

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 following: 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.