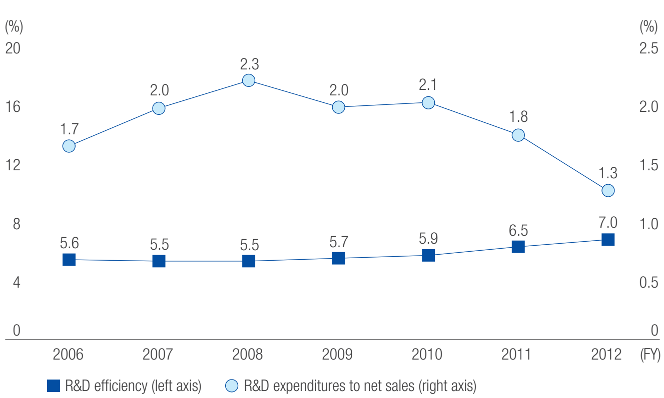
**Olympus reports on the results of the intellectual property activities of the Olympus Group ("Olympus Corporation," "Olympus Medical Systems Corp." and "Olympus Imaging Corp.," collectively, "Olympus") in the fiscal year ended March 31, 2012**

## Core Technology and R&D Efficiency

Olympus's core competence is in Opto-Digital Technology, a fusion of optical technologies accumulated by Olympus over many years and the latest digital technologies. In order to further strengthen this core competence, Olympus has positioned the following technologies as fundamental and common to the Olympus Group as a whole: Optical Technology—the technologies of capturing and controlling light; Electronic and Imaging Technology—the digitization and manipulation of images captured from light; Precision Technologies—the technologies to create products accurately and control them precisely; and Biomechanical and Biological Fundamental Technology—technologies for live cell observation and technologies for cell separation and culturing indispensable for the realization of regenerative medicine. By sharpening its competitive edge through the concentrated injection of R&D resources, Olympus creates new value in the Medical, Life Science & Industrial, and Imaging businesses.

Olympus' consolidated net sales in fiscal 2012, resulting from businesses based on the above technological core competences, were ¥848.5 billion, 0.2% higher compared with the previous year. Olympus' R&D expenditures in fiscal 2012 amounted to approximately ¥61.4 billion, equivalent to 7.2% of net sales. As a result, the ratio of R&D expenditures to net sales (calculated from net sales and R&D expenditures for the past five years) rose from 6.5% to 7.0%. R&D efficiency fell from 1.8 the previous year to 1.3 as a result of operating income remaining level with last year's figure, along with the impact of the Great East Japan Earthquake, the flooding in Thailand and the yen's appreciation, amid continued investment in R&D.

R&D Expenditures to Net Sales, R&D Efficiency




Note:
This graph illustrates the effect of prior investment in R&D activities on operating income by showing R&D efficiency calculated on a five-year cumulative basis. For example, fiscal 2012 R&D efficiency was calculated by dividing cumulative operating income for fiscal 2008 through 2012 by cumulative R&D expenditures for fiscal 2003 through 2007. R&D expenditures to net sales for fiscal 2012 is calculated by dividing the five-year cumulative R&D expenditures (fiscal 2008–2012) by the five-year cumulative net sales (year ended March 31, fiscal 2008–2012). All figures are reported on a consolidated basis.

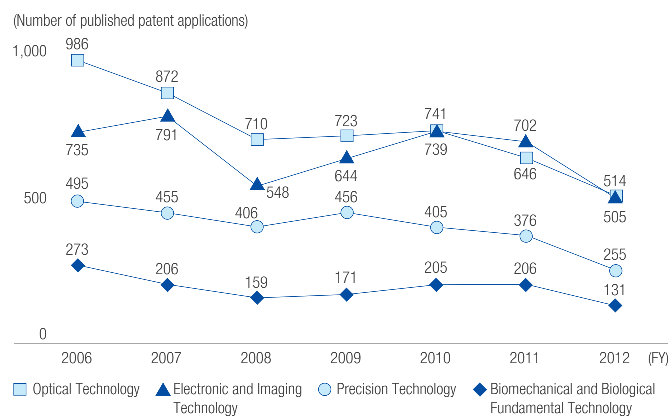
## Overview of Intellectual Property Activities in Core Competence Areas

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

(1) Japan

The number of patent applications published in Japan decreased year on year in the areas of Optical Technology, Electronic and Imaging Technology, Precision Technology, and Biomechanical and Biological Fundamental Technology alike. The decrease is attributable to a more rigorous selection of patent applications in response to the impact of the global financial crisis.

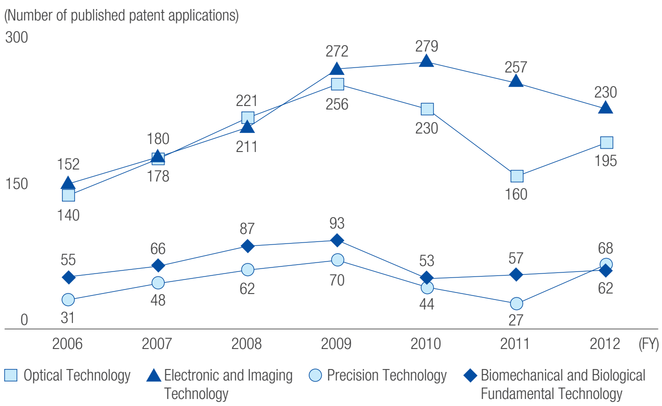
Number of Patent Applications Published in Japan in Core Competence Areas




(2) Overseas

The number of patent applications published overseas increased year on year overall, increasing in the areas of Optical Technology, Precision Technology, and Biomechanical and Biological Fundamental Technology and decreasing in the area of Electronic and Imaging Technology. The overall increase is attributable to a policy of increasing overseas applications in preparation for globalization of business activities, among which is further business expansion in emerging markets.

Number of Patent Applications Published Overseas
in Core Competence Areas

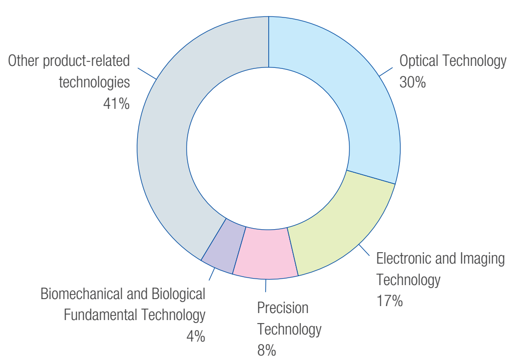



## 2. Breakdown of Patents in Core Competence Areas as Part of All Patents Held

Beginning in fiscal 2012, Olympus will report the core competence area ratios among all domestic and overseas patents held instead of the ratios among domestic patents held as reported in previous reports.

Patents in core competence areas account for 59% of all domestic and overseas patents held. Electronic and Imaging Technology and Optical Technology account for 47% of the total.

Core Competence Area Ratios as Part of All Patents Held

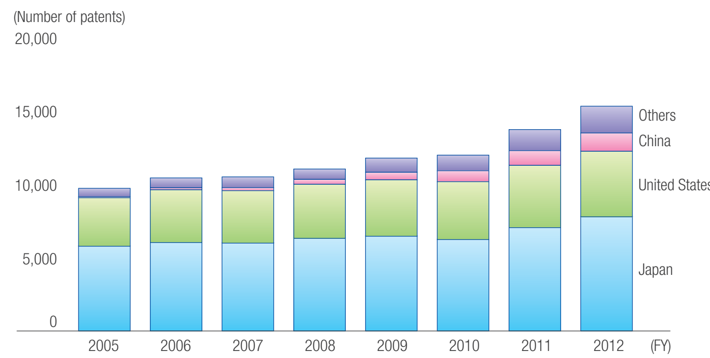



## Number of Patents Held by Country and Business

Change in the number of patents held by country over the past eight years is as follows. In fiscal 2012, as in fiscal 2011, Olympus engaged in patent acquisition activities based on a policy of sorting out patents held from the perspective of return on investment in Japan and of increasing the number of patents acquired overseas.

The number of patents held in Japan in fiscal 2012 increased by 11% year on year as the number of new registrations exceeded the combined numbers of abandonments and expirations. The number of patents held overseas increased by 14%, and the ratio of overseas patents to all patents held increased to 49%.

Number of Patents Held by Country




The number and ratio of Olympus' patents held in each business area as of March 31, 2012, are shown in the table below. Olympus' core Medical Business and Imaging Business account for 69% of all patents held.

Number and Ratio of Patents Held by Business Group

| | Medical | | Life Science & Industrial | | Imaging | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | % |
| Japanese patents | 3,284 | 42 | 1,251 | 16 | 2,036 | 26 |
| U.S. patents | 1,209 | 28 | 598 | 13 | 1,535 | 35 |
| Chinese patents | 548 | 43 | 90 | 7 | 525 | 41 |
| Other patents | 1,353 | 73 | 216 | 12 | 117 | 6 |
| Total | 6,394 | 42 | 2,155 | 14 | 4,213 | 27 |

| | R&D/Monozukuri Innovation | | Total | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Japanese patents | 1,293 | 16 | 7,864 | 100 |
| U.S. patents | 1,048 | 24 | 4,390 | 100 |
| Chinese patents | 109 | 9 | 1,272 | 100 |
| Other patents | 173 | 9 | 1,859 | 100 |
| Total | 2,623 | 17 | 15,385 | 100 |

Cautionary Statement
Foward-looking statements concerning Olympus' plans, prospects, and strategies may be revised as a result of changes in the future business environment and other factors.

# Board of Directors, Corporate Auditors and Executive Officers

(As of June 29, 2012)

### Chairman

Yasuyuki Kimoto

### President and Representative Director

Hiroyuki Sasa

### Director, Senior Executive Managing Officers

Hideaki Fujizuka

Yasuo Takeuchi

### Director, Executive Managing Officer

Shigeo Hayashi

### Outside Directors

Takuya Goto

Shiro Hiruta

Sumitaka Fujita

Motoyoshi Nishikawa

Hikari Imai

Kiyotaka Fujii

### Standing Corporate Auditors

Takashi Saito

Masashi Shimizu

### Outside Corporate Auditors

Nobuo Nagoya

Katsuya Natori

### Senior Executive Managing Officer

Akihiro Taguchi

### Executive Managing Officers

Haruo Ogawa

Toshiaki Gomi

Masao Kuribayashi

Yasushi Sakai

### Managing Officers

Kazuhiro Watanabe

Shinichi Nishigaki

Koichi Karaki

Hitoshi Kawada

Yoshihiko Masakawa

Naohiko Kawamata

Yasuo Yoda

Akira Kubota

Nobuyuki Koga

Atsushi Nishikawa

Hisao Yabe

Masamichi Handa

Nobuhiro Abe

Ken Yoshimasu

Masahito Kitamura

Tetsuo Kobayashi

# CONTENTS

# Financial Highlights

## 5-Year Financial Summary (Consolidated)

For the fiscal years ended March 31 (Millions of yen)

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net sales: | | | | | |
| Domestic | 420,227 | 347,261 | 373,163 | 386,502 | **398,237** |
| Overseas | 708,648 | 633,542 | 509,923 | 460,603 | **450,311** |
| Total | 1,128,875 | 980,803 | 883,086 | 847,105 | **848,548** |
| Percentage change compared with previous year (%) | 6.3% | (13.1%) | (10.0%) | (4.1%) | **0.2%** |
| Selling, general and administrative expenses | 396,678 | 418,558 | 347,125 | 349,306 | **348,287** |
| Percentage of net sales (%) | 35.1% | 42.7% | 39.3% | 41.3% | **41.0%** |
| Percentage of net sales excluding R&D expenditures (%) | 29.3% | 35.5% | 32.3% | 33.3% | **33.8%** |
| Operating income | 112,826 | 42,722 | 61,160 | 38,379 | **35,518** |
| Percentage of net sales (%) | 10.0% | 4.4% | 6.9% | 4.5% | **4.2%** |
| Net income (loss) | 54,625 | (50,561) | 52,527 | 3,866 | **(48,985)** |
| Percentage of net sales (%) | 4.8% | — | 5.9% | 0.5% | **—** |
| EBITDA margin (%) | 14.0% | 8.9% | 13.7% | 9.6% | **9.6%** |
| R&D expenditures | 65,928 | 70,010 | 61,850 | 67,286 | **61,356** |
| Percentage of net sales (%) | 5.8% | 7.1% | 7.0% | 7.9% | **7.2%** |
| Capital expenditures | 50,070 | 55,632 | 34,323 | 32,699 | **37,961** |
| Depreciation and amortization | 37,497 | 44,594 | 43,099 | 34,188 | **33,787** |
| Sales by region | | | | | |
| Japan | 420,227 | 347,261 | 373,163 | 386,502 | **398,237** |
| North America | 240,254 | 237,656 | 196,076 | 182,009 | **165,263** |
| Europe | 303,110 | 257,894 | 188,527 | 154,363 | **156,149** |
| Asia and Oceania | 138,873 | 114,152 | 100,045 | 97,293 | **107,304** |
| Others | 26,411 | 23,840 | 25,275 | 26,938 | **21,595** |
| Average exchange rate | | | | | |
| Yen/U.S. dollar | 114.28 | 100.54 | 92.85 | 85.72 | **79.08** |
| Yen/Euro | 161.53 | 143.48 | 131.15 | 113.12 | **108.98** |

## Balance Sheet, Cash Flows and Financial Indicators

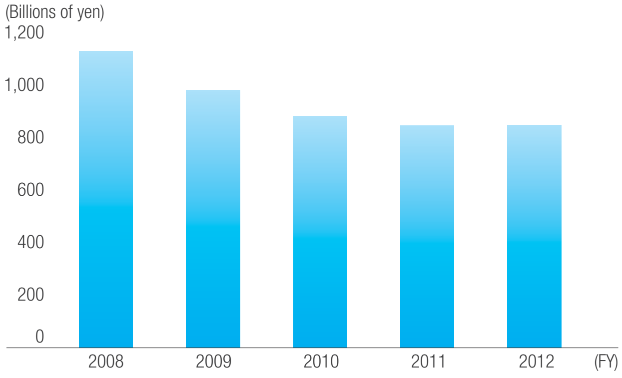
For the fiscal years as of/ended March 31 (Millions of yen)

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Total assets | 1,217,172 | 1,038,253 | 1,104,528 | 1,019,160 | **966,526** |
| Equity | 244,281 | 110,907 | 163,131 | 115,579 | **48,028** |
| Equity ratio (%) | 19.1% | 10.0% | 14.1% | 11.0% | **4.6%** |
| Interest-bearing debt | 642,839 | 642,839 | 661,481 | 648,787 | **642,426** |
| Net debt | 505,962 | 505,962 | 454,698 | 435,226 | **442,338** |
| Inventories | 110,379 | 95,540 | 89,959 | 92,929 | **102,493** |
| Inventory turnover period (months) | 1.2 | 1.2 | 1.2 | 1.3 | **1.4** |
| Cash and cash equivalents at end of year | 119,842 | 132,720 | 203,013 | 210,385 | **198,661** |
| Cash flows from operating activities | 88,204 | 36,864 | 76,245 | 30,469 | **30,889** |
| Cash flows from investing activities | (274,104) | (15,964) | (20,967) | 19,003 | **(35,735)** |
| Cash flows from financing activities | 134,401 | (3,751) | 17,355 | (37,359) | **(5,761)** |
| Free cash flows | (185,900) | 20,900 | 55,278 | 49,472 | **(4,846)** |
| Return on equity (ROE) (%) | 24.4% | (30.2%) | 40.6% | 2.9% | **(62.3%)** |
| Return on assets (ROA) (%) | 9.3% | 4.1% | 5.5% | 3.8% | **3.7%** |
| Net income (loss) per share (yen) | 202.11 | (188.85) | 194.90 | 14.39 | **(183.54)** |
| Total equity per share (yen) | 861.58 | 387.31 | 576.63 | 421.37 | **167.76** |
| Price earnings ratio (PER)*1 (times) | 14.9 | — | 15.4 | 160.81 | **—** |
| Price book-value ratio (PBR) (times) | 3.5 | 4.1 | 5.2 | 5.5 | **8.1** |
| Stock price (year-end) (yen) | 3,020 | 1,580 | 3,000 | 2,314 | **1,354** |
| Outstanding market value (100 million yen) | 8,193 | 4,286 | 8,138 | 6,277 | **3,673** |
| Cash dividends per share (yen) | 40 | 20 | 30 | 30 | **—** |
| Number of employees*2 | 35,772 | 36,503 | 35,376 | 34,391 | **34,112** |
| Average number of temporary employees | (—) | (—) | (—) | (5,336) | **(5,009)** |

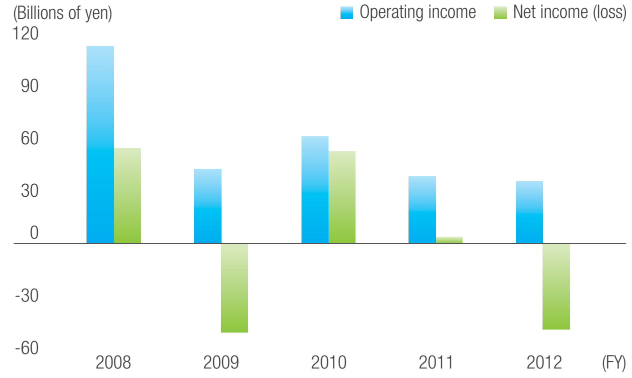
*1 Price earnings ratios (PER) for the fiscal years ended March 31, 2009 and 2012 are omitted as Olympus recorded net loss for these fiscal years.

*2 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.

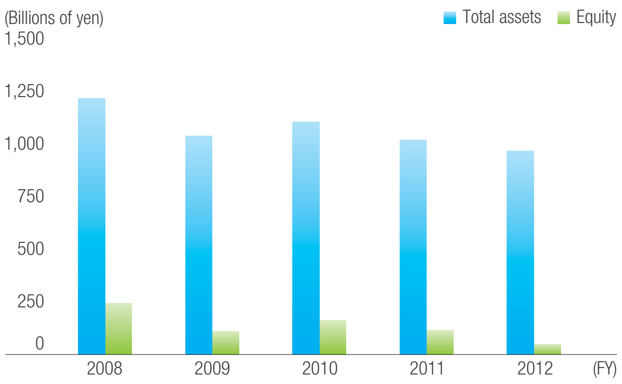
### Net Sales



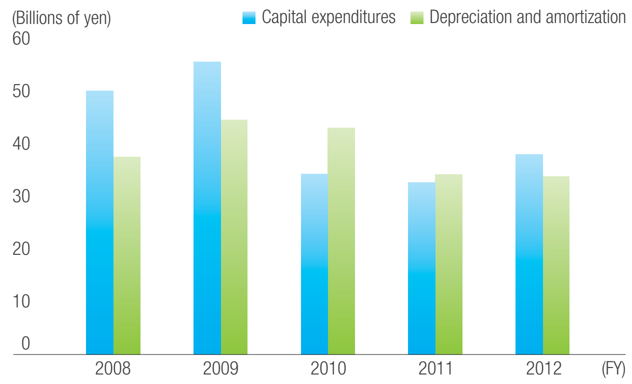

### Operating Income, Net Income (Loss)



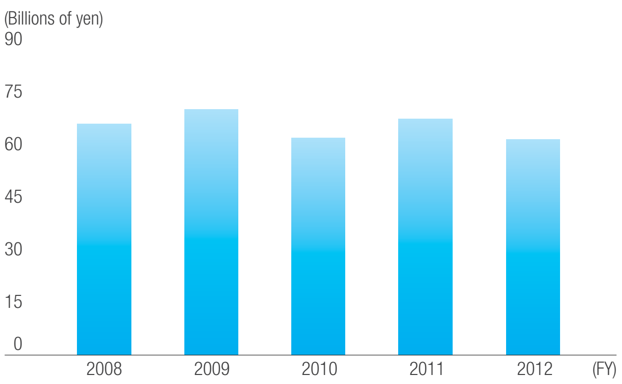

### Total Assets, Equity



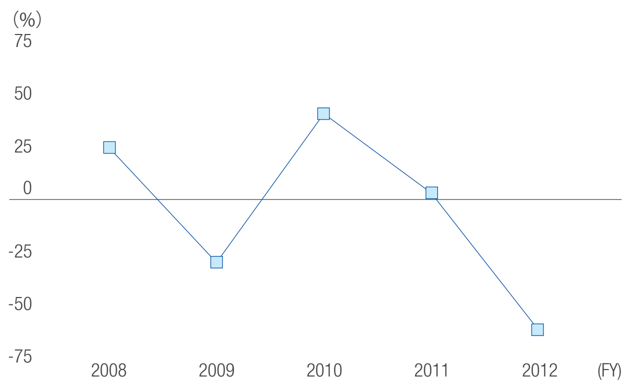

### Capital Expenditures, Depreciation and Amortization




### R&D Expenditures




### Return on Equity (ROE)



## Analysis of Business Results

### Company Overview

In the global economy during the fiscal year under review, although the Asia region, particularly China, remained strong as a result of an expansion in internal demand, the global economy overall remained stagnant due to continued high unemployment rates in the U.S. and uncertainty over fiscal prospects in some parts of Europe. The Japanese economy continued to remain in a difficult situation owing partly to restrictions on electricity supply and appreciation of the yen, although restoration efforts are progressing in the aftermath of the Great East Japan Earthquake.

Amid this business environment, the Olympus Group worked to "transform Olympus into a more globally competitive company" and "strengthen our business presence in the emerging markets" based on the "2010 Corporate Strategic Plan," which commenced in the fiscal year ended March 31, 2011.

In the Medical Business, we implemented a variety of measures to minimize the impact of the earthquake on product supply, and developed large-scale new products in the gastrointestinal endoscope field and the surgical and therapeutic devices field. In the Life Science & Industrial Business, we launched new products in ultrasonographic inspection systems, microscopes and industrial endoscopes. Regarding the Imaging Business, we enhanced the lineup of products compliant with the "Micro Four-Thirds System" standard and worked to implement cost reductions. As a Groupwide initiative, we also worked to implement fundamental reform of our corporate governance system in light of our reflections on the problem of deferred posting of losses, which was discovered in November 2011.

The Olympus Group's overall consolidated net sales remained nearly at the same level as the previous fiscal year, increasing 0.2% year on year to ¥848,548million. This was due to the impact of the transfer of the inkjet printer business, as well as a decline in revenue in the Medical Business caused by the effects of foreign exchange and the earthquake, despite an increase in revenue in the Information & Communication Business. Although the operating loss in the Imaging Business was reduced, operating income decreased 7.5% year on year to ¥35,518 million as a result of foreign exchange effects and other factors.

Net loss was posted at ¥48,985 million (compared with a net income of ¥3,866 million in the previous fiscal year). This was due to factors such as the posting of impairment loss on business assets in the Imaging Business, and the recording of ¥39,282 million in income taxes including reversal of deferred tax assets due to a review of future taxable income.

During the fiscal year under review, the Olympus Group invested ¥61,356 million on research and development, and spent ¥37,961 million on capital investments.

Regarding foreign exchange, the yen appreciated against both the U.S. dollar and the euro compared to the previous fiscal year, reaching a record-high level particularly against the U.S. dollar. The average exchange rate during the period was ¥79.08 against the U.S. dollar (¥85.72 in the previous fiscal year) and ¥108.98 against the euro (¥113.12 in the previous fiscal year), which caused net sales and operating income to drop by ¥25,500 million and ¥5,700 million, respectively, year on year. At a constant rate of exchange, net sales and operating income rose 3.2% and 7.5%, respectively, year on year.

### Results of Operations

Consolidated net sales in the Medical Business amounted to ¥349,246 million (down 1.7% year on year), while operating income amounted to ¥68,188 million (down 4.9% year on year).

In the surgical and therapeutic devices field, sales of disposable guide wires used for endoscope treatment such as for pancreatic ducts continued to be favorable, particularly in Japan, while sales grew for the VISERA ELITE integrated endoscopic video system, which supports endoscopic surgery with improved observation capability. There was an overall decline in revenue in the Medical Business for the period. This was the result of temporary difficulties in the procurement of parts in our flagship gastrointestinal endoscope field due to the impact of the Great East Japan Earthquake and the resulting adjustments we made to the production of some products. However, sales were solid in the period from October to March, when product supply recovered.

Operating income in the Medical Business declined due to a decrease in revenue resulting from the impacts of the earthquake and foreign exchange.

At a constant rate of exchange, consolidated net sales and operating income rose 2.8% and 4.3%, respectively, year on year.

Consolidated net sales in the Life Science & Industrial Business amounted to ¥92,432 million (down 8.3% year on year), while operating income amounted to ¥5,439 million (down 36.4% year on year).

In the life science field, although sales of products for research such as the BX3 series of inverted research microscopes grew in Japan and Asia, net sales decreased due to worsened market conditions in Europe and the U.S. and foreign exchange effects.

In the industrial field, revenue increased. This was the result of sales growth from the ultrasonic nondestructive testing equipment OmniScan MX2, which contributes to the safety and peace of mind of society, and new industrial videoscope product IPLEX UltraLite, the lightest and most compact model in the IPLEX series, as well as a favorable performance in sales of products such as industrial microscopes and optical measuring devices thanks to brisk conditions in markets related to electrical components and semiconductors.

However, there was a decrease in revenue in the Life Science & Industrial Business overall, partly due to the impact of a decrease in revenue resulting from the transfer of the inkjet printer business in March 2011.

Operating income in the Life Science & Industrial Business decreased due to the transfer of the inkjet printer business and the negative results in the life science field, despite an increase in operating income in the industrial field.

At a constant rate of exchange, consolidated net sales and operating income fell 4.1% and 14.1%, respectively, year on year.

Consolidated net sales in the Imaging Business amounted to ¥128,561 million (down 2.2% year on year), while operating loss amounted to ¥10,760 million (a ¥4,259 million contraction in operating loss compared with the previous fiscal year).

Revenue declined in the Imaging Business, mainly due to intensified competition and the impact of the floods in Thailand. This was despite favorable sales of new products in the OLYMPUS PEN series of interchangeable lens system digital cameras compliant with the "Micro Four-Thirds System" standard and the contribution from sales of OLYMPUS OM-D E-M5, the compact, lightweight and high-performance camera equipped with an electronic viewfinder, in addition to growth in sales of high-value added models of compact cameras such as the XZ-1, which is of the highest standard of picture quality for compact cameras.

Regarding the bottom line, operating loss in the Imaging Business was reduced thanks to an improvement in cost to sales ratio as well as cost reductions.

At a constant rate of exchange, consolidated net sales rose 1.5% year on year and the operating loss contracted by ¥2,042 million compared with the previous fiscal year.

Consolidated net sales for the Information & Communication Business amounted to ¥229,399 million (up 9.5% year on year), while operating income amounted to ¥5,277 million (up 0.7% year on year).

Net sales in the Information & Communication Business increased thanks not only to expanded sales channels for mobile phones, but also to favorable sales of smartphones.

Operating income in the Information & Communication Business was close to the same level as the previous fiscal year, mainly due to the impact of the amortization of goodwill from our making ITX Corporation into a wholly owned subsidiary by means of a share exchange in March 2011.

Consolidated net sales for the Others business amounted to ¥48,910 million (down 2.3% year on year) and operating loss was ¥7,992 million (compared with an operating loss of ¥3,606 million in the same period of the previous fiscal year).

Net sales for the Others business were down owing to overseas market deterioration.

However, operating loss for the Others business expanded because of increased research and development costs related to the acquisition of a regenerative medicine-related business.

### Financial Position

As of the end of the fiscal year under review, total assets decreased ¥52,634 million compared to the end of the previous fiscal year to ¥966,526 million. Current assets decreased ¥6,976 million due to a decrease in cash and time deposits, and fixed assets decreased ¥45,658 million due to factors such as depreciation, amortization of goodwill and sales of investment securities.

Total liabilities increased ¥14,917 million compared to the end of the previous fiscal year to ¥918,498 million due mainly to an increases in long-term borrowings, less current maturities of ¥29,099 million, despite a decrease in short-term borrowings of ¥35,220 million.

Net assets decreased ¥67,551 million compared to the end of the previous fiscal year to ¥48,028 million, mainly because there was a net loss in the current fiscal year of ¥48,985 million and a decline in accumulated other comprehensive income of ¥14,219 million.

As a result of the foregoing, the equity ratio decreased from 11.0% as of the end of the previous fiscal year to 4.6%.

### Cash Flows

Cash flows provided by operating activities were ¥30,889 million, compared with ¥30,469 provided by operating activities in the previous fiscal year. This was mainly due to ¥33,787 million in depreciation and amortization, ¥15,839 million in impairment loss, and ¥12,283 million in amortization of goodwill. In contrast, decreasing factors mainly included ¥19,929 million in income taxes paid, ¥13,990 million in interest payments and an increase of ¥11,681 million in accounts receivable.

Cash flows used in investing activities were ¥35,735 million, compared with ¥19,003 million provided by investing activities in the previous fiscal year. This was mainly due to purchase of property, plant and equipment totaling ¥22,761 million, purchases of intangible assets of ¥12,483 million, and payments for acquisition of new consolidated subsidiaries related to changes in scope of consolidation of ¥6,584 million. In contrast, increasing factors included ¥4,155 million in sales and redemption of investment securities.

Cash flows used in financing activities were ¥5,761 million, compared with ¥37,359 million used in financing activities in the previous fiscal year. This was mainly due to ¥63,197 million in repayments of long-term borrowings, less current maturities and ¥4,004 million in dividends paid. In contrast, increasing factors mainly included proceeds from long-term borrowing, less current maturities of ¥60,244 million.

As a result, cash and cash equivalents at the end of the current fiscal year amounted to ¥198,661 million, a decrease of ¥11,724 million compared to the end of the previous fiscal year.

### Fiscal 2013 Outlook

Although there is expected a moderate trend towards recovery in the global economy going forward, there is a chance that it may underperform expectations due to downside factors including the protracted nature of fiscal uncertainty in Europe and the rising price of crude oil. Regarding the Japanese economy, while a positive contribution is expected from demand related to earthquake recovery projects in the immediate future, difficult conditions are expected to continue.

Given this environment, the Olympus Group will work to promote growth in core businesses by concentrating management resources on core technologies, with improvements in our profitability and financial standing as our top priorities.

In the Medical Business, we will work to achieve further growth with the launch of new products including THUNDERBEAT, an energy device, and EVIS EXERA III, the next-generation endoscopy platform system, which is the first renewal of its series for seven years. We will work to expand sales and improve revenue in the Life Science & Industrial Business by gradually launching new products such as element analysis devices in the industrial field, while enhancing products and strengthening sales in the markets of emerging countries in the life science field. In the Imaging Business, we will focus on high-value added products such as the OM-D series, a new generation camera, and carry on the transition to a business structure that steadily yields profit through cost reduction.

The forecast of consolidated financial results for the fiscal year ending March 31, 2013 is currently being formulated by the new management team that was appointed at the Extraordinary General Meeting of Shareholders held on April 20, 2012. The forecast will be disclosed as soon as we are able to announce it.

# Business Risks

A number of factors could significantly affect the business performance of the Olympus Group. The following are the main factors, other than management decisions, that may give rise to changes in the Group's business performance. The Group recognizes that these risks may occur and undertakes to prevent the occurrence of risks and to respond if risks occur.

Forward-looking statements in this section are based on the Group's judgment as of the end of the fiscal year under review.

**(1) Risks Associated with Sales Activities**

1) In the Medical Business, inability to respond to changes in the business environment caused by unforeseeable large-scale changes in healthcare policy resulting from healthcare system reform may affect earnings.
2) In the life science sector of the Life Science & Industrial Business, the supply of systems for research funded by national budgets of countries accounts for a high proportion of earnings, and curtailment of national budgets for reasons such as macro-economic changes may affect earnings.
3) In the digital camera sector of the Imaging Business, price competition in the market is intensifying, and a sharp decline in market prices that cannot be absorbed by means of cost-reduction measures the Group is implementing may affect earnings.

**(2) Risks Associated with Production and Development Activities**

1) In the Imaging Business, core production operations are located in China. Accordingly, a rise in the value of the yuan would result in cost increases, which may affect earnings. In addition, destabilization of conditions or deterioration of public safety in China, or anti-Japan sentiment, among others, may affect production activities.
2) The Group depends on certain specific suppliers for processes from development to production of products and components that cannot be developed and produced within the Group. Accordingly, procurement constraints resulting from conditions impacting these suppliers may affect production and supply capacity.
3) Olympus products, including products consigned to outside suppliers, are manufactured in accordance with strict quality standards. Nevertheless, the occurrence of product defects may result in substantial costs, such as for product recalls, as well as loss of confidence in the Olympus Group, which may affect earnings.
4) The Group is making continuous advances in the development of products that incorporate cutting-edge technologies. Nevertheless, technical progress is rapid, and the inability to sufficiently foresee market changes and develop new products that meet customer needs in a timely manner may affect earnings.
5) The Group applies various intellectual property rights in its R&D and production activities and believes that these are rights owned by the Group or rights for which the Group has legally obtained licenses. However, assertion by a third party that the Group has unknowingly infringed on intellectual property rights and the occurrence of a dispute may affect earnings.

**(3) Risks Associated with Stock Investment Activities**

Stock prices are determined based upon market principles, and the Group may not be able to obtain expected returns depending on trends in the market economy.

**(4) Risks Associated with Business Partnerships and Corporate Acquisitions**

1) Olympus has formed long-term strategic partnerships related to technologies and product development with leading companies in the industry. Inability to maintain such partnerships due to the occurrence of financial or other business-related issues with strategic partners, changes in goals, or other reasons may hinder the Group's business activities.
2) Olympus may acquire or take equity positions in companies for the purpose of business expansion. Inability to integrate acquired businesses in accordance with the Group's management strategies or inability to efficiently utilize the management resources of existing businesses or acquired businesses may affect the Group's operations and may affect business performance or the financial position for reasons such as impairment of goodwill.

**(5) Risks Associated with Financing**

The Group obtains financing by means of borrowings from financial institutions and other sources, and changes in conditions in the financial markets may affect the Group's financing. In addition, an increase in financing costs as a result of factors such as deterioration in the Group's business performance may adversely affect the Group's financing.

**(6) Risks Associated with Leakage of Information**

The Group possesses important confidential information such as technical information and personal information of customers and other interested parties. The Group has taken various measures to prevent leakage of such information outside the Group, including the preparation of internal regulations, thorough employee education, and the strengthening of security systems. Nevertheless, leakage of such information due to unforeseen circumstances may affect the Group's business performance or financial position as a result of factors such as damage to the Group's corporate value, loss of public trust, or payment of compensation to customers or other interested parties affected by the leakage.

**(7) Risks Associated with Deferred Posting of Past Losses**

A case is pending in Tokyo District Court in which the Company is charged with violations of the Securities and Exchange Act and the Financial Instruments and Exchange Act with respect to the Company's deferring of the posting of losses on investment securities, etc., since around the 1990s and the use, via multiple funds, of both the fees paid to financial advisors and funds to buy back preferred stock in relation to the acquisition of Gyrus Group PLC as well as the funds for the acquisition of three domestic companies (Altis Co., Ltd, NEWS CHEF, Inc. and Humalabo Co., Ltd.) to resolve unrealized losses on investment securities, etc., by deferring the posting of these losses. The results of these proceedings may affect the Group's business performance or financial position.

Furthermore, shareholders of the Company have filed lawsuits against the Company as a result of the Company's inappropriate financial reporting, and there is the risk that other shareholders and shareholder groups will claim damages or file lawsuits against the Company, which may affect the Group's business performance or financial position. One lawsuit that may have a particularly significant impact is the follwing: On July 23, 2012, Terumo Corporation, a shareholder of the Company, filed a suit for damages seeking compensation of ¥6,612 million plus interest at the rate of 5% per annum from August 22, 2005.

In addition, the Company missed the submission deadline under the Financial Instruments and Exchange Act for the quarterly securities report pertaining to the second quarter of the fiscal year ended March 31, 2012 (within 45 days after the end of the second quarter), and the misrepresentation in financial reports and other documents resulting from the abovementioned deferred posting of past losses conflict with the disclosure and warranties clause and covenants clause with respect to a portion of borrowings from financial institutions (long-term borrowings of ¥320,000 million). Although this may adversely affect the Group's financing and financing costs, the Company is currently discussing with the financial institutions continuation of the loans without exercise of the acceleration clause, and at present, the Company believes the financial institutions will continue to provide financing.

**(8) Risks Associated with Internal Control Systems, etc.**

The Company has striven to improve and develop its internal control systems in response to the designation of the Company shares as "securities on alert" by the Tokyo Stock Exchange (TSE) on January 21, 2012. Nevertheless, if three years after the designation the TSE deems that problems remain with the Company's internal control systems, etc., or if the TSE deems that there are unlikely to be improvements in the Company's internal control systems, etc., even though the TSE has requested submission of a letter of confirmation about internal control systems, the Company's shares may be delisted, which may affect the Olympus Group's business performance and financial position.

**(9) Other General Risks**

Through its domestic and overseas subsidiaries and affiliates, etc., the Company operates its various businesses around the world, including the Medical Business, which is a regulated industry. These regulated businesses may from time to time be subject to various investigations by domestic and overseas authorities and involve discussions with or reporting to authorities with respect to compliance with laws (for instance, response to investigations concerning compliance with the Antimonopoly Act or Pharmaceutical Affairs Act or voluntary disclosure to the U.S. Department of Justice regarding compliance with the Foreign Corrupt Practices Act (FCPA)), and the results of such investigations and consultations may affect earnings.

In addition, the occurrence of natural disasters, disease, wars, riot or insurrection, terrorist attacks, or other incidents or the occurrence of greater than expected interest rate increases or exchange rate fluctuations may affect earnings.

# CONSOLIDATED BALANCE SHEETS

Olympus Corporation and Consolidated Subsidiaries

As of March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S.dollars (Note1) |
|---|---|---|---|
| | 2012 | 2011 As restated (Note 1) | 2012 |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and deposits (Notes 3, 16 and 23) | ¥ 200,088 | ¥ 213,561 | $ 2,501,100 |
| Notes and accounts receivable (Notes 3, 5 and 16) | 150,594 | 141,176 | 1,882,425 |
| Allowance for doubtful accounts | (3,098) | (2,648) | (38,725) |
| Lease receivables and leased investment assets (Notes 16 and 27) | 18,888 | 17,289 | 236,100 |
| Inventories (Notes 6 and 16) | 102,493 | 92,929 | 1,281,163 |
| Deferred income taxes (Note 13) | 23,574 | 32,568 | 294,675 |
| Other current assets | 34,019 | 38,659 | 425,237 |
| Total current assets | 526,558 | 533,534 | 6,581,975 |
| PROPERTY, PLANT AND EQUIPMENT: | | | |
| Land | 15,931 | 19,430 | 199,138 |
| Buildings and structures (Note 16) | 129,654 | 135,860 | 1,620,675 |
| Machinery and equipment (Note 16) | 211,195 | 205,325 | 2,639,938 |
| Leased assets | 9,402 | 7,662 | 117,525 |
| Construction in progress | 1,131 | 2,354 | 14,138 |
| | 367,313 | 370,631 | 4,591,413 |
| Less-Accumulated depreciation | (239,505) | (229,290) | (2,993,813) |
| Net property, plant and equipment | 127,808 | 141,341 | 1,597,600 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities (Notes 3, 4 and 16) | 51,318 | 59,342 | 641,475 |
| Deferred income taxes (Note 13) | 8,167 | 14,926 | 102,088 |
| Goodwill | 124,465 | 133,050 | 1,555,813 |
| Other assets (Notes 16 and 27) | 136,106 | 145,116 | 1,701,325 |
| Allowance for doubtful accounts (Note 11) | (7,896) | (8,149) | (98,701) |
| Total investments and other assets | 312,160 | 344,285 | 3,902,000 |
| | ¥ 966,526 | ¥ 1,019,160 | $ 12,081,575 |

See accompanying notes to consolidated financial statements.

| | Millions of yen | | Thousands of U.S.dollars (Note1) |
|---|---|---|---|
| | 2012 | 2011 As restated (Note 1) | 2012 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES: | | | |
| Short-term borrowings (Notes 3, 7 and 16) | ¥ 63,092 | ¥ 64,094 | $ 788,650 |
| Current maturities of long-term debt (Notes 3, 8 and 16) | 49,023 | 63,441 | 612,788 |
| Notes and accounts payable (Notes 3 and 9) | 75,330 | 68,715 | 941,625 |
| Other payable | 36,947 | 36,628 | 461,838 |
| Accrued expenses | 62,613 | 59,664 | 782,663 |
| Provision for warranty costs | 7,336 | 8,360 | 91,700 |
| Income taxes payable (Note 13) | 8,228 | 16,274 | 102,850 |
| Other current liabilities | 17,824 | 15,596 | 222,799 |
| Total current liabilities | 320,393 | 332,772 | 4,004,913 |
| NON-CURRENT LIABILITIES: | | | |
| Long-term debt, less current maturities (Notes 3, 8 and 16) | 530,311 | 521,252 | 6,628,888 |
| Deferred income taxes (Note 13) | 29,456 | 21,533 | 368,200 |
| Provision for retirement benefits (Note 10) | 24,062 | 18,954 | 300,775 |
| Provision for loss on business liquidation | 3,205 | — | 40,063 |
| Other non-current liabilities | 11,071 | 9,070 | 138,387 |
| Total non-current liabilities | 598,105 | 570,809 | 7,476,313 |
| CONTINGENT LIABILITIES (Note 15): | | | |
| NET ASSETS (Note 14): | | | |
| Common stock: | | | |
| Authorized-1,000,000,000 shares | | | |
| Issued-271,283,608 shares as of March 31, 2012 and 2011 | 48,332 | 48,332 | 604,150 |
| Capital surplus | 54,788 | 54,788 | 684,850 |
| Retained earnings | 60,197 | 113,532 | 752,463 |
| Treasury stock, at cost | (11,249) | (11,097) | (140,625) |
| Total shareholders' equity | 152,067 | 205,555 | 1,900,838 |
| Net unrealized holding gains on available-for-sale securities, net of taxes | 3,128 | 6,524 | 39,100 |
| Net unrealized losses on hedging derivatives, net of taxes | (1,268) | (758) | (15,850) |
| Foreign currency translation adjustments | (102,067) | (95,201) | (1,275,838) |
| Pension liabilities adjustment of foreign subsidiaries | (7,090) | (3,643) | (88,625) |
| Total accumulated other comprehensive income | (107,297) | (93,078) | (1,341,213) |
| Minority interests | 3,258 | 3,102 | 40,725 |
| Total net assets | 48,028 | 115,579 | 600,350 |
| | ¥ 966,526 | ¥ 1,019,160 | $ 12,081,575 |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF OPERATIONS

Olympus Corporation and Consolidated Subsidiaries

For the years ended March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S.dollars (Note1) |
|---|---|---|---|
| | 2012 | 2011 As restated (Note 1) | 2012 |
| Net sales | ¥ 848,548 | ¥ 847,105 | $ 10,606,850 |
| Cost of sales | 464,743 | 459,420 | 5,809,288 |
| Gross profit | 383,805 | 387,685 | 4,797,562 |
| Selling, general and administrative expenses (Note 17) | 348,287 | 349,306 | 4,353,587 |
| Operating income | 35,518 | 38,379 | 443,975 |
| Other income (expenses): | | | |
| Interest expense, net | (13,167) | (11,913) | (164,588) |
| Gain (loss) on available-for-sale securities, net | 1,163 | (2,346) | 14,538 |
| Foreign currency exchange gain, net | 162 | 2,615 | 2,025 |
| Gain of investments in affiliated companies accounted for by the equity method, net | 144 | 574 | 1,800 |
| Loss on sales of investment securities in subsidiaries and affiliates, net | (38) | (77) | (475) |
| Gain on transfer of business | — | 2,696 | — |
| Amortization of negative goodwill | — | 2,408 | — |
| Impairment loss on fixed assets (Note 18) | (15,839) | (482) | (197,988) |
| Amortization of goodwill | (1,179) | (631) | (14,738) |
| Loss on step acquisitions | — | (310) | — |
| Loss on adoption of accounting standard for asset retirement obligations | — | (311) | — |
| Loss on disaster | — | (608) | — |
| Loss on funds (Note 19) | — | (327) | — |
| Provision of allowance for doubtful accounts on funds (Note 20) | — | (2,448) | — |
| Loss on restructuring of business (Note 21) | (3,392) | — | (42,400) |
| Provision for loss on business liquidation | (3,205) | — | (40,063) |
| Expenses related to restatement of prior periods (Note 22) | (2,001) | — | (25,013) |
| Other, net | (7,661) | (7,281) | (95,761) |
| Total | (45,013) | (18,441) | (562,663) |
| Loss (income) before income taxes and minority interests | (9,495) | 19,938 | (118,688) |
| Income taxes (Note 13): | | | |
| Current | 16,293 | 17,362 | 203,663 |
| Deferred | 22,989 | (1,737) | 287,362 |
| Total | 39,282 | 15,625 | 491,025 |
| Loss (income) before minority interests | (48,777) | 4,313 | (609,713) |
| Minority interests | (208) | (447) | (2,599) |
| Net loss (income) | ¥ (48,985) | ¥ 3,866 | $ (612,312) |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Olympus Corporation and Consolidated Subsidiaries

For the years ended March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S.dollars (Note1) |
|---|---|---|---|
| | **2012** | 2011 As restated (Note 1) | **2012** |
| Income (loss) before minority interests | **¥ (48,777)** | ¥ 4,313 | **$ (609,713)** |
| Other comprehensive income (Note 28) | | | |
| Net unrealized holding losses on available-for-sale securities, net of taxes | **(3,396)** | (1,467) | **(42,450)** |
| Net unrealized losses on hedging derivatives, net of taxes | **(510)** | (233) | **(6,375)** |
| Foreign currency translation adjustments | **(6,858)** | (29,013) | **(85,725)** |
| Pension liabilities adjustment of foreign subsidiaries | **(3,447)** | 481 | **(43,088)** |
| Changes in share of other comprehensive income of affiliates | **—** | (206) | **—** |
| Share of other comprehensive income of affiliates accounted for by the equity-method | **(2)** | (6) | **(25)** |
| Total other comprehensive income | **(14,213)** | (30,445) | **(177,663)** |
| Comprehensive income (loss) | **¥ (62,990)** | ¥ (26,131) | **$ (787,376)** |
| Total comprehensive income attributable to: | | | |
| Shareholders of Olympus Corporation | **¥ (63,203)** | ¥ (26,884) | **$ (790,038)** |
| Minority interests | **¥ 213** | ¥ 753 | **$ 2,662** |

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Olympus Corporation and Consolidated Subsidiaries

For the years ended March 31, 2012 and 2011

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings as restated (Note 1) | Treasury stock, at cost | Total shareholders' equity |
| **Balance at March 31, 2010** | ¥ 48,332 | ¥ 55,166 | ¥ 114,719 | ¥ (4,136) | ¥ 214,081 |
| Transfer to pension liability adjustment of foreign subsidiaries | | | 4,124 | | 4,124 |
| Cash dividends paid | | | (8,099) | | (8,099) |
| Net income | | | 3,866 | | 3,866 |
| Change in scope of consolidation | | | (872) | | (872) |
| Decrease in retained earnings due to changes in equity | | | (206) | | (206) |
| Acquisition of treasury stock | | | | (10,006) | (10,006) |
| Disposal of treasury stock | | (378) | | 3,045 | 2,667 |
| Net changes during the year | — | (378) | (5,311) | (6,961) | (12,650) |
| **Balance at March 31, 2011** | ¥ 48,332 | ¥ 54,788 | ¥ 113,532 | ¥ (11,097) | ¥ 205,555 |
| Cash dividends paid | | | (4,004) | | (4,004) |
| Net loss | | | (48,985) | | (48,985) |
| Change in scope of consolidation | | | (346) | | (346) |
| Acquisition of treasury stock | | | | (152) | (152) |
| Net changes during the year | — | — | (53,335) | (152) | (53,487) |
| **Balance at March 31, 2012** | ¥ 48,332 | ¥ 54,788 | ¥ 60,197 | ¥ (11,249) | ¥ 152,067 |

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | Net unrealized gains (losses) on hedging derivatives, net of taxes | Foreign currency translation adjustments | Pension liability adjustment of foreign subsidiaries | Total accumulated other comprehensive income | Minority interests | Total net assets as restated (Note 1) |
| **Balance at March 31, 2010** | ¥ 8,020 | ¥ (438) | ¥ (65,991) | ¥ — | ¥ (58,409) | ¥ 7,459 | ¥ 163,131 |
| Transfer to pension liability adjustment of foreign subsidiaries | | | | (4,124) | (4,124) | | — |
| Cash dividends paid | | | | | — | | (8,099) |
| Net income | | | | | — | | 3,866 |
| Change in scope of consolidation | | | | | — | | (872) |
| Decrease in retained earnings due to changes in equity | | | | | — | | (206) |
| Acquisition of treasury stock | | | | | — | | (10,006) |
| Disposal of treasury stock | | | | | — | | 2,667 |
| Net change in items other than shareholders' equity | (1,496) | (320) | (29,210) | 481 | (30,545) | (4,357) | (34,902) |
| Net changes during the year | (1,496) | (320) | (29,210) | 481 | (30,545) | (4,357) | (47,552) |
| **Balance at March 31, 2011** | ¥ 6,524 | ¥ (758) | ¥ (95,201) | ¥ (3,643) | ¥ (93,078) | ¥ 3,102 | ¥ 115,579 |
| Cash dividends paid | | | | | — | | (4,004) |
| Net loss | | | | | — | | (48,985) |
| Change in scope of consolidation | | | | | — | | (346) |
| Acquisition of treasury stock | | | | | — | | (152) |
| Net change in items other than shareholders' equity | (3,396) | (510) | (6,866) | (3,447) | (14,219) | 156 | (14,063) |
| Net changes during the year | (3,396) | (510) | (6,866) | (3,447) | (14,219) | 156 | (67,551) |
| **Balance at March 31, 2012** | ¥ 3,128 | ¥ (1,268) | ¥ (102,067) | ¥ (7,090) | ¥ (107,297) | ¥ 3,258 | ¥ 48,028 |

| | Thousands of U.S. dollars (Note1) | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings as restated (Note 1) | Treasury stock, at cost | Total shareholders' equity |
| **Balance at March 31, 2011** | $ 604,150 | $ 684,850 | $ 1,419,150 | $ (138,712) | $ 2,569,438 |
| Cash dividends paid | | | (50,049) | | (50,049) |
| Net loss | | | (612,312) | | (612,312) |
| Change in scope of consolidation | | | (4,326) | | (4,326) |
| Acquisition of treasury stock | | | | (1,913) | (1,913) |
| Net changes during the year | — | — | (666,687) | (1,913) | (668,600) |
| **Balance at March 31, 2012** | $ 604,150 | $ 684,850 | $ 752,463 | $ (140,625) | $ 1,900,838 |

| | Thousands of U.S. dollars (Note1) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | Net unrealized gains (losses) on hedging derivatives, net of taxes | Foreign currency translation adjustments | Pension liability adjustment of foreign subsidiaries | Total accumulated other comprehensive income | Minority interests | Total net assets as restated (Note 1) |
| **Balance at March 31, 2011** | $ 81,550 | $ (9,475) | $ (1,190,013) | $ (45,538) | $ (1,163,476) | $ 38,775 | $ 1,444,737 |
| Cash dividends paid | | | | | — | | (50,049) |
| Net loss | | | | | — | | (612,312) |
| Change in scope of consolidation | | | | | — | | (4,326) |
| Acquisition of treasury stock | | | | | — | | (1,913) |
| Net change in items other than shareholders' equity | (42,450) | (6,375) | (85,825) | (43,087) | (177,737) | 1,950 | (175,787) |
| Net changes during the year | (42,450) | (6,375) | (85,825) | (43,087) | (177,737) | 1,950 | (844,387) |
| **Balance at March 31, 2012** | $ 39,100 | $ (15,850) | $ (1,275,838) | $ (88,625) | $ (1,341,213) | $ 40,725 | $ 600,350 |

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Olympus Corporation and Consolidated Subsidiaries

For the years ended March 31, 2012 and 2011

| | Millions of yen | | Thousands of U.S.dollars (Note1) |
|---|---|---|---|
| | 2012 | 2011 As restated (Note 1) | 2012 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Loss (income) before income taxes and minority interests | ¥ (9,495) | ¥ 19,938 | $ (118,688) |
| Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities: | | | |
| Depreciation and amortization | 33,787 | 34,188 | 422,338 |
| Impairment loss on fixed assets (Note 18) | 15,839 | 482 | 197,988 |
| Amortization of goodwill | 12,283 | 12,249 | 153,538 |
| Amortization of negative goodwill | — | (2,408) | — |
| Increase(decrease) in provision for retirement benefit | 1,445 | (150) | 18,063 |
| Decrease(increase) in prepaid pension cost | 2,051 | (1,581) | 25,638 |
| Decrease in provision for warrant cost | (716) | (1,170) | (8,950) |
| Interest income | (859) | (831) | (10,737) |
| Interest expense | 14,026 | 12,744 | 175,325 |
| Net gain of investments in affiliated companies accounted for by the equity method | (144) | (574) | (1,800) |
| Gain on transfer of business | — | (2,696) | — |
| Gain (loss) on available-for-sale securities, net | (1,163) | 2,346 | (14,538) |
| Increase in provision for loss on business liquidation | 3,205 | — | 40,063 |
| Loss on sale of investment securities in subsidiaries and affiliates, net | 38 | 77 | 475 |
| Increase (decrease) in accounts receivable | (11,681) | 9,969 | (146,013) |
| Increase in inventories | (9,742) | (3,452) | (121,775) |
| Increase (decrease) in accounts payable | 6,792 | (5,731) | 84,900 |
| Increase (decrease) in other payable | 260 | (3,825) | 3,250 |
| Increase in accrued expense | 3,719 | 1,565 | 46,488 |
| Increase in allowance for doubtful accounts on funds | — | 2,448 | — |
| Loss on funds (Note 19) | — | 327 | — |
| Other | 3,327 | 3,809 | 41,585 |
| Sub-total | 62,972 | 74,949 | 787,150 |
| Interest and dividends received | 1,836 | 1,708 | 22,950 |
| Interest payments | (13,990) | (13,081) | (174,875) |
| Outflow of money from funds (Note 25) | — | (2,448) | — |
| Income taxes paid | (19,929) | (30,659) | (249,112) |
| Net cash provided by operating activities | 30,889 | 30,469 | 386,113 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Deposits in time deposits | (2,007) | (4,810) | (25,088) |
| Withdrawals from time deposits | 3,719 | 5,227 | 46,488 |
| Purchases of property, plant and equipment | (22,761) | (20,243) | (284,513) |
| Purchases of intangible assets | (12,483) | (9,381) | (156,038) |
| Purchases of investment securities | (1,076) | (3,745) | (13,450) |
| Sales of investment securities | 4,155 | 7,756 | 51,938 |
| Payments for acquisition of newly consolidated subsidiaries (Note 24) | (6,584) | (12,328) | (82,300) |
| Net increase from sales of investments in subsidiaries resulting in changes in scope of consolidation | 27 | 201 | 338 |
| Payments for acquisition of subsidiaries | (624) | (5,817) | (7,800) |
| Payments for loans receivable | (1) | (3,578) | (13) |
| Proceeds from loans receivable | 2,408 | 120 | 30,100 |
| Payments for transfer of business | — | (6,529) | — |
| Proceeds from transfer of business | — | 5,797 | — |
| Collection of fund assets (Note 26) | — | 65,553 | — |
| Other | (508) | 780 | (6,350) |
| Net cash used in (provided by) investing activities | (35,735) | 19,003 | (446,688) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Increase (decrease) in short-term borrowings | 2,722 | (13,980) | 34,025 |
| Proceeds from long-term borrowings | 60,244 | 34,501 | 753,050 |
| Repayments of long-term borrowings | (63,197) | (18,908) | (789,963) |
| Redemption of bonds | (240) | (20,040) | (3,000) |
| Payments for purchase of treasury stock | (152) | (10,006) | (1,900) |
| Dividends paid | (4,004) | (8,099) | (50,049) |
| Dividends paid to minority shareholders | (22) | (40) | (275) |
| Other | (1,112) | (787) | (13,901) |
| Net cash used in financing activities | (5,761) | (37,359) | (72,013) |
| Effect of exchange rate changes on cash and cash equivalents | (1,220) | (5,931) | (15,250) |
| Net (decrease) increase in cash and cash equivalents | (11,827) | 6,182 | (147,838) |
| Cash and cash equivalents at beginning of year | 210,385 | 203,013 | 2,629,813 |
| Net increase in cash and cash equivalents associated with newly consolidated subsidiaries | 103 | 1,190 | 1,288 |
| Cash and cash equivalents at end of year (Note 23) | ¥ 198,661 | ¥ 210,385 | $ 2,483,263 |

See accompanying notes to consolidated financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No.18). In accordance with PITF No.18, the accompanying consolidated financial statements for the years ended March 31, 2012 and 2011 have been prepared by using, the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

On November 8, 2011, it came to light in the process of the investigation of the independent Third Party Committee that the Company had postponed recognition of losses on securities investments from around the 1990's and was using the acquisition transactions for three domestic subsidiaries (Altis Co., Ltd., NEWS CHEF, Inc. and Humalabo Co., Ltd., hereinafter, collectively, the "Three Domestic Subsidiaries") and Gyrus Group PLC (Gyrus) to settle said losses.

Based on the findings, it has been determined that the Company substantially controlled funds, which had losses on securities investments and had not previously been consolidated with the purpose of postponing recognition of losses, and accordingly, the Company has restated its consolidated financial statements by consolidating these funds and reflected such losses on the consolidated financial statements for the relevant fiscal years. Additionally, restatements were made to the accounting for the acquisition of the Three Domestic Subsidiaries as well as the fees and the proceeds to buy back preferred shares paid to financial advisors in connection with the acquisition of Gyrus, which were used for making up for the losses. These restatements also included the cancellation of goodwill incurred from these acquisitions on the consolidated balance sheets, and the cancellation of amortization and impairment losses of such goodwill on the consolidated statements of operations.

As a result, the impact of the restatement on the 2011 consolidated financial statements is as follows:

| | Millions of yen | | |
|---|---|---|---|
| | As previously reported (A) | As restated (B) | Restatement (B-A) |
| March 31, 2011: | | | |
| Net sales | ¥ 847,105 | ¥ 847,105 | ¥ — |
| Operating income | 35,360 | 38,379 | 3,019 |
| Income before income taxes and minority interests | 22,759 | 19,938 | (2,821) |
| Net income | 7,381 | 3,866 | (3,515) |
| Total assets | 1,063,593 | 1,019,160 | (44,433) |
| Total net assets | ¥ 166,836 | ¥ 115,579 | ¥ (51,257) |
| April 1, 2010: | | | |
| Retained earnings | ¥ 168,238 | ¥ 114,719 | ¥ (53,519) |
| Total net assets | ¥ 216,891 | ¥ 163,131 | ¥ (53,760) |

In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classification used in the 2012 consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate of ¥80 to US$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

### (b) PRINCIPLES OF CONSOLIDATION AND ACCOUNTING FOR INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. For the year ended March 31, 2012, the accounts of 188 (179 in 2011) subsidiaries have been included in the consolidated financial statements. All significant inter-company balances and transactions have been eliminated in the consolidation.

The Company consolidates all significant investees which were controlled through substantial ownership of majority voting rights or existence of certain conditions.

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

Investments in certain unconsolidated subsidiaries and affiliated companies in which the Company has significant influence, but less than a controlling interest, are accounted for by the equity method. For the year ended March 31, 2012, 4 (4 in 2011) affiliates were accounted for by the equity method. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a significant decline in the value of such investments, the Company has written down the investments. The differences between acquisition cost and underlying net equity at the time of acquisition (goodwill) are generally being amortized on the straight-line method in the range of mainly 5 to 20 years.

**(c) CASH AND CASH EQUIVALENTS**

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

**(d) SECURITIES**

In accordance with the accounting standard for financial instruments, the Company and its consolidated subsidiaries classified their securities into four categories.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by non-consolidated subsidiaries and affiliated companies are stated at moving-average cost. Available-for-sale securities with fair values are stated at fair value and those with no fair values at cost. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gain or loss on sale of securities is computed using the moving-average cost method.

**(e) DERIVATIVE AND HEDGE ACCOUNTING**

Accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains and losses unless derivative financial instruments meet the criteria for hedge accounting.

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

**(f) INVENTORIES**

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

**(g) PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are stated at cost. Depreciation is mainly computed by the declining balance method at rates based on the estimated useful lives of the relevant assets. The effective annual rates of depreciation as of March 31, 2012 and 2011 were as follows:

| | 2012 | 2011 |
|---|---|---|
| Buildings and structures | 11.0% | 10.7% |
| Machinery and equipment | 32.9% | 31.4% |

**(h) ALLOWANCE FOR DOUBTFUL ACCOUNTS**

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

**(i) PROVISION FOR WARRANTY COSTS**

Provision for warranty costs is provided to cover the cost of all services anticipated to be incurred during the entire warranty period based on the warranty contracts and past experience.

**(j) PROVISION FOR RETIREMENT BENEFITS**

The Company and its consolidated subsidiaries provided allowance for employees' retirement benefits as of the balance sheet date based on the amounts of projected benefit obligation and the fair value of the plan assets at that date.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 5 years) which are shorter than the average remaining years of service of the employees.

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

The retirement allowance for directors and corporate auditors was recorded at an amount to be paid in accordance with the internal rules if all eligible directors and corporate auditors resigned their offices as of the balance sheet date.

Provision for retirement benefits presented in the non-current liabilities of the consolidated balance sheets included retirement allowance for directors and corporate auditors as of March 31, 2012 and 2011.

**(k) PROVISION FOR LOSS ON BUSINESS LIQUIDATION**

Provision for loss on business liquidation is recorded to cover losses arising from the business liquidation to be carried out by certain subsidiaries of the Company at the expected amount of these losses.

**(l) RESEARCH AND DEVELOPMENT**

Expenses relating to research and development activities are charged to income as incurred.

**(m) LEASE TRANSACTIONS**

Noncancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and relating payments are charged to income as incurred.

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

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

**(n) INCOME TAXES**

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

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

**(o) CONSUMPTION TAXES**

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

**(p) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS**

In accordance with the accounting standards for foreign currency translations, the balance sheet accounts of the foreign consolidated subsidiaries are translated at exchange rates as of the balance sheet date. Net assets excluding minority interests are translated at historical exchange rates. Revenues and expenses are translated at average exchange rates for each corresponding fiscal year. Differences arising from translation are presented as “Foreign currency translation adjustments” in a separate component of net assets.

## 2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2011, the Company adopted the “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 24 issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 issued on December 4, 2009).

## 3. FINANCIAL INSTRUMENTS

**Overview**

**(1) Policy for financial instruments**

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

**(2) Types of financial instruments and related risk**

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

Marketable securities and investment securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Group has business relationships or affiliated companies and the investment trust fund. In addition, the Group has loans receivable from affiliated companies accounted for by the equity method.

Substantially all trade payables-notes and accounts payable-have payment due dates within one year. Although the Group is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign exchange contracts are arranged to reduce the risk.

Short-term borrowings, long-term debt, bonds and lease obligations are raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. The repayment dates of these debt extend up to 9 years and 2 months from the balance sheet date. These debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for certain debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

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

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

**(3) Risk management for financial instruments**

**(a) Monitoring of credit risk (the risk that customers or counterparties may default)**

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

As of March 31, 2012, the carrying values of the financial assets represent the maximum credit risk exposures of the Group.

**(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)**

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable and bonds bearing interest at variable rates, the Group may also enter into interest rate swap transactions.

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

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

**(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)**

Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

**(4) Supplementary explanation of the estimated fair value of financial instruments**

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

**Estimated Fair Value of Financial Instruments**

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2012 and 2011 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2)) below:

(As of March 31, 2012)

| | Millions of yen | | |
|---|---|---|---|
| | Carrying value | Estimated fair value | Difference |
| Assets | | | |
| 1) Cash and deposits | ¥ 200,088 | ¥ 200,088 | ¥ — |
| 2) Notes and accounts receivable | 150,594 | 150,594 | — |
| 3) Investment securities | 45,771 | 45,771 | — |
| Total Assets | ¥ 396,453 | ¥ 396,453 | ¥ — |
| Liabilities | | | |
| 1) Notes and accounts payable | ¥ 75,330 | ¥ 75,330 | ¥ — |
| 2) Short-term borrowings | 63,092 | 63,092 | — |
| 3) Bonds, including current maturities | 110,120 | 99,945 | (10,175) |
| 4) Long-term borrowings, including current maturities | 469,214 | 415,488 | (53,726) |
| Total Liabilities | ¥ 717,756 | ¥ 653,855 | ¥ (63,901) |
| Derivatives* | ¥ (1,922) | ¥ (1,922) | ¥ — |

| (As of March 31, 2011) | Millions of yen | | |
|---|---|---|---|
| | Carrying value | Estimated fair value | Difference |
| Assets | | | |
| 1) Cash and deposits | ¥ 213,561 | ¥ 213,561 | ¥ — |
| 2) Notes and accounts receivable | 141,176 | 141,176 | — |
| 3) Investment securities | 51,879 | 51,879 | — |
| Total Assets | ¥ 406,616 | ¥ 406,616 | ¥ — |
| Liabilities | | | |
| 1) Notes and accounts payable | ¥ 68,715 | ¥ 68,715 | ¥ — |
| 2) Short-term borrowings | 64,094 | 64,094 | — |
| 3) Bonds, including current maturities | 110,360 | 111,750 | 1,390 |
| 4) Long-term borrowings, including current maturities | 474,333 | 479,666 | 5,333 |
| Total Liabilities | ¥ 717,502 | ¥ 724,225 | ¥ 6,723 |
| Derivatives* | ¥ (82) | ¥ (82) | ¥ — |

| (As of March 31, 2012) | Thousands of U.S. dollars | | |
|---|---|---|---|
| | Carrying value | Estimated fair value | Difference |
| Assets | | | |
| 1) Cash and deposits | $ 2,501,100 | $ 2,501,100 | $ — |
| 2) Notes and accounts receivable | 1,882,425 | 1,882,425 | — |
| 3) Investment securities | 572,138 | 572,138 | — |
| Total Assets | $ 4,955,663 | $ 4,955,663 | $ — |
| Liabilities | | | |
| 1) Notes and accounts payable | $ 941,625 | $ 941,625 | $ — |
| 2) Short-term borrowings | 788,650 | 788,650 | — |
| 3) Bonds, including current maturities | 1,376,500 | 1,249,313 | (127,187) |
| 4) Long-term borrowings, including current maturities | 5,865,175 | 5,193,600 | (671,575) |
| Total Liabilities | $ 8,971,950 | $ 8,173,188 | $ (798,762) |
| Derivatives* | $ (24,025) | $ (24,025) | $ — |

*The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

**Notes:**

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

**Cash and deposits and Notes and accounts receivable**

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

**Investment securities**

The fair value of stocks is based on quoted market prices. The fair value of debt securities and investment trust fund is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 4 "Securities."

**Notes and accounts payable and Short-term borrowings**

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

**Bonds**

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

**Long-term borrowings**

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

**Derivatives transactions**

Please refer to Note 29 “Derivative financial instruments.”

2) Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2012 and 2011, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| 1) Non-listed equity securities | ¥ 937 | ¥ 2,449 | $ 11,713 |
| 3) Others | 1,826 | 2,067 | 22,825 |
| Total | ¥ 2,763 | ¥ 4,516 | $ 34,538 |

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table.

3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2012 and 2011

| (As of March 31, 2012) | Millions of yen | | | |
|---|---|---|---|---|
| | Within a year | Over a year but within five years | Over five years but within ten years | Over ten years |
| Cash and deposits | ¥ 199,924 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable | 150,594 | — | — | — |
| Investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| 1) National and local government bonds | — | — | — | — |
| 2) Corporate bonds | — | — | — | — |
| Other marketable securities with maturities | | | | |
| 1) Corporate bonds | — | — | — | — |
| 2) Other | 738 | 911 | — | — |
| Total | ¥ 351,256 | ¥ 911 | ¥ — | ¥ — |

| (As of March 31, 2011) | Millions of yen | | | |
|---|---|---|---|---|
| | Within a year | Over a year but within five years | Over five years but within ten years | Over ten years |
| Cash and deposits | ¥ 213,364 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable | 141,176 | — | — | — |
| Investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| 1) National and local government bonds | — | — | — | — |
| 2) Corporate bonds | — | — | — | — |
| Other marketable securities with maturities | | | | |
| 1) Corporate bonds | — | — | — | — |
| 2) Other | 448 | 1,331 | 6 | — |
| Total | ¥ 354,988 | ¥ 1,331 | ¥ 6 | ¥ — |

| (As of March 31, 2012) | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | Within a year | Over a year but within five years | Over five years but within ten years | Over ten years |
| Cash and deposits | $ 2,499,050 | $ — | $ — | $ — |
| Notes and accounts receivable | 1,882,425 | — | — | — |
| Investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| 1) National and local government bonds | — | — | — | — |
| 2) Corporate bonds | — | — | — | — |
| Other marketable securities with maturities | | | | |
| 1) Corporate bonds | — | — | — | — |
| 2) Other | 9,225 | 11,388 | — | — |
| Total | $ 4,390,700 | $ 11,388 | $ — | $ — |

4) The redemption schedule for long-term debt is disclosed in Note 8 “Long-term debt.”

**4. SECURITIES**

The following tables summarize acquisition costs, book values and fair value of securities with fair value as of March 31, 2012 and 2011:

Available-for-sale securities

Securities with book value exceeding acquisition cost

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | | 2012 | | |
| | Acquisition cost | Book value | Difference | Acquisition cost | Book value | Difference | Acquisition cost | Book value | Difference |
| Equity securities | ¥ 22,991 | ¥ 30,310 | ¥ 7,319 | ¥ 25,178 | ¥ 37,201 | ¥ 12,023 | $ 287,388 | $ 378,875 | $ 91,487 |
| Others | 230 | 584 | 354 | 910 | 1,339 | 429 | 2,875 | 7,300 | 4,425 |
| Total | ¥ 23,221 | ¥ 30,894 | ¥ 7,673 | ¥ 26,088 | ¥ 38,540 | ¥ 12,452 | $ 290,263 | $ 386,175 | $ 95,912 |

Securities with book value not exceeding acquisition cost

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | | 2012 | | |
| | Acquisition cost | Book value | Difference | Acquisition cost | Book value | Difference | Acquisition cost | Book value | Difference |
| Equity securities | ¥ 18,543 | ¥ 14,877 | ¥ (3,666) | ¥ 17,282 | ¥ 13,339 | ¥ (3,943) | $ 231,788 | $ 185,963 | $ (45,825) |
| Others | — | — | — | — | — | — | — | — | — |
| Total | ¥ 18,543 | ¥ 14,877 | ¥ (3,666) | ¥ 17,282 | ¥ 13,339 | ¥ (3,943) | ¥ 231,788 | ¥ 185,963 | ¥ (45,825) |

Note : In the years ended March 31, 2012, the Company recognized impairment loss of ¥708 million (US$ 8,850 thousand) on available-for-sale securities with fair value.
The Company recognizes impairment loss when the fair market value of marketable and investment securities comes down to less than 50% of the acquisition cost at the end of the period. In addition, the loss is also recognized when the fair market value declines more than 30% but less than 50%, unless the recovery of the fair market value is expected under the market conditions, trends of earnings and other key measures.

The following table summarizes sales of available-for-sale securities and the aggregate gain and loss for the years ended March 31, 2012 and 2011:

| | Millions of yen | | | | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | | 2011 | | | 2012 | | |
| | Sales proceeds | Aggregate gain | Aggregate loss | Sales proceeds | Aggregate gain | Aggregate loss | Sales proceeds | Aggregate gain | Aggregate loss |
| Equity securities | ¥ 3,098 | ¥ 2,401 | ¥ 16 | ¥ 753 | ¥ 123 | ¥ 37 | $ 38,725 | $ 30,013 | $ 200 |
| Others | 239 | 10 | 2 | 1,055 | 30 | — | 2,988 | 125 | 25 |
| Total | ¥ 3,337 | ¥ 2,411 | ¥ 18 | ¥ 1,808 | ¥ 153 | ¥ 37 | $ 41,713 | $ 30,138 | $ 225 |

Investments in unconsolidated subsidiaries and affiliates was as follows:

| | Book value | | |
|---|---|---|---|
| | Millions of yen | | Thousands of U.S. dollars |
| | 2012 | 2011 | 2012 |
| Investment securities | ¥ 2,797 | ¥ 2,947 | $ 34,963 |
| Total | ¥ 2,797 | ¥ 2,947 | $ 34,963 |

### 5. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of March 31, 2012 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Unconsolidated subsidiaries and affiliates | ¥ 1,092 | ¥ 1,282 | $ 13,650 |
| Trade | 149,502 | 139,894 | 1,868,775 |
| Total | ¥ 150,594 | ¥ 141,176 | $ 1,882,425 |

### 6. INVENTORIES

Inventories as of March 31, 2012 and 2011, consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Finished goods | ¥ 61,963 | ¥ 55,247 | $ 774,538 |
| Work in process and raw materials | 40,530 | 37,682 | 506,625 |
| Total | ¥ 102,493 | ¥ 92,929 | $ 1,281,163 |

Write-downs of inventories for the years ended March 31, 2012 and 2011, were included in the following account:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Cost of sales | ¥ 1,191 | ¥ 1,208 | $ 14,888 |

### 7. SHORT-TERM BORROWINGS

Short-term borrowings consisted principally of bank loans. The annual interest rates on these borrowings ranged from 0.68% to 5.99% and from 0.71% to 1.97% as of March 31, 2012 and 2011, respectively.

**8. LONG-TERM DEBT**

Long-term debt as of March 31, 2012 and 2011, consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| (Unsecured long-term debt) | 2012 | 2011 | 2012 |
| 2.15% yen bonds, due July 2018 | ¥ 25,000 | ¥ 25,000 | $ 312,500 |
| 1.09% yen bonds, due July 2012 | 20,000 | 20,000 | 250,000 |
| 1.94% yen bonds, due March 2017 | 20,000 | 20,000 | 250,000 |
| 1.58% yen bonds, due July 2013 | 20,000 | 20,000 | 250,000 |
| 1.69% yen bonds, due March 2014 | 15,000 | 15,000 | 187,500 |
| 1.98% yen bonds, due September 2016 | 10,000 | 10,000 | 125,000 |
| 2.03% loan from a Japanese bank, due September 2017 | 35,000 | 35,000 | 437,500 |
| 2.20% loan from a Japanese bank, due July 2018 | 33,100 | 33,100 | 413,750 |
| 1.51% loan from a Japanese bank, due December 2013 | 27,500 | 27,500 | 343,750 |
| 3.73% loan from a Japanese bank, due March 2015 | 23,783 | 24,234 | 297,288 |
| 1.52% loan from a Japanese bank, due October 2011 | — | 25,000 | — |
| 1.83% loan from a Japanese bank, due September 2015 | 23,000 | 23,000 | 287,500 |
| 1.79% loan from a Japanese bank, due September 2014 | 21,900 | 21,900 | 273,750 |
| 1.54% loan from a Japanese bank, due September 2011 | — | 20,000 | — |
| 1.89% loan from a Japanese bank, due March 2016 | 20,000 | 20,000 | 250,000 |
| 1.62% loan from a Japanese bank, due September 2013 | 20,000 | 20,000 | 250,000 |
| 2.15% loan from a Japanese bank, due September 2018 | 20,000 | 20,000 | 250,000 |
| 1.99% loan from a Japanese bank, due September 2016 | 20,000 | 20,000 | 250,000 |
| 1.98% loan from a Japanese bank, due December 2017 | 20,000 | 20,000 | 250,000 |
| 2.14% loan from a Japanese bank, due August 2017 | 20,000 | 20,000 | 250,000 |
| 1.51% loan from a Japanese bank, due August 2014 | 20,000 | 20,000 | 250,000 |
| 1.69% loan from a Japanese bank, due December 2013 | 12,000 | 12,000 | 150,000 |
| 0.92% loan from a Japanese bank, due July 2011 | — | 10,000 | — |
| 1.61% loan from a Japanese bank, due September 2012 | 10,000 | 10,000 | 125,000 |
| 2.16% loan from a Japanese bank, due March 2013 | 10,000 | 10,000 | 125,000 |
| 1.51% loan from a Japanese bank, due March 2015 | 10,000 | 10,000 | 125,000 |
| 1.75% loan from a Japanese bank, due September 2019 | 20,000 | 20,000 | 250,000 |
| 1.08% loan from a Japanese bank, due May 2015 | 17,000 | — | 212,500 |
| 1.78% loan from a Japanese bank, due May 2019 | 18,000 | — | 225,000 |
| 1.50% loan from a Japanese bank, due May 2019 | 10,000 | — | 125,000 |
| 2.04% loan from a Japanese bank, due May 2021 | 15,000 | — | 187,500 |
| Other bonds | 120 | 360 | 1,500 |
| Others from foreign banks | 193 | 206 | 2,413 |
| Others from Japanese banks | 39,505 | 47,478 | 493,813 |
| (Secured long-term debt) | | | |
| Others from Japanese banks | 3,233 | 4,915 | 40,412 |
| | 579,334 | 584,693 | 7,241,676 |
| Less-current maturities | (49,023) | (63,441) | (612,788) |
| | ¥ 530,311 | ¥ 521,252 | $ 6,628,888 |

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 were as follows:

| Year ending | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2013 | ¥ 49,023 | $ 612,788 |
| 2014 | 102,835 | 1,285,438 |
| 2015 | 87,555 | 1,094,438 |
| 2016 | 68,499 | 856,238 |
| 2017 | 50,069 | 625,863 |
| thereafter | 221,353 | 2,766,910 |
| Total | ¥ 579,334 | $ 7,241,675 |

### 9. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable as of March 31, 2012 and 2011, consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Unconsolidated subsidiaries and affiliates | ¥ 197 | ¥ 144 | $ 2,463 |
| Trade | 75,133 | 68,571 | 939,162 |
| Total | ¥ 75,330 | ¥ 68,715 | $ 941,625 |

### 10. RETIREMENT BENEFIT PLANS

Employees of the Company and consolidated subsidiaries have defined funded pension plans and unfunded retirement allowance plans. The Company and certain consolidated subsidiaries have defined contribution pension plans.

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

The amounts of pension payments and retirement allowances are generally determined on the basis of length of service and basic salary at the time of termination of service.

It is the Company's policy to fund amounts required to maintain sufficient plan assets to provide for accrued benefits. The plan assets consist principally of interest-bearing bonds and listed equity securities.

Provision for retirement benefit recognized in the consolidated balance sheets as of March 31, 2012 and 2011, consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Projected benefit obligation | ¥ 139,266 | ¥ 129,851 | $ 1,740,825 |
| Fair value of plan assets | (133,032) | (124,724) | (1,662,900) |
| Unrecognized prior service costs | 6,791 | 8,717 | 84,888 |
| Unrecognized actuarial loss | (12,551) | (18,054) | (156,888) |
| Prepaid pension costs | 23,448 | 23,008 | 293,100 |
| Retirement benefits for employees | 23,922 | 18,798 | 299,025 |
| Retirement benefit for directors and corporate auditors | 140 | 156 | 1,750 |
| Total provision for retirement benefit | ¥ 24,062 | ¥ 18,954 | $ 300,775 |

Retirement benefit expenses for employees included in the consolidated statements of operations for the years ended March 31, 2012 and 2011, consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Service costs | ¥ 7,402 | ¥ 6,588 | $ 92,525 |
| Interest cost on projected benefit obligation | 3,891 | 4,024 | 48,638 |
| Expected return on plan assets | (5,466) | (5,488) | (68,325) |
| Amortization of actuarial loss | 6,427 | 3,950 | 80,338 |
| Amortization of prior service costs | (1,581) | (1,070) | (19,763) |
| Retirement benefits expenses | 10,673 | 8,004 | 133,413 |
| Payment for defined contribution plans | 526 | 268 | 6,575 |
| Total | ¥ 11,199 | ¥ 8,272 | $ 139,988 |

The discount rates used by the Company were mainly 2.0% for the years ended March 31, 2012 and 2011. The rate of expected return on plan assets used by the Company is mainly 4.0% for the years ended March 31, 2012 and 2011. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each period over the estimated years of total service. Prior service costs were amortized by straight-line method for mainly five years for the years ended March 31, 2012 and 2011, and actuarial gains or losses were amortized by straight-line method for mainly five years for the years ended March 31, 2012 and 2011.

**11. ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The allowance for doubtful accounts includes ¥7,211 million ($90,138 thousand) representing the provision for the estimated unrecoverable amount in excess of reasonable commission fees recorded as a long-term receivable in relation to the funds described in Note 1(a). Although these fees were paid to the outside collaborators of multiple funds, the Company plans to request reimbursement from these outside collaborators because the Company did not agree to the fees.

**12. STOCK OPTION PLANS**

A summary of information regarding the consolidated subsidiaries' stock option plans for the year ended March 31, 2012 was as follows:

| | Consolidated subsidiaries |
|---|---|
| Qualified beneficiaries | 13 directors<br>2 corporate auditors<br>144 employees |
| Class and number of shares for which new subscription rights were offered | Common stock<br>10,844 |
| Date of rights granted | From August 30, 2005<br>to July 31, 2008 |
| Period of exercise of rights | From January 1, 2007<br>to June 26, 2018 |
| Number of stock options before vested | |
| As of March 31, 2011 | — |
| Granted | — |
| Lapsed | — |
| Vested | — |
| As of March 31, 2012 | — |
| Number of stock options vested | |
| As of March 31, 2011 | 7,931 |
| Vested | — |
| Exercised | — |
| Lapsed | 930 |
| As of March 31, 2012 | 7,001 |
| For stock options exercised during the year: | |
| Exercise price (yen) | ¥ — |
| Average price of common stock at the date of exercise (yen) | ¥ — |
| For stock options outstanding at the end of the year: | |
| Exercise price (yen) | ¥ 26,067 |

No stock options were exercised for the year ended March 31, 2012.

The total intrinsic value of the stock options was nil as of March 31, 2012.

Conditions for the exercise of stock options are as follows:

Individuals to whom the stock options are granted must continue their service with the Company or its subsidiaries and affiliates in the state of being employed or entrusted until the stock options become exercisable.

### 13. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitants' tax and enterprise tax, which in the aggregate resulted in normal statutory rates of approximately 40.7% for the years ended March 31, 2012 and 2011. Income taxes of foreign consolidated subsidiaries are based generally on tax rates applicable in their countries of incorporation.

The following table summarizes the reconciliation between the statutory tax rate and the Company's effective tax rate for consolidated financial statement purposes for the years ended March 31, 2012 and 2011.

The reconciliation for the year ended 2012 is not stated as net loss before income taxes was recorded.

| | 2012 | 2011 |
|---|---|---|
| Japanese statutory tax rate | — | 40.7% |
| Non-deductible expenses | — | 8.1 |
| Effect of lower tax rates applied for overseas subsidiaries | — | (19.3) |
| Increase in valuation allowance | — | 27.7 |
| Amortization of goodwill | — | 17.0 |
| Other, net | — | 4.2 |
| Effective tax rate | — | 78.4% |

Significant components of deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Deferred tax assets | | | |
| Inventories | **¥ 6,461** | ¥ 7,706 | **$ 80,763** |
| Prepaid expenses | **7,382** | 11,574 | **92,275** |
| Accrued bonuses | **5,077** | 4,874 | **63,463** |
| Investments in consolidated subsidiaries | **4,859** | — | **60,738** |
| Unrealized intercompany profits | **1,873** | 1,650 | **23,413** |
| Depreciation of property, plant and equipment | **5,593** | 7,157 | **69,913** |
| Amortization of intangible assets | **4,962** | 6,062 | **62,025** |
| Provision for retirement benefits | **8,092** | 6,746 | **101,150** |
| Securities | **9,873** | 9,766 | **123,413** |
| Loss on funds invested | **—** | 51,765 | **—** |
| Loss carry forward | **25,121** | 24,402 | **314,013** |
| Other | **21,158** | 16,005 | **264,472** |
| Subtotal | **100,451** | 147,707 | **1,255,638** |
| Valuation allowance | **(61,026)** | (85,257) | **(762,825)** |
| Total deferred tax assets | **39,425** | 62,450 | **492,813** |
| Prepaid pension expenses | **(7,961)** | (5,691) | **(99,513)** |
| Basis differences in assets acquired and liabilities assumed upon acquisition | **(18,785)** | (20,243) | **(234,813)** |
| Other | **(10,961)** | (11,577) | **(137,012)** |
| Total deferred tax liabilities | **(37,707)** | (37,511) | **(471,338)** |
| Net deferred tax assets | **¥ 1,718** | ¥ 24,939 | **$ 21,475** |

Note : For the year ended March 31, 2011, the above includes items resulting from a correction made to accounting treatment pertaining to the segregation and settlement of losses on financial assets. However, the treatment of those losses for income taxes purposes is uncertain at this time, therefore, it is currently not known whether they will constitute deductible temporary differences. In addition, in view of this uncertainty, a full valuation allowance is recognized against such items.

The "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011) were promulgated on December 2, 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will be introduced effective for fiscal years beginning on or after April 1, 2012.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 40.7% to 38.0% for the temporary differences expected to be realized or settled in the period from April 1, 2012 to March 31, 2015, and from 40.7% to 35.6% for temporary differences expected to be realized or settled from fiscal years beginning April 1, 2015. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, net by ¥741 million ($9,263 thousand) and net unrealized losses on hedging derivatives, net of taxes by ¥13 million ($163 thousand) and increase deferred income taxes by ¥805 million ($10,063 thousand) and net unrealized holding gains (losses) on available-for-sales securities, net of taxes by ¥77 million ($963 thousand) as of and for the year ended March 31, 2012.

**14. NET ASSETS**

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

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

Under the Law, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and other retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Laws.

A summary of information regarding the Consolidated Statement of Changes in Net Assets for the year ended March 31, 2012 was as follows:

Total number and class of shares issued and treasury stock

| Class of shares | As of March 31, 2011 (Number of shares) | Increase (Number of shares) | Decrease (Number of shares) | As of March 31, 2012 (Number of shares) |
|---|---|---|---|---|
| Shares issued: | | | | |
| Common stock | **271,283,608** | **—** | **—** | **271,283,608** |
| Treasury stock: | | | | |
| Common stock (Note) | **4,348,948** | **72,930** | **—** | **4,421,878** |

Note : The increase in the number of shares of common stock in treasury includes 22,000 shares through the purchase from dissenting shareholders opposed to the exchange of shares in which ITX Corporation became a wholly owned subsidiary of the Company, 40,000 shares through the purchase from dissenting shareholders opposed to the absorption-type company split with Olympus Imaging Corporation and 10,930 shares through the purchases of stock of less than one trading unit.

Dividends paid

| Resolution | Class of shares | Amount of dividends paid (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General Shareholders' Meeting (June 29, 2011) | **Common Stock** | **¥ 4,004** | **¥ 15.00** | **March 31, 2011** | **June 30, 2011** |
| | | **(Thousands of U.S. dollars)** | **(U.S. dollars)** | | |
| | | **$ 50,050** | **$ 0.19** | | |

There were no dividends whose record date is in the year ended March 31, 2012 but whose effective date is in the year ending March 31, 2013.

A summary of information regarding the Consolidated Statement of Changes in Net Assets for the year ended March 31, 2011 was as follows:

Total number and class of shares issued and treasury stock

| Class of shares | As of March 31, 2010 (Number of shares) | Increase (Number of shares) | Decrease (Number of shares) | As of March 31, 2011 (Number of shares) |
|---|---|---|---|---|
| Shares issued | | | | |
| Common stock | 271,283,608 | — | — | 271,283,608 |
| Treasury Stock | | | | |
| Common stock (Notes 1 and 2) | 1,315,105 | 4,227,268 | 1,193,425 | 4,348,948 |

Notes : 1. The increase in the number of shares of common stock in treasury includes 4,222,700 shares through the purchase of common stock and 4,568 shares through the purchase of stock less than one trading unit.

2. The decrease in the number of shares of common stock in treasury includes 1,193,425 shares through the exchange of shares with shareholders of ITX Corporation. As a result of this transaction, ITX Corporation became a wholly owned subsidiary of the Company.

Dividends paid

| Resolution | Class of shares | Amount of dividends paid (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General Shareholders' Meeting (June 29, 2010) | Common Stock | ¥4,049 | ¥15.00 | March 31, 2010 | June 30, 2010 |

| Resolution | Class of shares | Amount of dividends paid (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General Shareholders' Meeting (November 5, 2010) | Common Stock | ¥4,050 | ¥15.00 | September 30, 2010 | December 3, 2010 |

There were dividends whose record date is in the year ended March 31, 2011 but whose effective date is in the year ended March 31, 2012.

| Resolution | Class of shares | Amount of dividends paid (Millions of yen) | Funds of distribution | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| General Shareholders' Meeting (June 29, 2011) | Common Stock | ¥4,004 | Retained earnings | ¥15.00 | March 31, 2011 | June 30, 2011 |

Other

As dividends were already paid in accordance with the procedures based on the resolution by the General Meeting of Shareholders and the Board of Directors, the amount of retained earnings was determined after subtracting the dividends.

### 15. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries were contingently liable for notes and bills discounted of ¥357 million ($4,463 thousand) and ¥753 million as of March 31, 2012 and 2011, respectively. The Company and its consolidated subsidiaries were also contingently liable as guarantors of borrowings, primarily for housing loans to employees, amounting to ¥122 million ($1,525 thousand) and ¥176 million, respectively, and as guarantors of borrowings from banks to third parties, amounting to ¥2,204 million ($27,550 thousand) and ¥157 million, respectively as of March 31, 2012 and 2011.

### 16. PLEDGED ASSETS

The following assets were pledged as collateral for long-term debt, current maturities of long-term debt and short-term borrowings as of March 31, 2012 and 2011:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Cash and deposits | ¥ 2,090 | ¥ 181 | $ 26,125 |
| Notes and accounts receivable | — | 1,004 | — |
| Lease receivables and leased investment assets | 7,797 | 6,894 | 97,463 |
| Inventories | — | 250 | — |
| Buildings and structures | 1,077 | 1,409 | 13,463 |
| Machinery and equipment | 307 | 358 | 3,838 |
| Other assets | 2,970 | 4,497 | 37,124 |
| | ¥ 14,241 | ¥ 14,593 | $ 178,013 |

The obligations secured by such collateral were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Long-term debt | ¥ 3,115 | ¥ 4,796 | $ 38,938 |
| Current maturities of long-term debt | 118 | 119 | 1,475 |
| Short-term borrowings | 7,797 | 7,582 | 97,462 |
| | ¥ 11,030 | ¥ 12,497 | $ 137,875 |

**17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

| For the years ended March 31, | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Advertising and promotion expenses | **¥ 42,612** | ¥ 44,620 | **$ 532,650** |
| Salaries and allowance | **106,401** | 102,594 | **1,330,013** |
| Bonuses | **21,721** | 18,952 | **271,513** |
| Retirement benefit expenses | **9,263** | 7,538 | **115,788** |
| Amortization of goodwill | **11,103** | 11,619 | **138,788** |
| Experiment and research expenses | **33,113** | 38,711 | **413,913** |
| Depreciation | **23,423** | 24,167 | **292,788** |

The total of research and development costs included in "Selling, general and administrative expenses" and manufacturing costs for the years ended March 31, 2012 and 2011 amounted to ¥61,356 ($766,950) million and ¥67,286 million, respectively.

**18. IMPAIRMENT LOSS ON FIXED ASSETS**

The loss on impairment of fixed assets that the Company and its consolidated subsidiaries recorded for the years ended March 31, 2012 and 2011 were as follows:

For the year ended March 31, 2012

| Use | Type of assets | Location | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|---|
| Assets used for Imaging Business | Land | Tokyo, Guangdong Province | ¥ 3,008 | $ 37,600 |
| | Buildings and structures | in China and others | 4,051 | 50,637 |
| | Tools, furniture and fixtures | | 1,265 | 15,812 |
| | Machinery and equipment | | 1,404 | 17,550 |
| | Right of using facilities | | 122 | 1,525 |
| | Patent | | 284 | 3,550 |
| | Software, etc. | | 865 | 10,812 |
| | Long-term prepaid expenses | | 594 | 7,425 |
| Assets used for Other Business | Land | Nagano and others | 345 | 4,312 |
| | Buildings and structures | | 222 | 2,775 |
| | Tools, furniture and fixtures | | 325 | 4,062 |
| | Machinery and equipment | | 285 | 3,563 |
| | Leased assets | | 8 | 100 |
| | Software, etc. | | 50 | 625 |
| | Long-term prepaid expenses | | 1,977 | 24,713 |
| Assets used for Life Science and Industrial Business | Patent | — | 301 | 3,763 |
| Assets used for Information and Communication Business | Buildings and structures | Tokyo | 52 | 650 |
| | Tools, furniture and fixtures | | 6 | 75 |
| | Software | | 12 | 150 |
| Idle properties | Buildings and structures | Nagano, Singapore | 358 | 4,475 |
| | Tools, furniture and fixtures | and others | 1 | 13 |
| | Machinery and equipment | | 9 | 113 |
| | Leasehold right | | 5 | 63 |
| | Software, etc. | | 290 | 3,625 |
| Total | | | ¥ 15,839 | $ 197,988 |

For the year ended March 31, 2011

| Use | Type of assets | Location | Millions of yen |
|---|---|---|---|
| Assets used for Other Business | Construction in progress | Nagano | ¥ 482 |
| Total | | | ¥ 482 |

The Company and its consolidated subsidiaries classified fixed assets into the groups of their business segments. The significant idle properties are considered to constitute a group.

Some assets for business use were not expected to make a profit constantly because of the degradation of the business environment. As a result, carrying amounts of assets for business use were devaluated to their recoverable amounts. The recoverable amount is measured according to the value in use. When the value in use based on future cash flow is estimated to be negative, the assets are assumed to have no recoverable value.

Carrying amounts of idle properties were devaluated to their recoverable amounts, owing to substantial decline in the fair market value. The recoverable amounts were estimated by net realizable value of fixed assets which were calculated based on net selling price.

### 19. LOSS ON FUNDS

Loss on funds of ¥327 million recorded in the consolidated statement of operations for the year ended March 31, 2011 represents the fees, etc., paid in relation to fund management.

### 20. PROVISION OF ALLOWANCE FOR DOUBTFUL ACCOUNTS ON FUNDS

Provision of allowance for doubtful accounts on funds of ¥2,448 million recorded in the consolidated statement of operations for the year ended March 31, 2011 corresponds to the estimated uncollectible amount of fees recorded as a long-term account receivable in relation to the funds.

### 21. LOSS ON RESTRUCTURING OF BUSINESS

Loss on restructuring of business of ¥3,392 million ($42,400 thousand) recorded in the consolidated statement of operations for the year ended March 31, 2012 stems mainly from the reorganization of the ERP business for retailers (UCS6) operated by a consolidated subsidiary of the Company.

### 22. EXPENSES RELATED TO RESTATEMENT OF PRIOR PERIODS

Expenses related to the restatement of prior periods of ¥2,001 million ($25,013 thousand) recorded in the consolidated statement of operations for the year ended March 31, 2012 primarily consist of costs incurred to investigate the inappropriate accounting applied by the Company, which was discovered in November 2011.

### 23. CASH AND CASH EQUIVALENTS

Reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2012 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2012** | 2011 | **2012** |
| Cash and deposits | **¥ 200,088** | ¥ 213,561 | **$ 2,501,100** |
| Less: time deposits with maturities over three months | **(1,427)** | (3,176) | **(17,837)** |
| Cash and cash equivalents | **¥ 198,661** | ¥ 210,385 | **$ 2,483,263** |

### 24. CASH FLOW RELATED TO PAYMENTS FOR ACQUISITION OF NEWLY CONSOLIDATED SUBSIDIARIES

Details of assets and liabilities when Spiration Inc., Innov-X Systems, Inc. and other subsidiaries were consolidated, acquisition costs of shares and related payments for the acquisition for the year ended March 31, 2011 were as follows:

| | Millions of yen |
|---|---|
| Current assets | **¥ 3,246** |
| Noncurrent assets | **10,807** |
| Goodwill | **7,406** |
| Current liabilities | **(2,921)** |
| Noncurrent liabilities | **(3,733)** |
| Shareholders' equity | **(1,251)** |
| Sub-total: acquisition cost of newly consolidated subsidiaries | **13,554** |
| Cash and cash equivalents owned by newly consolidated subsidiaries | **(1,226)** |
| Net: payments for acquisition of newly consolidated subsidiaries | **¥ 12,328** |

**25. OUTFLOW OF MONEY FROM FUNDS**

Outflow of money from funds of ¥2,448 million recorded in the consolidated statement of cash flows for the year ended March 31, 2011 represents the amount of fees determined to be uncollectible due to the decrease in fund assets, which are included in long-term accounts receivable.

**26. COLLECTION OF FUND ASSETS**

Collection of fund assets of ¥65,553 million recorded in the consolidated statement of cash flows for the year ended March 31, 2011 represents cash collected from the funds.

**27. LEASE TRANSACTIONS**

FINANCE LEASE TRANSACTIONS (LESSEE):

The Company and its consolidated subsidiaries lease certain machinery and equipment under the non-cancelable finance and operating leases. Finance leases that do not transfer ownership to lessees whose contract commenced on or before March 31, 2008 are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases as of or for the years ended March 31, 2012 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| (Equivalent amount) | **2012** | 2011 | **2012** |
| Acquisition cost | **¥ 1,257** | ¥ 3,301 | **$ 15,713** |
| Accumulated depreciation | **(1,061)** | (2,639) | **(13,262)** |
| Accumulated loss on impairment | **(1)** | (4) | **(13)** |
| Estimated net book value | **¥ 195** | ¥ 658 | **$ 2,438** |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| (Future lease payments) | **2012** | 2011 | **2012** |
| Due within one year | **¥ 141** | ¥ 446 | **$ 1,763** |
| Due after one year | **74** | 225 | **925** |
| Total | **215** | 671 | **2,688** |
| Balance of impairment loss account on leased assets included in the outstanding future lease payments | **¥ 1** | ¥ 4 | **$ 13** |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| (Lease payments and pro forma information) | **2012** | 2011 | **2012** |
| Lease payments | **¥ 456** | ¥ 1,150 | **$ 5,700** |
| Equivalent of depreciation expense | **413** | 1,060 | **5,163** |
| Equivalent of interest expense | **16** | 46 | **200** |

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

OPERATING LEASE TRANSACTIONS (LESSEE):

Future minimum lease payments under the non-cancelable operating leases subsequent to March 31, 2012 and 2011 were as follows:

| (As of March 31, 2012) | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | Due within one year | Due after one year | Total minimum lease payments | Due within one year | Due after one year | Total minimum lease payments |
| | **¥ 14** | **¥ 11** | **¥ 25** | **$ 175** | **$ 138** | **$ 313** |

| (As of March 31, 2011) | Millions of yen | | |
|---|---|---|---|
| | Due within one year | Due after one year | Total minimum lease payments |
| | ¥ 30 | ¥ 23 | ¥ 53 |

FINANCE LEASE TRANSACTIONS (LESSOR):

Leased investment assets recognized in the consolidated balance sheets as of March 31, 2012 and 2011 consist as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| Lease receivables and leased investment assets: | **2012** | 2011 | **2012** |
| Lease receivables | **¥ 17,243** | ¥ 17,352 | **$ 215,538** |
| Estimated residual value | **3,545** | 2,289 | **44,313** |
| Interest income | **(1,900)** | (2,352) | **(23,751)** |
| Leased Investment Assets | **¥ 18,888** | ¥ 17,289 | **$ 236,100** |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| Other assets: | **2012** | 2011 | **2012** |
| Lease receivables | **¥ 16,348** | ¥ 20,574 | **$ 204,350** |
| Estimated residual value | **1,659** | 2,268 | **20,738** |
| Interest income | **(1,804)** | (2,519) | **(22,550)** |
| Leased Investment Assets | **¥ 16,203** | ¥ 20,323 | **$ 202,538** |

The following table sets forth amounts of lease receivables and leased investment assets to be collected subsequent to March 31, 2012 and 2011:

| (As of March 31, 2012) | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Lease receivables and leased investment assets: | | | | | | |
| Lease receivable | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **¥ —** |
| Lease investment assets | **17,030** | **81** | **65** | **48** | **19** | **—** |
| Other assets: | | | | | | |
| Lease receivable | **—** | **—** | **—** | **—** | **—** | **—** |
| Lease investment assets | **—** | **9,625** | **4,972** | **1,157** | **303** | **291** |

| (As of March 31, 2011) | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Lease receivables and leased investment assets: | | | | | | |
| Lease receivable | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Lease investment assets | 17,179 | 67 | 54 | 35 | 17 | — |
| Other assets: | | | | | | |
| Lease receivable | — | — | — | — | — | — |
| Lease investment assets | — | 12,254 | 6,342 | 1,463 | 382 | 133 |

| (As of March 31, 2012) | Thousands of U.S. dollars | | | | | |
|---|---|---|---|---|---|---|
| | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
| Lease receivables and leased investment assets: | | | | | | |
| Lease receivable | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** |
| Lease investment assets | **212,875** | **1,013** | **813** | **600** | **238** | **—** |
| Other assets: | | | | | | |
| Lease receivable | **—** | **—** | **—** | **—** | **—** | **—** |
| Lease investment assets | **—** | **120,313** | **62,150** | **14,463** | **3,788** | **3,638** |

OPERATING LEASE TRANSACTIONS (LESSEE):

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

| (As of March 31, 2012) | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | Due within one year | Due after one year | Total minimum lease payments | Due within one year | Due after one year | Total minimum lease payments |
| | ¥ 2,173 | ¥ 2,635 | ¥ 4,808 | $ 27,163 | $ 32,938 | $ 60,100 |

| (As of March 31, 2011) | Millions of yen | | |
|---|---|---|---|
| | Due within one year | Due after one year | Total minimum lease payments |
| | ¥ 949 | ¥ 765 | ¥ 1,714 |

**28. OTHER COMPREHENSIVE INCOME**

The following table presents reclassifications adjustments and corresponding tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012:

| Year ended March 31, 2012 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Net unrealized holding losses on available-for-sale securities, net of taxes: | | |
| Amount arising during the year | ¥ (2,676) | $ (33,450) |
| Reclassification adjustments for gains and losses included in net income | (2,183) | (27,288) |
| Amount before tax effect | (4,859) | (60,738) |
| Tax effect | 1,463 | 18,288 |
| Net unrealized holding losses on available-for-sale securities, net of taxes | ¥ (3,396) | $ (42,450) |
| Net unrealized losses on hedging derivatives, net of taxes: | | |
| Amount arising during the year | ¥ 1,268 | $ 15,850 |
| Reclassification adjustments for gains and losses included in net income | (1,692) | (21,150) |
| Amount before tax effect | (424) | (5,300) |
| Tax effect | (86) | (1,075) |
| Net unrealized losses on hedging derivatives, net of taxes | ¥ (510) | $ (6,375) |
| Foreign currency translation adjustments: | | |
| Amount arising during the year | ¥ (6,858) | $ (85,725) |
| Foreign currency translation adjustments | ¥ (6,858) | $ (85,725) |
| Pension liabilities adjustment of foreign subsidiaries: | | |
| Amount arising during the year | ¥ (5,557) | $ (69,463) |
| Reclassification adjustments for gains and losses included in net income | 313 | 3,913 |
| Amount before tax effect | (5,244) | (65,550) |
| Tax effect | 1,797 | 22,462 |
| Pension liabilities adjustment of foreign subsidiaries | ¥ (3,447) | $ (43,088) |
| Share of other comprehensive income of companies accounted for by the equity-method: | | |
| Amount arising during the year | ¥ (2) | $ (25) |
| Share of other comprehensive income of companies accounted for by the equity-method | ¥ (2) | $ (25) |
| Total other comprehensive income | ¥ (14,213) | $ (177,663) |

**29. DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

The following table summarizes the underlying notional transaction amounts, book values and fair values for outstanding derivative financial instruments by risk category and instrument type as of March 31, 2012 and 2011:

Derivatives for which the hedge accounting is not applied

| (As of March 31, 2012) | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | Notional amount | Fair value | Unrealized gain or (loss) | Notional amount | Fair value | Unrealized gain or (loss) |
| Foreign exchange forward contracts | | | | | | |
| To buy U.S. dollars | ¥ 82 | ¥ (0) | ¥ (0) | $ 1,025 | $ — | $ — |
| To buy other currencies | 21,098 | (494) | (494) | 263,725 | (6,175) | (6,175) |
| To sell U.S. dollars | 1,041 | 18 | 18 | 13,013 | 225 | 225 |
| To sell other currencies | 3,191 | (111) | (111) | 39,888 | (1,388) | (1,388) |
| Foreign exchange option contracts | | | | | | |
| Put option | 3,800 | 84 | 84 | 47,500 | 1,050 | 1,050 |
| Foreign currency swap contracts | | | | | | |
| Receive British pounds/ pay Euro | 5,405 | 5 | 5 | 67,563 | 63 | 63 |
| Receive other currencies/ pay other currencies | 5,466 | 17 | 17 | 68,325 | 213 | 213 |

| (As of March 31, 2011) | Millions of yen | | |
|---|---|---|---|
| | Notional amount | Fair value | Unrealized gain or (loss) |
| Foreign exchange forward contracts | | | |
| To buy other currencies | ¥ 22,605 | ¥ 696 | ¥ 696 |
| To sell U.S. dollars | 6,654 | 327 | 327 |
| To sell other currencies | 3,943 | (32) | (32) |
| Foreign exchange option contracts | | | |
| Put option | 3,699 | 63 | 63 |
| Foreign currency swap contracts | | | |
| Receive British pounds/ pay Euro | 4,039 | (14) | (14) |
| Receive other currencies/ pay other currencies | 5,729 | 8 | 8 |

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

Derivatives for which the hedge accounting is applied

| (As of March 31, 2012) | Millions of yen | | Thousands of U.S. dollars | |
|---|---|---|---|---|
| | Notional amount | Fair value | Notional amount | Fair value |
| Foreign exchange forward contracts, accounted for by deferral hedge accounting | | | | |
| To buy U.S. dollars | ¥ 1,302 | ¥ (1) | $ 16,275 | $ (13) |
| To buy other currencies | 328 | (5) | 4,100 | (63) |
| To sell U.S. dollars | 12,732 | (485) | 159,150 | (6,063) |
| To sell other currencies | 14,438 | (640) | 180,475 | (8,000) |
| Foreign exchange forward contracts, accounted for by special hedge accounting | | | | |
| To buy U.S. dollars | 20,011 | * | 250,138 | * |
| To buy other currencies | 2 | * | 25 | * |
| To sell U.S. dollars | 7,496 | * | 93,700 | * |
| To sell other currencies | 579 | * | 7,238 | * |
| Interest rate swap contracts, accounted for by deferral hedge accounting | | | | |
| Receive floating/ pay fixed | 14,940 | (310) | 186,750 | (3,875) |
| Interest rate swap contracts, accounted for by special hedge accounting short-cut method | | | | |
| Receive floating/ pay fixed | 374,879 | ** | 4,685,988 | ** |

| (As of March 31, 2011) | Millions of yen | |
|---|---|---|
| | Notional amount | Fair value |
| Foreign exchange forward contracts, accounted for by deferral hedge accounting | | |
| To buy U.S. dollars | ¥ 3,237 | ¥ 57 |
| To buy other currencies | 2 | 0 |
| To sell U.S. dollars | 23,760 | (134) |
| To sell other currencies | 14,775 | (617) |
| Foreign exchange forward contracts, accounted for by special hedge accounting | | |
| To buy U.S. dollars | 18,278 | * |
| To buy other currencies | 1 | * |
| To sell U.S. dollars | 6,399 | * |
| To sell British pounds | 397 | * |
| To sell other currencies | 1,097 | * |
| Interest rate swap contracts, accounted for by deferral hedge accounting | | |
| Receive floating/ pay fixed | 17,470 | (436) |
| Interest rate swap contracts, accounted for by special hedge accounting short-cut method | | |
| Receive floating/ pay fixed | 374,823 | ** |

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

*Foreign exchange forward contracts are accounted for as part of accounts receivable and accounts payable. Therefore, the fair value of the contracts are included in the fair value of underlying accounts receivable and accounts payable.

**Interest rate swap contracts are accounted for as part of long-term debt. Therefore, the fair value of the contracts are included in the fair value of underlying long-term debt.

## 30. SEGMENT INFORMATION

### (1) Overview of reportable segments

The reportable segments of the Olympus Group are components of the Company whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing the performance.

The Olympus Group has established business divisions at the Company, Olympus Medical Systems Corporation, Olympus Imaging Corporation, and ITX Corporation. Each business division formulates comprehensive strategies for Japan and abroad with respect to products and services handled and deploys business activities.

Accordingly, being composed of segments, based on these business divisions, that are categorized according to products and services, the Olympus Group has the following five reportable segments:

Medical Business, Life Science and Industrial Business, Imaging Business, Information and Communication Business, and Others.

The “Medical Business” manufactures and sells medical endoscopes, surgical endoscopes, endo-therapy devices and other products. The “Life Science and Industrial Business” manufactures and sells biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment, printers, and other products. The “Imaging Business” manufactures and sells digital cameras, voice recorders and other products. The “Information and Communication Business” sells mobile terminals including mobile handsets. The

"Others" business manufactures and sells biomedical materials, conducts system development and other business activities.

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

The accounting policies of the segments are basically the same as those described in the significant accounting policies in Note 1. Segment profit or loss corresponds to operating income on the consolidated statement of operations. The internal sales or transfer among segments are based on actual market prices.

**(3) Information concerning net sales and profit (loss), assets and other items by reportable segment**

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | | | | |
| | Medical | Life Science and Industrial | Imaging | Information and Communi-cation | Others | Total | Adjustments | Consolidated Total |
| Net sales: | | | | | | | | |
| Third parties | ¥ 349,246 | ¥ 92,432 | ¥ 128,561 | ¥ 229,399 | ¥ 48,910 | ¥ 848,548 | ¥ — | ¥ 848,548 |
| Intersegment | 158 | 16 | 84 | — | 142 | 400 | (400) | — |
| Total | 349,404 | 92,448 | 128,645 | 229,399 | 49,052 | 848,948 | (400) | 848,548 |
| Segment profit (loss) | 68,188 | 5,439 | (10,760) | 5,277 | (7,992) | 60,152 | (24,634) | 35,518 |
| Assets | 462,317 | 79,251 | 88,928 | 98,842 | 73,207 | 802,545 | 163,981 | 966,526 |
| Depreciation and amortization | 17,935 | 3,606 | 4,696 | 1,029 | 1,891 | 29,157 | 4,630 | 33,787 |
| Amortization of goodwill | 6,695 | 664 | — | 2,890 | 2,034 | 12,283 | — | 12,283 |
| Capital expenditures | ¥ 15,588 | ¥ 4,292 | ¥ 5,211 | ¥ 666 | ¥ 5,735 | ¥ 31,492 | ¥ 6,469 | ¥ 37,961 |

| | Millions of yen | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | | | | |
| | Medical | Life Science and Industrial | Imaging | Information and Communi-cation | Others | Total | Adjustments | Consolidated Total |
| Net sales: | | | | | | | | |
| Third parties | ¥ 355,322 | ¥ 100,808 | ¥ 131,417 | ¥ 209,520 | ¥ 50,038 | ¥ 847,105 | ¥ — | ¥ 847,105 |
| Intersegment | 135 | 170 | 91 | — | 43 | 439 | (439) | — |
| Total | 355,457 | 100,978 | 131,508 | 209,520 | 50,081 | 847,544 | (439) | 847,105 |
| Segment profit (loss) | 71,682 | 8,553 | (15,019) | 5,242 | (3,606) | 66,852 | (28,472) | 38,379 |
| Assets | 436,586 | 84,773 | 107,679 | 93,261 | 76,967 | 799,266 | 219,894 | 1,019,160 |
| Depreciation and amortization | 16,913 | 4,395 | 6,021 | 577 | 2,057 | 29,963 | 4,225 | 34,188 |
| Amortization of goodwill | 6,935 | 922 | — | 2,448 | 1,944 | 12,249 | — | 12,249 |
| Capital expenditures | ¥ 15,525 | ¥ 3,913 | ¥ 4,838 | ¥ 738 | ¥ 3,685 | ¥ 28,699 | ¥ 4,000 | ¥ 32,699 |

| | Thousands of U.S.dollars | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | | | | | | | |
| | Medical | Life Science and Industrial | Imaging | Information and Communi-cation | Others | Total | Adjustments | Consolidated Total |
| Net sales: | | | | | | | | |
| Third parties | $ 4,365,575 | $ 1,155,400 | $ 1,607,013 | $ 2,867,488 | $ 611,374 | $ 10,606,850 | $ — | $ 10,606,850 |
| Intersegment | 1,975 | 200 | 1,050 | — | 1,775 | 5,000 | (5,000) | — |
| Total | 4,367,550 | 1,155,600 | 1,608,063 | 2,867,488 | 613,149 | 10,611,850 | (5,000) | 10,606,850 |
| Segment profit (loss) | 852,350 | 67,988 | (134,500) | 65,963 | (99,901) | 751,900 | (307,925) | 443,975 |
| Assets | 5,778,963 | 990,638 | 1,111,600 | 1,235,525 | 915,087 | 10,031,813 | 2,049,762 | 12,081,575 |
| Depreciation and amortization | 224,188 | 45,075 | 58,700 | 12,863 | 23,637 | 364,463 | 57,875 | 422,338 |
| Amortization of goodwill | 83,688 | 8,300 | — | 36,125 | 25,425 | 153,538 | — | 153,538 |
| Capital expenditures | $ 194,850 | $ 53,650 | $ 65,138 | $ 8,325 | $ 71,687 | $ 393,650 | $ 80,863 | $ 474,513 |

Notes : 1. Segment profit (loss) is adjusted to agree with operating income on the consolidated statements of operations.

2. Adjustments for segment profit and loss include ¥(24,634) million ($(307,925) thousand) and ¥(28,472) million for the years ended March 31, 2012 and 2011, respectively, of corporate general administration and research and development center expenses, which are not allocable to the reportable segments.

3. Adjustments for segment assets include ¥163,981 million ($2,049,762 thousand) and ¥219,894 million as of March 31, 2012 and 2011, respectively, of corporate assets.

4. Adjustments for depreciation and amortization include ¥4,630 million ($57,875 thousand) and ¥4,225 million for the years ended March 31, 2012 and 2011, respectively, of depreciation and amortization for corporate assets, which are not allocable to the reportable segments.

5. Adjustments for capital expenditures include ¥6,469 million ($80,863 thousand) and ¥4,000 million for the years ended March 31, 2012 and 2011, respectively, of the increase in property, plant and equipment and intangible assets, which are not allocable to the reportable segments.

**(4) Related information**

(a) Sales by destination

| | Millions of yen 2012 | Millions of yen 2011 | Thousands of U.S. dollars 2012 |
|---|---|---|---|
| to Japan | ¥ 398,237 | ¥ 386,502 | $ 4,977,963 |
| to North America | 165,263 | 182,009 | 2,065,788 |
| to Europe | 156,149 | 154,363 | 1,951,863 |
| to Asia | 107,304 | 97,293 | 1,341,300 |
| to Other areas | 21,595 | 26,938 | 269,936 |
| | ¥ 848,548 | ¥ 847,105 | $ 10,606,850 |

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

(b) Property, plant and equipment by geographic location

| | Millions of yen 2012 | Millions of yen 2011 | Thousands of U.S. dollars 2012 |
|---|---|---|---|
| Japan | ¥ 62,816 | ¥ 73,409 | $ 785,200 |
| America | 29,114 | 27,887 | 363,925 |
| Europe | 22,968 | 24,143 | 287,100 |
| Asia | 12,910 | 15,902 | 161,375 |
| | ¥ 127,808 | ¥ 141,341 | $ 1,597,600 |

Note : Each geographic location is determined by geographical adjacency.
America includes the United States, Canada, Mexico and Brazil. Europe includes Germany, the United Kingdom, France and other countries.
Asia includes Singapore, Hong Kong, China, South Korea, Australia and other countries.

(c) Sales by major customer

Sales by major customer for the years ended March 31, 2012 and 2011 have been omitted due to the absence of a customer with sales volume which exceeds 10% of consolidated net sales.

(d) Impairment loss on fixed asset by segment

| | Millions of yen 2012 | Millions of yen 2011 | Thousands of U.S. dollars 2012 |
|---|---|---|---|
| Medical | ¥ — | ¥ — | $ — |
| Life Science and Industrial | 301 | — | 3,763 |
| Imaging | 11,593 | | 144,913 |
| Information and Communication | 70 | — | 875 |
| Others | 3,212 | — | 40,150 |
| Reportable segment total | 15,176 | — | 189,701 |
| Adjustments and eliminations | 663 | — | 8,287 |
| | ¥ 15,839 | ¥ — | $ 197,988 |

(e) Outstanding balance of goodwill by segment

Millions of yen, 2012

| | Medical | Life Science and Industrial | Imaging | Information and Communication | Others | Consolidated Total |
|---|---|---|---|---|---|---|
| Outstanding balance of goodwill | ¥ 95,753 | ¥ 4,148 | ¥ — | ¥ 23,258 | ¥ 1,306 | ¥ 124,465 |

Millions of yen, 2011

| | Medical | Life Science and Industrial | Imaging | Information and Communication | Others | Consolidated Total |
|---|---|---|---|---|---|---|
| Outstanding balance of goodwill | ¥ 101,876 | ¥ 4,626 | ¥ — | ¥ 23,161 | ¥ 3,387 | ¥ 133,050 |

| | Thousands of U.S.dollars | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | | | | | |
| | Medical | Life Science and Industrial | Imaging | Information and Communication | Others | Consolidated Total |
| Outstanding balance of goodwill | $ 1,196,913 | $ 51,850 | $ — | $ 290,725 | $ 16,325 | $ 1,555,813 |

(f) Amortization of negative goodwill by segment

Amortization of negative goodwill of ¥2,408 million for the year ended March 31, 2011 is attributed for the acquisition of a business within "Others."

**31. AMOUNTS PER SHARE**

Net income (loss) per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for each fiscal year. Diluted income (loss) per share is similar to the basic one except that the weighted-average of common shares outstanding is increased by the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. For the year ended March 31, 2012, although there were dilutive potential common shares, the diluted net income per share was not presented due to the net loss per share. For the year ended March 31 2011, there were no dilutive common shares which have resulted in a dilutive effect.

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

| For the years ended March 31: | Yen | | U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Net income (loss): | | | |
| Basic | ¥ (183.54) | ¥ 14.39 | $ (2.294) |
| Diluted | ¥ — | ¥ — | $ — |

| As of March 31: | Yen | | U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Net assets | ¥ 167.76 | ¥ 421.37 | $ 2,097 |

The bases for calculation are as follows:

(1) Basic and diluted net income (loss) per share

| For the years ended March 31: | Number of shares | |
|---|---|---|
| | 2012 | 2011 |
| Weighted average number of shares for basic net income | 266,893,365 | 268,658,437 |

(2) Net assets per share

| As of March 31: | Number of shares | |
|---|---|---|
| | 2012 | 2011 |
| The number of shares of common stock used for the calculation of net assets per share | 266,861,730 | 266,934,660 |

| As of March 31: | Yen | | U.S. dollars |
|---|---|---|---|
| | 2012 | 2011 | 2012 |
| Total net assets | ¥ 48,028 | ¥ 115,579 | $ 600,350 |
| Amounts deducted from total net assets: | | | |
| Minority interests | 3,258 | 3,102 | 40,725 |
| Net assets attributable to shares of common stock | ¥ 44,770 | ¥ 112,477 | $ 559,625 |

**32. RELATED PARTY TRANSACTIONS**

Transactions between a related party and subsidiaries of the Company for the years ended March 31, 2012 and 2011 were as follows:

| | Transaction | | Outstanding balance | |
|---|---|---|---|---|
| Year ended March 31, 2012 | Millions of yen | Thousands of U.S. dollars | Millions of yen | Thousands of U.S. dollars |
| Mr. Michael C.Woodford, Director of the Company, Director and Chairman of KeyMed (Medical & Industrial Equipment) Ltd. | | | | |
| —Loan from KeyMed (Medical & Industrial Equipment) Ltd., a subsidiary of the Company | ¥ 25 | $ 313 | ¥ — | $ — |

| | Transaction | Outstanding balance |
|---|---|---|
| Year ended March 31, 2011 | Millions of yen | |
| Mr. Michael C.Woodford, Executive Officer of the Company, Director and Chairman of KeyMed (Medical & Industrial Equipment) Ltd. | | |
| —Loan from KeyMed (Medical & Industrial Equipment) Ltd., a subsidiary of the Company | ¥ 33 | ¥ — |

Notes : 1. Interest rates of these loans were decided with consideration to market rates.
2. Mr. Michael C.Woodford resigned as a director of the Company on December 1, 2011 and ceased to be related party as of that date.

**33. SUBSEQUENT EVENT**

On January 3, 2012, Mr. Michael C.Woodford, a former director of the Company, filed the employment tribunal action to the UK Employment Tribunal against the Company, accusing it of infringing on the UK Employment Rights Act 1996 through such actions as dismissing Mr. Michael C.Woodford unfairly from the position of the Company's Representative Director, president and Chief Executive Officer, and for causing unfair losses to him.

The Company reached a settlement with Mr. Woodford on May 29, 2012 and this was approved at the board of directors' meeting held on June 8, 2012.

Following the settlement, the Company will pay GBP 10 million (approximately ¥1,200 million or $15,000 thousand) as a settlement payment which will be charged to income for the year ending March 31, 2013.

**34. SUPPLEMENTAL INFORMATION**

Following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies are currently being conducted related to the Company and its subsidiaries. The consolidated financial statements may be amended if any important matter comes to light in such investigations in the future.

Furthermore, as a result of inappropriate financial reporting by the Company, cases under public prosecution for violation of the Securities and Exchange Law and the Financial Instruments and Exchange Act against the Company are currently pending in the Tokyo District Court. Shareholders of the Company have also filed a lawsuit against the Company as a result of inappropriate financial reporting by the Company, and there is a risk that various shareholders and shareholder groups of the Company may claim damages or file lawsuits against the Company for a similar reason.

ERNST & YOUNG

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Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

# Independent Auditor's Report

The Board of Directors
Olympus Corporation

We have audited the accompanying consolidated financial statements of Olympus Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is 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, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Emphasis of Matters*

1. We draw attention to Note 34 to the consolidated financial statements, which states that, following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies are currently being conducted related to the Company and its subsidiaries. The consolidated financial statements may be amended if any important matter comes to light in such investigations in the future. Furthermore, as a result of inappropriate financial reporting by the Company, cases under public prosecution for violation of the Securities and Exchange Law and the Financial Instruments and Exchange Act against the Company are currently pending in the Tokyo District Court. Shareholders of the Company have also filed a lawsuit against the Company as a result of inappropriate financial reporting by the Company, and there is a risk that various shareholders and shareholder groups of the Company may claim damages or file lawsuits against the Company for a similar reason.
2. We draw attention to Note 33 to the consolidated financial statements, which states that, on January 3, 2012, Mr. Michael C. Woodford, a former director of the Company filed the employment tribunal action against the Company. The Company reached a settlement with Mr. Michael C. Woodford on May 29, 2012 and this was approved at the board of directors' meeting held on June 8, 2012.

Our opinion is not qualified in respect of these matters.

*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 1.

June 28, 2012
Tokyo, Japan

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited

# Other Financial Data

## Net Sales and Operating Income by Business Segment

Fiscal years ended March 31 (Millions of yen)

| | | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| Medical | Net sales | 353,269 | 383,828 | 350,716 | 355,322 | 349,246 |
| | Operating expenses | 254,849 | 308,394 | 275,507 | 283,640 | 281,058 |
| | Operating income | 98,420 | 75,434 | 75,209 | 71,682 | 68,188 |
| Life Science & Industrial | Net sales | 131,446 | 118,819 | 114,095 | 100,808 | 92,432 |
| | Operating expenses | 124,456 | 114,059 | 105,341 | 92,255 | 86,993 |
| | Operating income | 6,990 | 4,760 | 8,754 | 8,553 | 5,439 |
| Imaging | Net sales | 320,589 | 224,460 | 174,924 | 131,417 | 128,561 |
| | Operating expenses | 287,503 | 229,591 | 171,610 | 146,436 | 139,321 |
| | Operating income | 33,086 | (5,131) | 3,314 | (15,019) | (10,760) |
| Information & Communication | Net sales | 254,312 | 152,946 | 189,354 | 209,520 | 229,399 |
| | Operating expenses | 251,311 | 151,292 | 184,490 | 204,278 | 224,122 |
| | Operating income | 3,001 | 1,654 | 4,864 | 5,242 | 5,277 |
| Others | Net sales | 69,259 | 100,750 | 53,997 | 50,038 | 48,910 |
| | Operating expenses | 68,139 | 107,716 | 59,000 | 53,644 | 56,902 |
| | Operating income | 1,120 | (6,966) | (5,003) | (3,606) | (7,992) |
| Elimination or Corporate | Net sales | — | — | — | — | — |
| | Operating expenses | 29,791 | 27,029 | 25,978 | 28,472 | 24,634 |
| | Operating income | (29,791) | (27,029) | (25,978) | (28,472) | (24,634) |
| Consolidated | Net sales | 1,128,875 | 980,803 | 883,086 | 847,105 | 848,548 |
| | Operating expenses | 1,016,049 | 938,081 | 821,926 | 808,726 | 813,030 |
| | Operating income | 112,826 | 42,722 | 61,160 | 38,379 | 35,518 |

Notes: 1. Effective from the fiscal year ended March 31, 2009, some businesses previously reported in the Information & Communication Business segment have been reclassified and are now presented in the Others segment.
2. Effective from the fiscal year ended March 31, 2010, some businesses previously reported in the Others segment have been reclassified and are now presented in the Industrial Systems Business segment.

## Net Sales by Region

Fiscal years ended March 31 (Millions of yen)

| | | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| Medical | Japan | 75,257 | 76,214 | 75,064 | 79,430 | 80,418 |
| | North America | 116,056 | 140,898 | 125,912 | 129,766 | 121,020 |
| | Europe | 119,220 | 125,130 | 103,725 | 93,925 | 91,933 |
| | Asia and Oceania | 32,193 | 32,781 | 34,481 | 40,182 | 45,489 |
| | Others | 10,543 | 8,805 | 11,534 | 12,019 | 10,386 |
| | Total | 353,269 | 383,828 | 350,716 | 355,322 | 349,246 |
| Life Science & Industrial | Japan | 29,590 | 22,740 | 34,186 | 31,114 | 18,954 |
| | North America | 32,488 | 29,734 | 27,889 | 23,011 | 23,288 |
| | Europe | 44,803 | 41,389 | 26,879 | 19,654 | 20,250 |
| | Asia and Oceania | 21,093 | 21,122 | 21,049 | 21,222 | 23,675 |
| | Others | 3,472 | 3,834 | 4,092 | 5,807 | 6,265 |
| | Total | 131,446 | 118,819 | 114,095 | 100,808 | 92,432 |
| Imaging | Japan | 38,410 | 31,383 | 27,598 | 26,087 | 31,351 |
| | North America | 72,234 | 52,440 | 41,178 | 26,280 | 19,001 |
| | Europe | 123,648 | 78,585 | 55,003 | 38,565 | 40,863 |
| | Asia and Oceania | 75,611 | 53,342 | 42,120 | 31,849 | 32,787 |
| | Others | 10,686 | 8,710 | 9,025 | 8,636 | 4,559 |
| | Total | 320,589 | 224,460 | 174,924 | 131,417 | 128,561 |
| Information & Communication | Japan | 241,062 | 152,946 | 189,354 | 209,520 | 229,399 |
| | North America | 3,451 | — | — | — | — |
| | Europe | 5,138 | — | — | — | — |
| | Asia and Oceania | 4,654 | — | — | — | — |
| | Others | 7 | — | — | — | — |
| | Total | 254,312 | 152,946 | 189,354 | 209,520 | 229,399 |
| Others | Japan | 35,908 | 63,978 | 46,961 | 40,351 | 38,115 |
| | North America | 16,025 | 14,584 | 1,097 | 2,952 | 1,954 |
| | Europe | 10,301 | 12,790 | 2,920 | 2,219 | 3,103 |
| | Asia and Oceania | 5,322 | 6,907 | 2,395 | 4,040 | 5,353 |
| | Others | 1,703 | 2,491 | 624 | 476 | 385 |
| | Total | 69,259 | 100,750 | 53,997 | 50,038 | 48,910 |
| Total | Japan | 420,227 | 347,261 | 373,163 | 386,502 | 398,237 |
| | North America | 240,254 | 237,656 | 196,076 | 182,009 | 165,263 |
| | Europe | 303,110 | 257,894 | 188,527 | 154,363 | 156,149 |
| | Asia and Oceania | 138,873 | 114,152 | 100,045 | 97,293 | 107,304 |
| | Others | 26,411 | 23,840 | 25,275 | 26,938 | 21,595 |
| | Total | 1,128,875 | 980,803 | 883,086 | 847,105 | 848,548 |

Notes: 1. Effective from the fiscal year ended March 31, 2009, some businesses previously reported in the Information & Communication Business segment have been reclassified and are now presented in the Others segment.
2. Effective from the fiscal year ended March 31, 2010, some businesses previously reported in the Others segment have been reclassified and are now presented in the Industrial Systems Business segment.

## Sales by Product

Fiscal years ended March 31 (Millions of yen)

| | | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| Endoscope | Domestic | 47,209 | 44,567 | 40,904 | 43,848 | 43,803 |
| | Overseas | 190,157 | 168,329 | 151,044 | 151,611 | 147,995 |
| | Total | 237,366 | 212,896 | 191,948 | 195,459 | 191,798 |
| Surgical & Endotherapy | Domestic | 28,048 | 31,647 | 34,160 | 35,582 | 36,615 |
| | Overseas | 87,855 | 139,285 | 124,608 | 124,281 | 120,833 |
| | Total | 115,903 | 170,932 | 158,768 | 159,863 | 157,448 |
| Total (Medical) | Domestic | 75,257 | 76,214 | 75,064 | 79,430 | 80,418 |
| | Overseas | 278,012 | 307,614 | 275,652 | 275,892 | 268,828 |
| | Total | 353,269 | 383,828 | 350,716 | 355,322 | 349,246 |
| Life Science | Domestic | 22,814 | 16,331 | 12,743 | 10,550 | 10,560 |
| | Overseas | 55,910 | 50,877 | 35,903 | 33,914 | 32,090 |
| | Total | 78,724 | 67,208 | 48,646 | 44,464 | 42,650 |
| Industrial | Domestic | — | — | 19,493 | 20,564 | 8,394 |
| | Overseas | — | — | 29,664 | 35,780 | 41,388 |
| | Total | — | — | 49,157 | 56,344 | 49,782 |
| Diagnostic Systems | Domestic | 6,776 | 6,409 | 1,950 | — | — |
| | Overseas | 45,946 | 45,202 | 14,342 | — | — |
| | Total | 52,722 | 51,611 | 16,292 | — | — |
| Total (Life Science & Industrial) | Domestic | 29,590 | 22,740 | 34,186 | 31,114 | 18,954 |
| | Overseas | 101,856 | 96,079 | 79,909 | 69,694 | 73,478 |
| | Total | 131,446 | 118,819 | 114,095 | 100,808 | 92,432 |
| Digital Camera | Domestic | 33,843 | 27,276 | 24,215 | 22,330 | 27,333 |
| | Overseas | 259,723 | 177,639 | 134,662 | 94,534 | 87,904 |
| | Total | 293,566 | 204,915 | 158,877 | 116,864 | 115,237 |
| Others | Domestic | 4,567 | 4,107 | 3,383 | 3,757 | 4,018 |
| | Overseas | 22,456 | 15,438 | 12,664 | 10,796 | 9,306 |
| | Total | 27,023 | 19,545 | 16,047 | 14,553 | 13,324 |
| Total (Imaging) | Domestic | 38,410 | 31,383 | 27,598 | 26,087 | 31,351 |
| | Overseas | 282,179 | 193,077 | 147,326 | 105,330 | 97,210 |
| | Total | 320,589 | 224,460 | 174,924 | 131,417 | 128,561 |
| Information & Communication | Domestic | 241,062 | 152,946 | 189,354 | 209,520 | 229,399 |
| | Overseas | 13,250 | — | — | — | — |
| | Total | 254,312 | 152,946 | 189,354 | 209,520 | 229,399 |
| Others | Domestic | 35,908 | 63,978 | 46,961 | 40,351 | 38,115 |
| | Overseas | 33,351 | 36,772 | 7,036 | 9,687 | 10,795 |
| | Total | 69,259 | 100,750 | 53,997 | 50,038 | 48,910 |
| Total | Domestic | 420,227 | 347,261 | 373,163 | 386,502 | 398,237 |
| | Overseas | 708,648 | 633,542 | 509,923 | 460,603 | 450,311 |
| | Total | 1,128,875 | 980,803 | 883,086 | 847,105 | 848,548 |

Notes: 1. Effective from the fiscal year ended March 31, 2009, some businesses previously reported in the Information & Communication Business segment have been reclassified and are now presented in the Others segment.
2. Effective from the fiscal year ended March 31, 2010, businesses previously reported in the Life Science Business segment are now presented in the Life Science Business and Industrial Systems Business segments.
3. Effective from the fiscal year ended March 31, 2010, some businesses previously reported in the Others segment have been reclassified and are now presented in the Industrial Systems Business segment.
4. In the fiscal year ended March 31, 2010 (on August 3, 2009), the Diagnostic Systems Business was divested.

# Olympus Group Companies

(As of March 31, 2012)

**Total number of companies: 208 (198 subsidiaries, 10 affiliates)**

## Principal Business Bases

**Olympus Corporation**
**Olympus Medical Systems Corp.**
**Olympus Imaging Corp.**
**Olympus Business Creation Corp.**
Shinjuku Monolith,
3-1 Nishi-Shinjuku 2-chome,
Shinjuku-ku, Tokyo 163-0914, Japan
Tel: +81-3-3340-2111 Fax: +81-3-3340-2062
http://www.olympus.co.jp/en/

**Olympus Corporation of the Americas**
**Olympus America Inc.**
**Olympus Imaging America Inc.**
3500 Corporate Parkway,
P. O. Box 610, Center Valley,
PA 18034-0610, U.S.A.
Tel: +1-484-896-5000
http://www.olympusamerica.com/

**Olympus Europa Holding GmbH**
Wendenstrasse 14-18,
20097 Hamburg, Germany
Tel: +49-40-23-77-30
http://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

## Consolidated Subsidiaries and Affiliated Companies

### Domestic

**Olympus Medical Systems Corp.**
(Tokyo)
Manufacture and sale of medical equipment and other medical devices

**Olympus Imaging Corp.**
(Tokyo)
Manufacture and sale of digital cameras and voice recorders

**Nagano Olympus Co., Ltd.**
(Nagano)
Development, manufacturing, and repair of product related to industrial video scope. Manufacturing of product related to images such as camera interchangeable lens, and medical treatment, such as endoscopes

**Aizu Olympus Co., Ltd.**
(Fukushima)
Manufacturing of medical and industrial endoscopes

**Aomori Olympus Co., Ltd.**
(Aomori)
Manufacturing of medical endoscope-related products

**Shirakawa Olympus Co., Ltd.**
(Fukushima)
Development and manufacture of medical endoscope systems

**Olympus Systems Co., Ltd.**
(Tokyo)
Information services and system development

**Olympus Software Technology Corp.**
(Tokyo)
Development of software for Olympus products

**Olympus Logitex Co., Ltd.**
(Kanagawa)
Distribution Center

**Olympus Leasing Co., Ltd.**
(Tokyo)
Leasing and sales financing of information, office and other equipment

**Olympus Engineering Co., Ltd.**
(Tokyo)
Development and manufacturing in Life Science/ Industrial equipment segments

**Olympus Intellectual Property Services Co., Ltd.**
(Tokyo)
Search and prosecution support of patents and trademarks

**ITX Corporation**
(Tokyo)
Information and telecommunications services business

**Olympus Business Creation Corp.**
(Tokyo)
Identification and development of new businesses, and business management of growing subsidiaries

**Olympus Medical Science Sales Corp.**
(Tokyo)
Sales and service of optical and medical equipment

**Olympus Terumo Biomaterials Corp.**
(Tokyo)
Research and development, manufacturing and sale in the biomaterial field

**Olympus Digital System Design Corp.**
(Tokyo)
Research and development of sophisticated digital system design technology

**Olympus-Supportmate Corp.**
(Tokyo)
Providing cleaning services and promoting employment in the Olympus group companies for the disabled

**Olympus Memory Works Corp.**
(Tokyo)
Planning, production and selling of network-related products and services

Note: The Company has resolved to transfer its Information & Communication Business to Japan Industrial Partners, Inc., on August 24, 2012. The transfer will be carried out on September 28, 2012.

**Overseas**

**Olympus Corporation of the Americas**
(Pennsylvania, U.S.A.)
Regional business center in U.S., Canada and Latin America

**Olympus America Inc.**
(Pennsylvania, U.S.A.)
Head office operations in U.S.

**Olympus Imaging America Inc.**
(Pennsylvania, U.S.A)
Sales and service of imaging products in U.S.

**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 NDT Inc.**
(Massachusetts, U.S.A.)
Headquarters of NDT marketing and manufacturing, and sales for ultrasonic testing (UT) and eddy current testing (ECT) instruments in U.S.

**Olympus Canada Inc.**
(Ontario, Canada)
Sales of product lines except imaging products and UT and ECT instrument

**Olympus NDT Canada Inc.**
(Québec, Canada)
Manufacturing and service of advanced UT, ECT instruments and systems

**Olympus Europa Holding GmbH**
(Hamburg, Germany)
Regional business center, marketing and sales of all product lines in Europe

**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 Winter & Ibe GmbH**
(Hamburg, Germany)
Development, manufacture and sales of medical rigid endoscopes and peripheral instruments

**KeyMed (Medical & Industrial Equipment) Ltd.**
(Essex, U.K.)
Sales of all product lines, 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 of imaging and medical products in Hong Kong region

**Olympus (Shenzhen) Industrial Ltd.**
(Shenzhen, China)
Manufacture of imaging products

**Olympus (China) Co., Ltd.**
(Beijing, China)
Head office operation in China, Micro-Imaging System Division, Industrial Endoscope Dept.

**Olympus Imaging China Co., Ltd.**
(Shanghai, China)
Sale of imaging products in China

**Olympus (Beijing) Industry & Technology Limited**
(Beijing, China)
Manufacturing and sales of imaging products

**Olympus (Guangzhou) Industrial Co., 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, after sales service of medical equipment

**Olympus Korea Co., Ltd.**
(Seoul, Korea)
Sales of imaging products and medical endoscopes in Korea

**Olympus Singapore Pte. Ltd.**
(Singapore)
Sales of all product lines in the ASEAN, India and Pakistan

**Olympus Imaging Singapore Pte. Ltd.**
(Singapore)
Sales and service of imaging products in Singapore

**Olympus (Malaysia) Sdn. Bhd.**
(Kuala Lumpur, Malaysia)
Sales of imaging products in Malaysia

**Olympus (Thailand) Co., Ltd.**
(Bangkok, Thailand)
Import, sales and service of endoscopes in Thailand

**Olympus Medical Systems Vietnam Co.,Ltd.**
(Hanoi, Vietnam)
Services 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 Imaging India Private Limited**
(Mumbai, India)
Marketing and service of digital cameras and digital voice recorders 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 Imaging Australia Pty Ltd.**
(New South Wales, Australia)
Sales and service of imaging products in Australia, New Zealand, Papua New Guinea, Tahiti and the South Pacific region

(119 others)

# Investor Information

(As of March 31, 2012)

**TRANSFER AGENT FOR COMMON STOCK**

Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8233, Japan

**DEPOSITARY AND TRANSFER AGENT FOR AMERICAN DEPOSITARY RECEIPTS**

The Bank of New York Mellon
101 Barclay Street, New York, NY 10286, U.S.A.
Tel: +1-201-680-6825 U.S. toll free: 888-269-2377 (888-BNY-ADRS)
http://www.adrbnymellon.com
Ratio (ADR:ORD): 1:1
Exchange: OTC (Over-the-Counter)
Symbol: OCPNY
CUSIP: 68163W109

**STOCK EXCHANGE LISTINGS IN JAPAN**

Tokyo Stock Exchange, Inc.

**TOTAL SHARES OF COMMON STOCK ISSUED AND OUTSTANDING**

271,283,608

**NUMBER OF SHAREHOLDERS**

45,621

**PRINCIPAL SHAREHOLDERS**

| | Number of shares held (thousands)* | Percentage of shares outstanding (%) |
|---|---|---|
| Nippon Life Insurance Company | 13,286 | 4.89 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 13,286 | 4.89 |
| The Master Trust Bank of Japan, Ltd. (trust accounts) | 10,071 | 3.71 |
| Japan Trustee Services Bank, Ltd. (The Sumitomo Trust and Banking Company Retrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust) | 9,004 | 3.31 |
| Japan Trustee Services Bank, Ltd. (trust accounts) | 8,448 | 3.11 |
| Sumitomo Mitsui Banking Corporation | 8,350 | 3.07 |
| Morgan Stanley Private Bank, National Association PB Client Custody | 6,941 | 2.55 |
| Terumo Corporation | 5,581 | 2.05 |
| State Street Bank and Trust Company 505223 | 4,966 | 1.83 |
| The Hachijuni Bank, Ltd. | 4,136 | 1.52 |

**DISTRIBUTION OF SHARES BY TYPE OF SHAREHOLDER**

| | Number of shareholders | Number of shares held (thousands)* | Percentage of total shares outstanding (%) |
|---|---|---|---|
| Japanese financial institutions | 46 | 106,337 | 39.20 |
| Japanese companies trading in financial instruments | 57 | 8,195 | 3.02 |
| Other Japanese corporations | 406 | 23,245 | 8.57 |
| Japanese individuals and others | 40,189 | 33,267 | 12.26 |
| Foreign institutions and individuals | 471 | 95,809 | 35.32 |
| Treasury stock | 1 | 4,421 | 1.63 |
| Total | 41,178 | 271,283 | 100.00 |

*Figures are truncated at thousands.

**FORWARD-LOOKING STATEMENTS**

This annual report contains forward-looking statements concerning Olympus' 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, they 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 our expectations.

Printed in Japan

This report uses environment-friendly ink and paper.