What's the new OLYMPUS?

Annual Report 2013

OLYMPUS®

Your Vision, Our Future

It's the new OLYMPUS.

We have taken our first steps toward the creation of a new Olympus.
But, what is the new Olympus?
This annual report incorporates discussions with our stakeholders and messages from management in order to answer this question.

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning the Company's future plans, strategies, and performance. These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on economic, financial, and competitive data currently available.

Furthermore, these statements are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide business competition, customer demand, foreign currency exchange rates, tax rules, regulations, and other factors.

Olympus therefore wishes to caution readers that actual results may differ materially from its expectations.

Olympus is fully aware of the severity of the issues regarding the deferral of losses on past investments that were discovered in 2011, and it is pushing forward with measures to reconstruct the Company and prevent the reoccurrence of such issues. In this section, we offer an overview of the measures the Group is collectively advancing to recover its standing as a corporate entity that stakeholders view as trustworthy.

Review

Deferral of Losses on Past Investments

In the 1990s, Olympus incurred substantial losses stemming from financial assets. The Company deferred recording these losses by transferring them to multiple funds that existed outside the scope of consolidation. It then overpaid fees associated with the acquisitions of certain companies, diverting these overpayments to the funds to compensate for the losses. Subsequent to that, the Company attempted to resolve the unrealized losses through the recording of amortization of goodwill on its financial statements. As a result, we continued to conduct inappropriate accounting practices for a number of years.

Problems Identified within Olympus

1. **Overconcentration of Authority in Senior Management**
   The president at that time possessed authority for decisions regarding selection of director candidates and the compensation of directors, and there was an overconcentration of authority attributable to senior managers, thereby preventing sufficient supervision of these managers.
2. **Lack of Supervisory Function of the Board of Directors**
   Both inside and outside directors were selected by the president, which impeded their ability to supervise management objectively.
3. **Corporate Culture with Low Compliance Awareness**
   Compliance awareness was exceptionally low, and there were Companywide problems with corporate governance structures, including neglect for internal reporting and internal control divisions without sufficient independence.
4. **Insufficient Information Disclosure Systems**
   There were no solid systems for information disclosure, and decisions related to disclosure were made arbitrarily by the Company's senior management. As a result, the disclosure of information for investors was insufficient.

1990s
- Losses on investment in financial assets expand following the collapse of Japan's bubble economy.
- Prior to the introduction of market value accounting in April 2000, unrealized losses on the relevant financial assets had been separated from the consolidated accounts by transferring them to multiple funds at book values.

2008–2010
- The off-balance-sheet losses are eliminated by taking advantage of the purchase of three domestic subsidiaries.

November 2011
- Deferred recording of past losses is discovered.
- The Third Party Committee is established to investigate the issue.

December 2011
- The investigation report is received from the Third Party Committee.
- The committee explains the need to improve governance and take steps to prevent recurrences.
- The Company establishes the Management Reform Committee, the Director Liability Investigation Committee, and the Non-Director Liability Investigation Committee.

January 2012
- The reports of the Director Liability Investigation Committee and the Non-Director Liability Investigation Committee are received, and a suit for damages is filed against past managers.
- The Company's stock is designated by the TSE as a Security on Alert (January 21).

March 2012
Clarification of improvement measures

April 2012 — **May 2012** — **June 2012**

Development of system

Development of regulations

Internal system development period

Measures to Prevent Recurrences

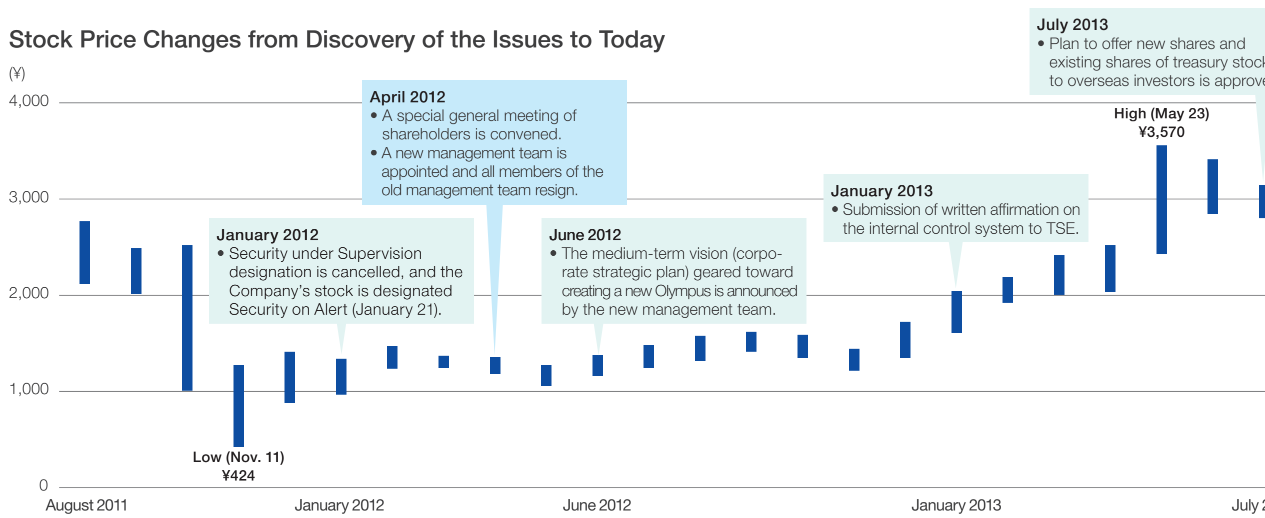
The Company has established internal scrutiny teams, which have developed the following measures to prevent the reoccurrence of such issues. In formulating these measures, the teams took into consideration the areas of weakness and recommended measures to prevent recurrences identified in an investigation report prepared by the Third Party Committee as well as the advice of the Management Reform Committee.

1. Strengthen Corporate Governance Structure
- Clear separation of executive and supervisory functions
- Reinforcement of supervisory authority and functions over executive functions
- Fairness in selection of outside directors and audit & supervisory board members, and expansion of the roles and functions of outside directors and audit & supervisory board members
- Active disclosure of information

2. Improve Internal Control Systems
- Improvement of internal checks and balances
- Appropriate management of business investments, subsidiaries, and affiliated companies
- Prevention of fraudulent activities through improvements to human resource management systems
- Enhancement of internal audits

3. Review Compliance Systems
- Improvement of management team's compliance awareness, and establishment of clear accountability
- Establishment of systems to support further reinforcement of compliance promotion
- Fostering of consistent awareness of compliance
- Improvement of whistle-blowing systems

Stock Price Changes from Discovery of the Issues to Today



In conjunction with the discovery of the deferred recording of past losses in November 2011, the Company's stock price plummeted to ¥424 per share, its lowest level ever. Since then, we have received guidance from the Third Party Committee and formulated measures to prevent reoccurrence while also revising internal systems and implementing an array of other initiatives. As a result, we were able to submit a written affirmation on the internal control system to the Tokyo Stock Exchange (TSE) in January 2013. Later, in May 2013, the Company's stock price recovered to the level seen before the scandal came to light, regardless of the fact that Olympus was still undergoing investigations.

Further, immediately after the issues surfaced, coverage of Olympus by sell-side analysts dropped to one company, but the number has since recovered to 11 as of July 2013.

Reborn

Corporate Governance Structure of the New Olympus

Improvement Measures and Olympus of Today

1. Overconcentration of Authority in Senior Management ▶ Establishment of Independent Committees 1 2

We have established the Nominating Committee and the Compensation Committee, which are comprised primarily of highly independent outside officers, effectively separating authority related to corporate officer nomination and compensation from management.

Under the guidance of these committees, the Company has transformed significantly. At the suggestion of the Compensation Committee, we introduced a stock option system to reflect our shareholders' perspective into compensation. Also, based on the nomination of the Nominating Committee, we appointed a female outside director.

2. Lack of Supervisory Function of the Board of Directors ▶ Clear Segregation of Business Execution and Supervisory Functions 3

The Board of Directors now consists of a majority of outside directors, and these and other corporate officers are appointed based on the nominations of the Nominating Committee, ensuring complete independence from management. This system also allows for clear segregation of the business execution function, handled by inside directors and executive officers, and the decision-making function and supervisory function of the Board of Directors. Further, the outside directors offer advice backed by their specialized knowledge, which serves to improve the quality of management.

3. Corporate Culture with Low Compliance Awareness ▶ Appointment of a CCO and Establishment of the Compliance Committee 4

We have appointed a chief compliance officer (CCO) to promote compliance in a managerial capacity and established the Compliance Committee, which is chaired by an outside director. This new system has been used to foster compliance awareness and advance Groupwide governance reforms. In addition, an internal compliance-related reporting system has been established to cultivate a more open corporate culture.

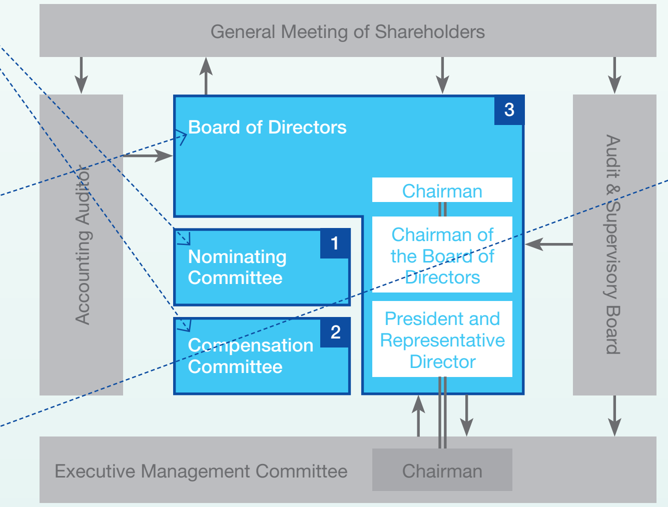
4. Insufficient Information Disclosure Systems ▶ Development of More Stringent Internal Information Disclosure Rules

The Company's internal information disclosure rules have been made more stringent, and we have developed unique disclosure standards that are even stricter than those of the TSE. Also, we actively disclose information that is deemed of importance to investors, regardless of whether or not this is called for under disclosure standards.

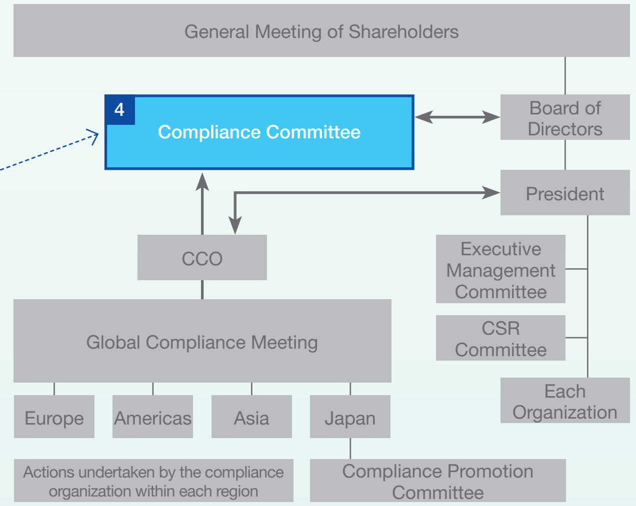
Number of timely disclosure documents released (April 2012–July 2013)	78

New Management Structure

Corporate Governance Structure (Summary)



Compliance Promotion System (Summary)



By adopting an executive officer system, Olympus has established a governance structure that separates the functions of executive officers, who are responsible for the performance of business operations, and directors, who are responsible for management decision making and the supervision of the performance of operations. In addition, in consideration of the scandal, we are further clarifying this separation, strengthening supervisory functions, and taking steps to reinforce systems for promoting compliance.

For more information regarding the new corporate governance structure, please refer to ▶ page 48

April 2012
- A special general meeting of shareholders is convened.
- A new management team consisting of a majority of outside directors is appointed and all members of the old management team resign.

June 2012
- The medium-term vision (corporate strategic plan) geared toward creating a new Olympus is announced by the new management team.

"Back to Basics" is established as a new slogan, and Olympus sets about making a fresh start.

August 2012
- The transference of the Information & Communication Business is announced.

The reorganization of non-core business domains is accelerated to help rebuild the Company's business portfolio.

September 2012
- A business and capital alliance with Sony Corporation is announced.

Improved financial soundness is pursued, and synergies are created in business domains through such means as establishing a joint venture medical company.

January 2013
Submission of written affirmation on the internal control system to TSE.

May 2013
- Restructuring measures for the Imaging Business are announced.

Basic policy of risk minimization is defined, and the development of earnings structures that do not depend on scale of sales is targeted.

June 2013
Removal of the Security on Alert Designation
On January 21, 2012, the TSE designated the Company's stock as Security on Alert. Aiming to have this designation lifted, we formed an internal project team and pulled together to rebuild the corporate governance structure and strengthen compliance functions. As a result of these efforts, the designation was removed from the Company's stock on June 11, 2013.

June 2013
- A stock option system is introduced for corporate officer compensation.

Corporate officer compensation schemes are changed to strengthen link to performance and stock price.

Development of system

Development of regulations

Implementation of improvement measures

May 2012 | June 2012 | July–December 2012 | January 2013 | February–June 2013

Internal system development period | Internal system operational period | Inspection period

Corporate Philosophy

Social IN

INtegrity	INnovation	INvolvement
Integrity in Society	Creating Innovative Value	Social Involvement

We aim towards establishing firm ties with the society through the three IN's.

The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities.

This "Social IN" concept is key to the basic Olympus philosophy underlying all our activities. Social IN comes from Social Value IN the Company, a concept of incorporating social values into the Company's activities.

Commitment to Compliance

At Olympus Corporation, we sincerely regret that past financial accounting misconduct has caused our customers and society enormous difficulties and undermined stakeholder confidence. With this in mind, and in keeping with our company's "Social IN" philosophy, the new management team hereby declares our commitment as follows:

To regain stakeholder trust and to enhance corporate value, Olympus' management is committed to complying with all laws and regulations and respecting social norms at all times.

In the effort to achieve sustainable growth, the management team reaffirms the importance of laws, regulations and social norms and will work to foster a corporate culture where each employee, as a member of the Olympus Group, will consider what is right and act in accordance with our company's guiding principles.

We will thoroughly investigate any violations to this commitment, past or present, taking corrective actions and implementing preventive measures as necessary.

By transforming our organization, we aim to create new value for society, to improve communication with all stakeholders, and to increase the transparency of our decision making.

We reaffirm our basic mission of creating value for society through innovative technology, quality products and unparalleled service, and we pledge that all employees of the Olympus Group will make a concerted effort to help people worldwide lead healthier and more fulfilling lives.

Recommit

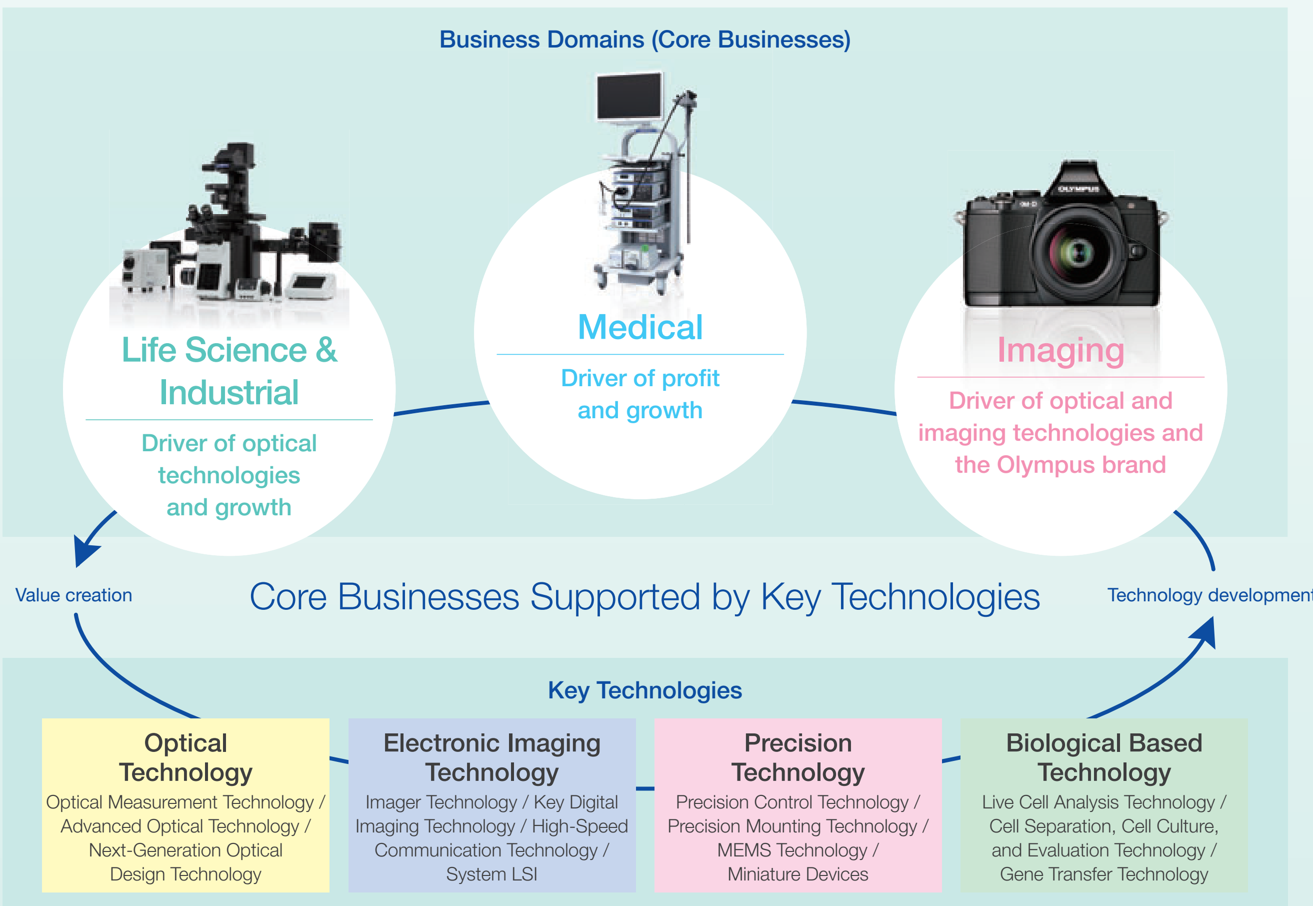
Corporate Management Policies

Under the new management structure, we have designated three corporate management policies: **"Back to Basics," "One Olympus,"** and **"Profitable Growth."** Expressing regret for our past misconduct, we aim to achieve growth with profitability by adopting "Back to Basics" as the principle behind all our actions and strategies. We will make a concerted effort to share values and goals among all our employees around the world with the aim of building "One Olympus."

Key Technologies

Olympus has defined the Medical Business, the Life Science & Industrial Business, and the Imaging Business as core businesses.

Olympus has developed technical prowess borne out of the cutting-edge optical and imaging technologies developed in the Imaging Business, optical technologies cultivated over years of operation in the Life Science & Industrial Business, and other technologies. These key technologies will be adapted to the Medical Business and other businesses to support the growth of the Company. Further, we will create technologies with assured value in this area to boost the corporate value of the new Olympus.



Management Structure

K I G E C A

Refocus

Directors

A Chairman
Yasuyuki Kimoto

(Date of birth: February 26, 1949)

Apr. 1971	Joined The Sumitomo Bank, Limited (current Sumitomo Mitsui Banking Corporation)
Jun. 1998	Director, The Sumitomo Bank, Limited
Jun. 1999	Executive Officer, The Sumitomo Bank, Limited
Jun. 2002	Managing Executive Officer, Sumitomo Mitsui Banking Corporation
Apr. 2004	Managing Director and Managing Executive Officer, Sumitomo Mitsui Banking Corporation
Jun. 2005	Senior Managing Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation
May 2006	President and CEO, The Japan Research Institute, Limited
Apr. 2012	Special Advisor, The Japan Research Institute, Limited Chairman, Olympus (present)

B President and Representative Director
Hiroyuki Sasa

(Date of birth: September 14, 1955)

Apr. 1982	Joined the Company
Apr. 2001	General Manager, Endoscope Business Planning Dept., Olympus
Apr. 2005	Division Manager, First Development Div., Olympus Medical Systems Corp.
Apr. 2007	Division Manager, Marketing Div., Olympus Medical Systems Corp.
Jun. 2007	Executive Officer, Olympus Director, Olympus Medical Systems Corp.
Apr. 2012	President and Representative Director, Olympus (present)

C Director, Senior Executive Managing Officer
Hideaki Fujizuka

(Date of birth: September 1, 1955)

Apr. 1980	Joined The Mitsubishi Bank, Limited (current The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
Jun. 2007	Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Jun. 2010	President and Director, Chitose Kosan Co., Ltd.
Apr. 2012	Director, Olympus (present) Senior Executive Managing Officer, Olympus (present) Group President of the Corporate Center, Olympus (present)
Apr. 2013	Officer in charge of Olympus Business Creation Corp. (present)

D Director, Senior Executive Managing Officer
Yasuo Takeuchi

(Date of birth: February 25, 1957)

Apr. 1980	Joined the Company
Apr. 2005	General Division Manager, Olympus Medical Systems Corp.
Apr. 2009	Director, Olympus Europa Holding GmbH
Jun. 2009	Executive Officer, Olympus
Oct. 2011	Executive Managing Director and Chairman of the Board, Olympus Europa Holding GmbH
Apr. 2012	Director, Olympus (present) Senior Executive Managing Officer, Olympus (present) Group President of the Group Management Office, Olympus (present) Chairman of the Board, Olympus Corporation of the Americas (present)
Mar. 2013	Director, Olympus Europa Holding SE (present)

E Director, Executive Managing Officer
Shigeo Hayashi

(Date of birth: August 21, 1957)

Apr. 1981	Joined the Company
Apr. 2003	Production Innovation Manager, Business Strategy Dept., Olympus
Jan. 2006	General Manager, Production Research Dept., Olympus
Apr. 2008	Head, Ina Factory, Olympus
Jun. 2009	Executive Officer, Olympus
Apr. 2010	Division Manager, Manufacturing Technology Div., Corporate Monozukuri Innovation Center, Olympus
Oct. 2011	President and Representative Director, Nagano Olympus Co., Ltd.
Apr. 2012	Director, Olympus (present) Executive Managing Officer, Olympus (present) Group President of Corporate Monozukuri Innovation Center, Olympus (present)

B D F H J L M

F Outside Director
Takuya Goto

(Date of birth: August 19, 1940)

Apr. 1964	Joined Kao Soap Co., Ltd. (current Kao Corporation)
Jun. 1990	Director, Kao Corporation
Jul. 1991	Director and Executive Vice President, Kao Corporation
Jun. 1996	Director and Senior Executive Vice President, Kao Corporation
Jun. 1997	Representative Director, President and Chief Executive Officer, Kao Corporation
Jun. 2004	Chairman of the Board, Kao Corporation
Mar. 2005	Director, Asahi Glass Co., Ltd.
Jun. 2005	Director, Nagase & Co., Ltd.
Jun. 2006	Director, Ricoh Company, Ltd.
Jun. 2008	Advisor, Kao Corporation
Jun. 2011	Director, JSR Corporation (present)
Apr. 2012	Director, Olympus (present)

[Important concurrent positions]
Director, JSR Corporation
President, Japan Marketing Association
President, Asia Marketing Federation

G Outside Director
Shiro Hiruta

(Date of birth: December 20, 1941)

Apr. 1964	Joined Asahi Chemical Industry Co., Ltd. (current Asahi Kasei Corporation)
Jun. 1997	Director, Asahi Chemical Industry Co., Ltd.
Jun. 1999	Managing Director, Asahi Chemical Industry Co., Ltd.
Jun. 2001	Senior Managing Director, Asahi Kasei Corporation
Jun. 2002	Executive Vice President, Asahi Kasei Corporation
Apr. 2003	President and Representative Director, Asahi Kasei Corporation
Apr. 2010	Director and Senior Advisor, Asahi Kasei Corporation
Jun. 2010	Senior Advisor, Asahi Kasei Corporation
Mar. 2011	Audit & Supervisory Board Member, Nikkei Inc. (present)
Apr. 2012	Director, Olympus (present)
Jun. 2013	Standing Counsellor Adviser, Asahi Kasei Corporation (present)

[Important concurrent position]
Audit & Supervisory Board Member, Nikkei Inc.

H Outside Director
Sumitaka Fujita

(Date of birth: December 24, 1942)

Apr. 1965	Joined ITOCHU Corporation
Jun. 1995	Director, ITOCHU Corporation
Apr. 1997	Managing Director, ITOCHU Corporation
Apr. 1998	Representative Managing Director, ITOCHU Corporation
Apr. 1999	Representative Senior Managing Director, ITOCHU Corporation
Apr. 2001	Representative Executive Vice President, ITOCHU Corporation
Apr. 2006	Representative Vice Chairman, ITOCHU Corporation
Jun. 2006	Vice Chairman, ITOCHU Corporation
Jun. 2007	Director, Orient Corporation
Jun. 2008	Senior Corporate Adviser, ITOCHU Corporation Director, Furukawa Electric Co., Ltd. (present) Audit & Supervisory Board Member, NIPPONKOA Insurance Company, Limited
Jun. 2009	Director, Nippon Sheet Glass Co., Ltd. (present)
Apr. 2010	Director, NKSJ Holdings, Inc.
Jul. 2011	Advisory Member, ITOCHU Corporation (present)
Apr. 2012	Director, Olympus (present)

[Important concurrent positions]
Director, Furukawa Electric Co., Ltd.
Director, Nippon Sheet Glass Co., Ltd.
Chairman, Japan Association for CFOs

I Outside Director
Motoyoshi Nishikawa

(Date of birth: January 1, 1946)

Apr. 1968	Joined Yawata Iron & Steel Co., Ltd. (current Nippon Steel & Sumitomo Metal Corporation)
Jun. 1997	Director, Nippon Steel Corporation (current Nippon Steel & Sumitomo Metal Corporation)
Apr. 2001	Managing Director, Nippon Steel Corporation
Jun. 2003	Senior Advisor (Chief Legal Counsel), Nippon Steel Corporation
Jul. 2007	Advisor, Nippon Steel Corporation
Jun. 2009	Audit & Supervisory Board Member, NITTETSU ELEX Co., Ltd.
Apr. 2010	Audit & Supervisory Board Member, NKSJ Holdings, Inc. (present)
Jul. 2011	Registered as attorney-at-law at TOKYO BAR ASSOCIATION Joined Nomura & Partners (present)
Apr. 2012	Director, Olympus (present)

[Important concurrent position]
Audit & Supervisory Board Member, NKSJ Holdings, Inc.

J Outside Director
Hikari Imai

(Date of birth: July 23, 1949)

Apr. 1974	Joined Yamaichi Securities Co., Ltd.
Jan. 1986	Joined Morgan Stanley Japan Limited
Apr. 1993	Joined Merrill Lynch Japan Incorporated
Jan. 1999	Deputy Chairman, Merrill Lynch Japan Securities Co., Ltd.
Nov. 2007	Vice-President and Director, RECOF Corporation
Apr. 2008	President and Representative Director, RECOF Corporation
Apr. 2012	Director, Olympus (present)

K Outside Director
Kiyotaka Fujii

(Date of birth: February 10, 1957)

Apr. 1981	Joined McKinsey & Company
Sep. 1986	Joined The First Boston Corporation
Jun. 1993	Vice-President and Director, Booze Allen Hamilton Japan Inc.
Sep. 1997	President and Representative Director, Cadence Design Systems, Japan
Jan. 2000	President, SAP Japan Co., Ltd.
May 2006	President and Representative Director, Louis Vuitton Japan Company, LVJ Group K.K.
Oct. 2008	President, Better Place Japan Co., Ltd. (present)
Apr. 2012	Director, Olympus (present)
Aug. 2012	Representative Director & President, Hailo Network Japan Co., Ltd. (present)

[Important concurrent positions]
President, Better Place Japan Co., Ltd.
Representative Director & President,
Hailo Network Japan Co., Ltd.

L Outside Director
Keiko Unotoro

(Date of birth: October 26, 1954)

Apr. 1977	Joined Secretariat of Japan Fair Trade Commission (JFTC)
Apr. 2000	Part-time teacher, Senshu University Graduate School (present)
Jun. 2004	Chief Hearing Examiner, General Secretariat, JFTC
Jan. 2007	Director, Trade Practices Department of Economic Affairs Bureau, JFTC
Jun. 2008	Senior Deputy Secretary General, Secretariat, JFTC
Jan. 2011	Director General, Economic Affairs Bureau, JFTC
Sep. 2012	Retired from JFTC
Nov. 2012	Advisor, Oh-Ebashi LPC & Partners (present)
Apr. 2013	Professor, Faculty of Modern Business Administration, Toyo Gakuen University (present)
Jun. 2013	Director, Olympus (present)

[Important concurrent position]
Professor, Faculty of Modern Business Administration,
Toyo Gakuen University

M Outside Director
Kenichiro Yoshida

(Date of birth: October 20, 1959)

Apr. 1983	Joined Sony Corporation
Jun. 1998	General Manager, CEO Strategy Office, Sony Corporation
Jul. 2000	Joined Sony Communication Network Corporation (current So-net Entertainment Corporation)
Sep. 2000	Member of the Board, So-net M3, Inc. (current M3, Inc.) (present)
Apr. 2005	President and Representative Director, Sony Communication Network Corporation (current So-net Entertainment Corporation) (present)
Jul. 2006	Member of the Board, TV Portal Service Corporation (current Actvila Corporation) (present)
Jun. 2007	Group Executive, Sony Corporation (present)
Jun. 2013	Director, Olympus (present)

[Important concurrent positions]
President and Representative Director,
So-net Entertainment Corporation
Member of the Board, M3, Inc.
Member of the Board, Actvila Corporation

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member
Takashi Saito

(Date of birth: February 11, 1952)

Apr. 1976	Joined the Company
Jun. 2005	Executive Officer
Apr. 2006	Division Manager, Business Support Div.
Jun. 2007	President and Representative Director, Aizu Olympus Co., Ltd.
Jun. 2010	Executive Managing Officer, Olympus President and Representative Director, Olympus Medical Science Sales Corp.
Apr. 2012	Standing Audit & Supervisory Board Member, Olympus (present)

Standing Audit & Supervisory Board Member
Masashi Shimizu

(Date of birth: December 19, 1957)

Apr. 1982	Joined Nippon Life Insurance Company
Mar. 2007	General Manager, Credit Department, Nippon Life Insurance Company
Apr. 2012	Standing Audit & Supervisory Board Member, Olympus (present)

Outside Audit & Supervisory Board Member
Nobuo Nagoya

(Date of birth: January 30, 1945)

Oct. 1968	Joined Iwao Goto CPA Office
Aug. 1970	Registered as certified public accountant
Jun. 1971	Registered as certified public tax accountant
Apr. 1978	Partner, Shinko Audit Corporation
Feb. 1989	Managing Partner, Chuo Shinko Audit Corporation
Oct. 2006	Chief, Nagoya CPA Office (present)
Jun. 2009	Auditor, Core Corporation
Apr. 2012	Audit & Supervisory Board Member, Olympus (present)

[Important concurrent position]
Chief, Nagoya CPA Office

Outside Audit & Supervisory Board Member
Katsuya Natori

(Date of birth: May 15, 1959)

Apr. 1986	Joined Masuda and Ejiri Law Office (current Nishimura & Asahi)
Jun. 1990	Joined Davis Wright Tremaine LLP
Jul. 1992	Joined Wilmer, Cutler & Pickering
Jul. 1993	Joined Esso Petroleum Corporation
Jan. 1995	Joined Apple Japan, Inc.
Jan. 1997	Director, Sun Microsystems, Inc.
Mar. 2002	Senior Vice President, Fast Retailing Co., Ltd.
Jan. 2004	Vice President, IBM Japan, Ltd.
Apr. 2010	Executive Officer, IBM Japan, Ltd.
Feb. 2012	Chief, Natori Law Office (present)
Apr. 2012	Audit & Supervisory Board Member, Olympus (present)

[Important concurrent position]
Chief, Natori Law Office

We have embarked on a journey to create a new Olympus. On this quest, we will never lose sight of the issues and tasks we have faced thus far, and we will push forward vigilantly in pursuit of improved corporate value. In the following section, we review fiscal 2013, explain the Medium-Term Vision: Back to Basics, and discuss our vision for the future of Olympus.

To Our Stakeholders

The foundations for the creation of a new Olympus have been completed. We will continue to strengthen corporate governance as the entire Olympus Group unites to work toward recovering trust and improving corporate value.

Resolve

March 2013 marked the end of my first year as chairman. In fiscal 2013, ended March 31, 2013, the first year under the new management structure, we dedicated ourselves to developing a new corporate governance system that is both appropriate and transparent in consideration of social standards. To this end, we shifted to a new management structure that clearly segregates business execution and supervision. Under this new system, President Hiroyuki Sasa is responsible for all areas of business execution, while I head the Board of Directors in my capacity as chairman. In addition, a majority of the seats on the Board of Directors have been filled with highly independent outside directors, and I thus believe that we have established an environment that is exceptionally conducive to supervisory functions. The outside directors express opinions grounded in a clear recognition of issues and a sense of responsibility, and they are not hesitant in doing so, thereby guaranteeing that management is appropriately monitored and supervised. Due to these improvements, I feel that Olympus is now a company that commentators will consider as having an effectively functioning Board of Directors and stringent governance systems.

Looking at our business, Olympus possesses a dominating share of the market for medical endoscopes. In addition, the Company is one of the few makers in the world possessing development and manufacturing technologies that enable it to respond to the diverse range of needs that exist between diagnosis and treatment. When I first assumed the role of chairman, I believed that Olympus was a spectacular company and truly competitive on the global stage. One year later, I am convinced that I was not mistaken in my initial evaluation. Since I was appointed, I have visited several Olympus production sites, learning the work processes conducted therein, and held numerous meetings with employees, which we call town hall meetings, both in Japan and overseas. All the employees I met took great pride in their work, and clearly they enjoyed making things. This reaffirmed my confidence in Olympus' promising future. My responsibility toward Olympus is to develop an environment that will enable the Company to fully leverage its deep-rooted strengths and competitive edge. Looking ahead, we will remain vigilant as the Olympus Group steadily advances forward, adding to its list of accomplishments and striving to once again be viewed as a trustworthy company by stakeholders and society.

Lastly, the designation of Security on Alert that was placed on the Company by the Tokyo Stock Exchange on January 21, 2012, was removed on June 11, 2013. I would like to once again apologize for the great inconvenience we caused our stakeholders. Going forward, we will continue to reinforce internal control systems, and the entire Olympus Group will unite to improve performance and recover the trust of stakeholders and society.

Olympus is in the process of being reborn, and I hope we can expect the continued support and understanding of all our stakeholders as we undergo this transformation.

August 2013

Yasuyuki Kimoto

Chairman

Medium-Term Vision (Corporate Strategic Plan)

Restart

Olympus announced a new medium-term vision for the five years from the fiscal year ended March 2013. Acting in accordance with the vision's slogan of "Back to Basics," the Company aims to return to the basic values it had at founding and make a fresh start in order to regain the credibility of its stakeholders, build itself anew, and create new corporate value.

Corporate Management Policies under the New Management

Back to Basics | One Olympus | Profitable Growth

Basic Strategies Based on Corporate Management Policies

1 Rebuilding of Business Portfolio / Optimizing Allocation of Management Resources

1. Clarification of our core businesses
2. Identification and liquidation of non-core businesses
3. Establishment of mechanisms to drive optimal allocation of management resources

Contribute to total wellness of people as a company centered on Medical Business

2 Review and Reduction of Costs

1. Cost reduction
2. Significant curtailment of indirect expenses

Improve profitability of the entire Group through drastic review of cost structures

3 Restoration of Financial Health

1. Steady flow of profits from businesses
2. Maximization of cash flow
3. Streamlining of assets

Improve equity ratio as soon as possible and realize stable management

4 Restructuring of Corporate Governance

1. Restructuring of governance system
2. Reinforcement of internal controls
3. Strengthening of the compliance system

Recover trust and improve corporate value

Performance Indices and Targets

Performance Indices	FY ended March 2012 (Results)	FY ended March 2013 (Results)	FY ending March 2017 (Target)
Return on invested capital (ROIC)	2.7%	2.7%	10% or more
Operating margin	4.2%	4.7%	10% or more
Free cash flow (Cash flow from operating activities + cash flow from investing activities)	¥(4.8) billion	¥58.7 billion	¥70.0 billion or more
Equity ratio	4.6%	15.5%	30% or more

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

* Return on Invested Capital (ROIC)
ROIC is an index that measures income generated on a company's invested capital (IC). At Olympus, ROIC is calculated using the following assumptions:
Return (Operating income after taxes) / IC (Shareholders' equity + Interest-bearing debt)

Progress during the First Year of the Medium-Term Vision and Future Challenges

		Results and Challenges	
1 Rebuilding of Business Portfolio / Optimizing Allocation of Management Resources	Medical P.30	Achieved forecast-exceeding progress and performance	• Gastrointestinal endoscope field: Introduced new products, such as EVIS EXERA III (Europe and U.S.) and EVIS LUCERA ELITE (Japan), which contributed to increased earnings • Surgical device field: Introduced the new VISERA ELITE (Europe, U.S. and Japan) surgical video endoscopy system • Commenced business alliance with Sony Corporation and jointly established Sony Olympus Medical Solutions Inc. • Management resource allocation: Increased production capacity of major production sites
	Life Science & Industrial P.38	Implemented profitability improvement measures in response to deterioration of macroeconomic environment	• Introduced new products in mainstay model lines on schedule • Rationalized production sites and improved operational efficiency by closing a site in the Philippines and consolidating sites in Nagano in preparation for future growth
	Imaging P.42	Responded to rapidly changing market conditions and implemented drastic reform of earnings structure	• Revised product lineup: Shifted to high-value-added products, such as mirrorless cameras • Reorganized manufacturing systems • Implemented SG&A expense reduction measures
	Restructuring of non-core businesses	Accelerated reorganization of non-core business domains	• Transferred Information & Communication Business (September 2012) • Liquidated / sold approx. 30 subsidiaries and affiliated companies
2 Review and Reduction of Costs		Achieved certain degree of results, however, continued rationalization of indirect departments needed	• Reorganized production sites worldwide: 30 ▸ 22 sites • Staff size optimization: reduced staff by approx. 6,000* people, achieved target ahead of schedule (includes full-time and part-time employees)
3 Restoration of Financial Health		Made progress in stabilizing operating foundations	• Increased capital: Commenced capital alliance with Sony • Equity ratio: Improved from approx. 5% to over 15%* • Interest-bearing debt: Decreased ¥82 billion*
4 Restructuring of Corporate Governance		Strengthened structures for greater effectiveness	• Instituted new management system clearly separating supervision and business execution • Security on Alert designation removed on June 11, 2013

* Compared with March 31, 2012

Financial Plans

	FY ending March 2015		FY ending March 2017	
	Previous target	Revised target	Previous target	Revised target
Net sales	¥1,010 billion	¥760 billion	¥1,160 billion	¥920 billion
Operating income (Operating margin)	¥90 billion 9%	¥93 billion 12%	¥130 billion 11%	¥143 billion 16%
Ordinary income (Ordinary income ratio)	¥70 billion 7%	¥70 billion 9%	¥115 billion 10%	¥125 billion 14%
Net income (Net income ratio)	¥40 billion 4%	¥45 billion 6%	¥85 billion 7%	¥85 billion 9%

Notes:
1. Figures for previous targets are those from when the medium-term vision was initially announced on June 8, 2012. Revised target figures reflect the revision released on May 15, 2013.
2. Previous foreign exchange assumptions called for exchanges rates of ¥80 to US$1 and ¥100 to 1 EUR. Revised assumptions projected exchanges rates of ¥90 to US$1 and ¥120 to 1 EUR.

Responsibility

Hiroyuki Sasa
President and
Representative Director

Our mission is clear. The Olympus Group must come together to accomplish the goals of the medium-term vision—our expressed commitments to building a stronger operating foundation and to realizing further growth.

Once those goals are achieved, we will implement strategies geared toward the period after the medium-term vision.

Significant Progress in Restructuring to Date

April 2012

Renewal of corporate governance
- Majority of directors are independent
- Separation of chairman of the board and president
- Reinforcement of compliance system

June 2012

Announcement of medium-term vision (corporate strategic plan)

September 2012

Sale of Information & Communication Business (ITX)

Announcement of business and capital alliance with Sony

1. A Look Back at the First Year as President

• Review of Fiscal 2013

During fiscal 2013, which was my first year as president, the operating environment proved harsh due to instability in the global economy and other factors. Regardless, despite the difficulty of transitioning to a new management system, I think we got off to a good start in all businesses except the Imaging Business.

Indeed, fiscal 2013 was an eventful year. We began by strengthening our corporate governance structure, and then we announced the medium-term vision and began implementing it in earnest. We also responded to lawsuits and accepted applications for voluntary retirement. On the business front, we commenced a business and capital alliance with Sony Corporation and transferred the Information & Communication Business. Further, we took steps to remove the Security on Alert designation placed on the Company's stock by the Tokyo Stock Exchange (TSE), which included submitting a written affirmation on the internal control system to the TSE and undergoing inspections. We have now entered a new fiscal year, and we saw the Security on Alert designation lifted in June 2013. I believe this is a significant step toward gaining society's acceptance of the management reforms that have created a new Olympus.

• Progress and Results of the Medium-Term Vision

I would now like to explain my views on the progress and results of the Medium-Term Vision: Back to Basics, which was announced in June 2012.

During fiscal 2013, we worked with unwavering resolve toward accomplishing the goals we have committed ourselves to in accordance with our medium-term vision. In the Medical Business, which has been positioned as a major earnings driver, new gastrointestinal and surgical endoscopes were released around the world as planned, and these products supported the performance of the entire Group. I believe I can say that the start of the vision was much smoother than we had anticipated. In fact, we instituted an upward revision to our initial forecasts, and we were successful in achieving the revised figures.

Conversely, in the Life Science & Industrial Business, the operating environment remains harsh and we are still faced with issues that must be addressed in terms of earnings. Nevertheless, we implemented production system reforms in the life science field during fiscal 2013 with the aim of boosting earnings, and we were able to turn a profit as a result. This represented a significant improvement from fiscal 2012, when an operating loss was recorded. In the industrial field, which represents a major growth driver, we will work to apply the competitiveness fostered in the current areas of operations to

■ Institution of measures to strengthen and improve corporate governance ■ Implementation of initiatives to rebuild business portfolio and ensure financial health

January 2013
Submission of written affirmation on the internal control system to TSE

February 2013
Completion of ¥50 billion capital injection by Sony

June 2013
Termination of designation as Security on Alert by TSE

Major Initiatives and Results

Staff size approx. 6,000* lower than on March 2012	Restructured production sites (from 30 to 22 globally)
Reduced subsidiaries and affiliates by approx. 30 entities	Reduced interest-bearing debt by ¥82 billion from March 2012 to 2013

* Includes full-time and part-time employees

expand into new fields. By introducing new products into such fields, we hope to expand our earnings base. Going forward, we will develop more robust business and earnings structures that take advantage of our biological microscopes and our industrial microscopes and endoscopes, all items for which we hold the world's leading market shares. By creating such structures, we aim to improve performance at the earliest possible date. At the same time, we are thoroughly revising cost structures. In this pursuit, we have assembled a specialized team, which is guiding us in quickly realizing Companywide cost reductions, with a particular focus being placed on cutting costs in indirect depertments.

In the Imaging Business, we recorded an operating loss of more than ¥10 billion for the third consecutive fiscal year, a fact that I find most unfortunate and that represents a pressing issue for management to address. Needless to say, this issue was the subject of much discussion among the board of directors. In these discussions, rather than focusing only on numerical targets, we discussed all available options, including the possibility of only accumulating technologies. The end decision was the restructuring measures announced along with our fiscal 2013 financial results in May 2013. These measures include ceasing production of low-priced compact cameras and significantly shrinking operations, measures through which we aim to greatly reduce inventory risks and other business risks. At the same time, we will construct cost structures appropriate for the scale of this business. By implementing these measures, we will first work to breakeven on the operating income level in fiscal 2014. We will then shift to a profitable business structure over the medium-to-long term.

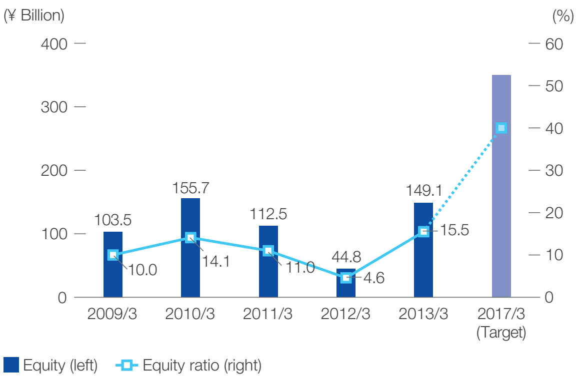
In regard to our efforts to reorganize non-core businesses, the transference of the Information & Communication Business as well as the liquidation and sale of other businesses progressed more quickly than expected. We were thereby able to recover the equity ratio to around 15% on March 31, 2013, showing that our financial position had grown much sounder. In the future, we will work toward our medium-to-long-term goal of an equity ratio of approximately 30% while targeting the quick resumption of dividend payments and other shareholder returns.

2. Our Growth Strategies

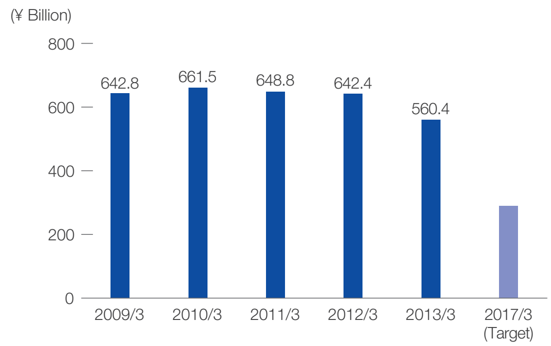
Accomplishment of Medium-Term Vision Goals and Further Forward-Looking Growth in the Medical Business

The medium-term vision describes the measures we will implement to regain the trust of our stakeholders. Therefore, accomplishing the goals of this vision over the next four years will be of first and foremost importance. However, I believe we must also turn our attention toward farther down the line. In order to ensure that the growth of the Medical Business, a major earnings driver, continues to accelerate after the vision's completion, it will be essential to develop strategies that take us a step further. This will be one of our main tasks going forward, and one that we must address with both caution and speed. To support efforts to this end, it will be crucial to develop a robust financial base that will sufficiently enable us to invest in growth stably and flexibly, even in an ever changing and consistently opaque operating environment.

Equity / Equity Ratio



Interest-Bearing Debt



• Construction of a Robust Financial Base Allowing for Global Action

In addition to strengthening operating foundations, the quick recovery of our financial credibility is an important management task as such credibility is inseparable from business growth. In recognition of this fact, we reorganized and sold non-core businesses and commenced a business and capital alliance with Sony Corporation during fiscal 2013. Also, we worked to reduce interest-bearing debt. As mentioned, these efforts enabled us to recover the equity ratio. Specifically, we saw the ratio recover to 15.5% on March 31, 2013, a significant improvement compared with the level of 4.6% on March 31, 2012. We thus exceeded our short-term goal of 10% and are seeing the steady improvement of our financial base. Still, our current financial position remains insufficient in comparison to other globally active medical equipment manufacturers.

One characteristic of the Medical Business is that the development and commercialization of products requires a great deal of time and expense. This is because of the need to acquire approval, among other considerations. Moreover, our Medical Business is not one of simply selling products. Rather, operations entail ensuring the reliability of products, which is critical considering how they can impact people's lives, as well as developing the necessary after-sales support and maintenance systems. We must also continue to supply new products and maintain effective training systems. As such, we need a financial base that can support these activities over the long term, as well as the credibility to back this base. Aiming to secure the funds needed to conduct capital and R&D expenditures in the Medical Business—a growth area for Olympus—over the next three years, the Company procured capital to the extent of ¥112.6 billion in July 2013 by offering new shares and existing shares of treasury stock to overseas investors. Our present focus is on constructing the financial base needed to strengthen the Medical Business and conducting forward-looking investment. We expect that this will enable us not only to meet the goals of the medium-term vision but also to implement the strategies required to realize growth thereafter.

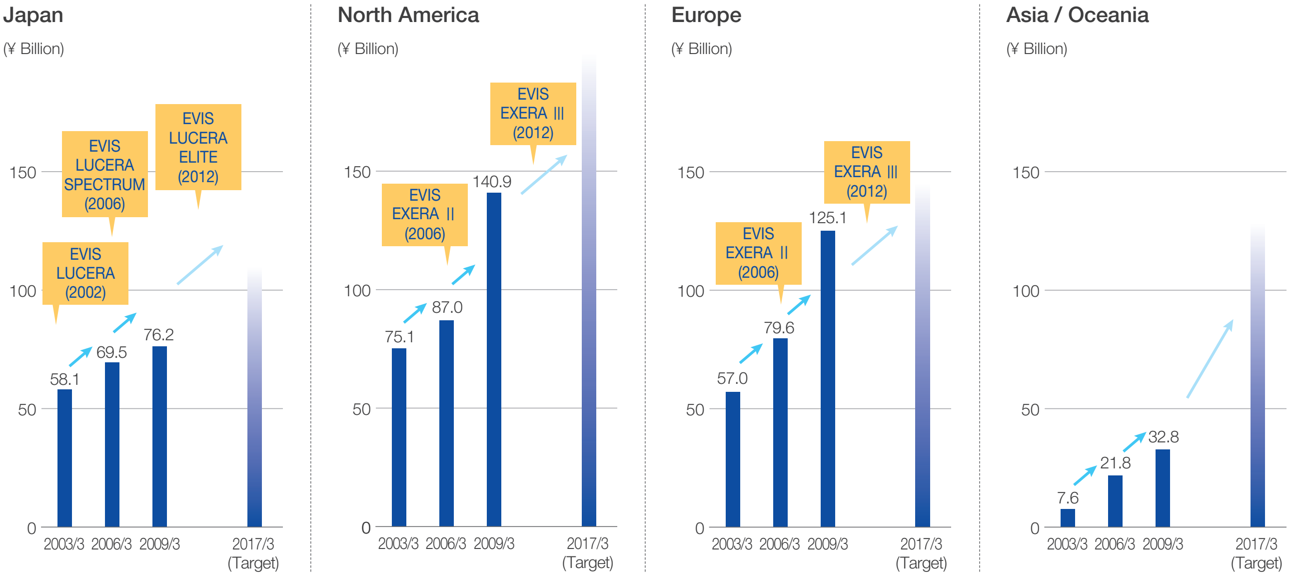
Major Uses of Proceeds	Amount
Capital expenditures at principal gastrointestinal endoscope manufacturing facilities (3 factories in Tohoku district)	**¥19.7** billion
R&D expenditures in the Medical Business	**¥54.0** billion
Sales promotion expenses focused on new Medical Business products	**¥24.0** billion
Others	**¥14.9** billion
Total	**¥112.6** billion

• Ongoing Growth in the Medical Business

The Medical Business has continued to support the Company's growth as an earnings driver. As the global need to reduce healthcare costs and limit social security expenses become ever more pressing, I think Olympus can play an even greater role in supporting the medical industry by providing means of early detection and treatment. The Olympus Group possesses technologies for developing and manufacturing medical devices that respond to needs ranging from early detection to minimally invasive treatment, and it is one of the world's leading manufacturers in this area. We have a very strong position in the industry due to our ability to develop simultaneously the devices needed for new minimally invasive treatments and the early diagnosis measures that will be linked to these new treatments. We will grow our business while fully leveraging this strength. And, in order to facilitate this growth, I believe that we need to steadily conduct forward-thinking investments in a variety of R&D areas. These include enhancing our endoscope lineup and developing next-generation endoscopy systems as well as conducting research and development related to the areas of operating room imaging and energy devices and bolstering our lineup of endotherapy devices.

Olympus boasts a dominating share of more than 70% of the highly profitable gastrointestinal endoscope market, and it will further strengthen its foundations in this field to ensure ongoing competitiveness. To this end, we launched new endoscope products into developed markets, including Japan, North America, and Europe, during fiscal 2013. We expect that these products will help accelerate future earnings

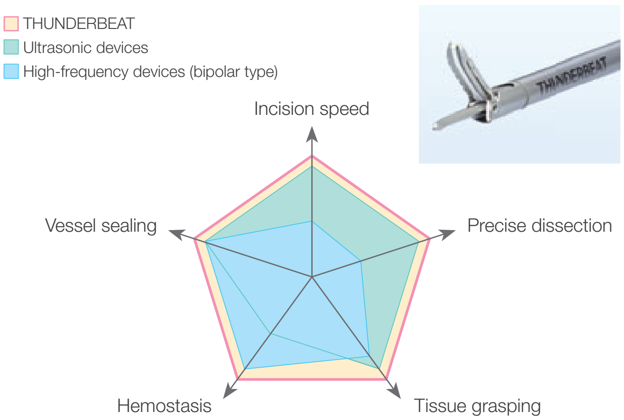
Sales Growth of Medical Business after Introduction of New Products and Future Targets



growth. In addition, we realize that bolstering production capabilities will be key to further expanding and growing our business going forward. For this reason, we have decided to invest approximately ¥20 billion in our three principal manufacturing facilities over the coming three years. At the same time, we will create new endoscope markets by establishing training centers in China and elsewhere in Asia to foster the development of endoscopic physicians in rapidly growing emerging nations and accelerate the spread of endoscopic procedures in these countries.

Within the Medical Business, one field that I think will play a particularly significant role in future growth is surgical and endotherapy devices. To strengthen our operations in this field, our first task will be enhancing sales systems. Specifically, we will create sales systems that match the scale and characteristics of markets in both emerging countries and developed nations. If these systems are properly installed, I believe there are certain products for which we can expand sales by virtue of these systems alone. However, our efforts in this area are somewhat lacking at present. Besides sales systems, I would like to focus on strengthening efforts to develop new products and technologies in this field. One such new product is the THUNDERBEAT energy device, and we will work to develop this device into a pillar for supporting operations in the surgical device field going forward. At the same time, I hope to use this device in other fields. For example, it could be utilized to accelerate expansion in the otorhinolaryngology field. In addition, the differentiated technologies of THUNDERBEAT show potential for driving expansion in the orthopedics field.

THUNDERBEAT Features—Comparison of Effectiveness



In April 2013, a joint venture medical company was established by Olympus and Sony Corporation. This company operates a business related to surgical endoscopes with 3D and 4K imaging capabilities. I hope to quickly develop this business to the point where it begins producing results and to implement expansion measures from a perspective looking three to five years into the future. I also aim to expand operations into fields peripheral to surgery, and I believe M&A activities are an option to accomplish this.

• Commitment toward Stakeholders

In addition to accomplishing the goals of the medium-term vision, the management of Olympus is also charged with the mission of laying strategic foundations for future growth. To facilitate these efforts, we procured ¥112.6 billion in funds. In procuring these funds, the Company's management, myself included, visited institutional investors around the world to explain our growth strategies for the Medical Business. These interactions once again reminded us of our responsibility to produce results. This recognition is both obvious and important. Harsh opinions were received from many of the institutional investors we visited. However, in the end, we were able to collect funds to an extent that exceeded our target, which I believe represents the high evaluations of our response to investors and our growth strategies. As president, the responsibility I feel is heavier than I have ever felt in my life, and I am committed to producing results that meet the expectations of our stakeholders.

Hiroyuki Sasa

President and Representative Director

The Creation of a New Olympus and Future Growth—Conversation with Analysts

Barclays Securities Japan Limited
Masahiro Nakanomyo

Goldman Sachs Japan Co., Ltd.
Toshiya Hari

President and Representative Director
Hiroyuki Sasa

J.P. Morgan Securities Plc.
Hisashi Moriyama

How has Olympus changed? After the scandals, what measures should Olympus institute, and how should it target future growth? President Hiroyuki Sasa conversed with analysts that have observed Olympus for a number of years with regard to the expectations of the Company and the challenges it faces, receiving their earnest opinions and advice. (Conversation held on June 10, 2013, in a meeting room of the Company's head office)

Incident regarding Deferred Posting of Past Losses

Sasa I would like to begin by apologizing for the great inconvenience and concern we caused through the scandals that were discovered in the year before last. I was quite surprised when this issue surfaced, and I feared Olympus itself may cease to exist. At that time, I was a division manager in charge of marketing for the entire Medical Business. To reassure my subordinates after the issue surfaced, I reminded them of the Company's solid operating foundations exemplified by its endoscopes. There was no way this foundation would just disappear. Even if Olympus ceases to exist, endoscopes will never vanish. Drawing their attention to this fact, I encouraged them to focus on maintaining business operations and to fight for the Company's survival in their own way.

In all, the development and manufacturing staff were relatively calm. They were confident that their endoscopes would not disappear, and they continued to supply us with high-quality products and services steeped in this confidence. Meanwhile, the sales staff was subjected to a flurry of inquiries and questions from physicians, receiving both reprimand and encouragement. Even under these harsh circumstances, they remained devoted to recovering the trust of the Company, and thus helped us pull through this difficult period. In January 2012, it was decided that Olympus would remain listed on the Tokyo Stock Exchange. At that moment, I felt assured that we could return Olympus to glory if we remained committed.

Nakanomyo With regard to the deferred posting of past losses, I feel this incident was partially due to the failure of us, as analysts, in performing our duties. I think there was an extent to which this issue could have been predicted before the discovery of the misrepresentation from the Company's disclosed financial information. Regardless, the incident caught us all by surprise. As participants in the capital market, it is our duty to monitor such activities, and I feel responsibility in my failure to do so. At the same time, there is a nagging sense of disbelief directed toward the Company that still remains today. I believe it will be up to Olympus to dispel this disbelief through its future actions. At the very least, this disbelief partially vanished after you were appointed as president, Mr. Sasa.

Masahiro Nakanomyo
Managing Director
Barclays Securities Japan Limited

Profile
Mr. Nakanomyo joined The Mitsubishi Banking Corp. in 1984, where he undertook a variety of industry and corporate research projects over a 25-year period. In 2009, he joined Barclays Securities Japan and leads the precision instrument sector coverage team in the equity research section.

Toshiya Hari
Managing Director
Global Investment Research, Goldman Sachs Japan Co., Ltd.

Profile
Mr. Hari joined Goldman Sachs Japan in 2001 after graduating from the London School of Economics and Political Science. After several years in a supporting role as junior analyst, he became the lead analyst for the Semiconductor Capital Equipment sector in 2007 and for the Precisions sector in 2009.

Hisashi Moriyama
Senior Analyst
Equity Research Division, J.P. Morgan Securities Plc.

Profile
Mr. Moriyama began his career at New Japan Securities Inc. After eight years in sales, he was transferred to the company's investment study department. Later, he joined the Tokyo Branch of Credit Lyonnais Securities Asia, where he was responsible for the precision equipment and electronic components sectors. In 2002, he entered J.P. Morgan Securities and was placed in charge of the precision equipment sector.

Reflect

Moriyama When the issue surfaced, I was filled with disappointment and anger, as though I had been betrayed by a friend of many years or someone else I deeply trusted. To be perfectly honest, I feel that the Company's actions were greatly disappointing, whether viewed from the perspective of the Japanese stock market or the rest of the world. I had no choice but to stop covering Olympus as a result. However, over the year that followed the change in management, a number of statements were released by Olympus. In particular, I felt that the announcement of measures for restructuring the Imaging Business in May 2013 best communicated the Company's sincerity. The announcement was simple yet moving. Quite frankly, I did not expect Olympus to put out any statements that exceeded the expectations of the market. However, when I saw the plan to halve compact camera sales targets, making for a target that is unprecedentedly low by the Company's standards, my opinion immediately took a position swing. My view of Olympus has nearly completed a 180-degree turn from a year ago.

Sasa The impacts of this issue are not limited to the Company. Rather, these impacts also weigh heavily on the Japanese stock market. As such, how Olympus should go about regaining the trust of the market was a matter we worried much over. It was determined that accomplishing the goals of the medium-term vision was of utmost priority. We realized that if we cannot accomplish the figures set out in the plan, then it will be impossible to recover trust. Now, one year later, I still cannot say that Olympus has changed sufficiently. Looking at our financial position, the equity ratio has only recovered to around 16%, and this is far from enough. We are also faced with the major management task of returning the Imaging Business to profitability. For these reasons, I think we can say that we are still not effectively producing results. Nevertheless, what we must do remains clear. Our mission now is to steadily address the tasks we face one at a time.

Hari We upgraded our rating on Olympus two days before Michael Woodford was removed from his position as president and CEO, and I remember becoming quite emotional after the incident surfaced. At the same time, I blamed myself for my inability to catch on to the misrepresentation through disclosure materials, which, while perhaps difficult, could not have been impossible to see. After you were appointed as president, Mr. Sasa, the speed at which the Company's governance systems and business portfolio improved has been startling, with much being accomplished in a short period. Next, I hope you will shift your focus to achieving further growth in the Medical Business. While discussion tends to be directed toward what will be done in the Imaging Business and the Others Business, I feel that the Company's core business remains as the Medical Business.

Results during First Year under New Management System and Future Challenges

Hari A number of strategic decisions have been made over the year that followed the institution of the new management system headed by President Sasa. I think one of the important changes over this period is the structural reforms that have been taken. The Company has signified that it will increase its emphasis on the Medical Business. It also sold ITX Corporation, which operated the non-core Information & Communication Business. This move was received very positively, as demonstrated by the stock market's reaction on the day after the sale. The decision to restructure the Imaging Business was also well received by the market, reflecting the belief that Olympus was orienting itself in the right direction. Another important change has to do with the balance sheet. Previously, it seemed as though Olympus was focused primarily on profits and losses, but now the Company has turned its eye to the balance sheet. While progress on this front is still slow in comparison to competitors, Olympus is actively working to repay debt and improve its balance sheet in other ways, which I believe is a very important change.

Going forward, I believe a challenge that must be addressed will be developing appropriate growth strategies for the Medical Business. The Company's flexible endoscopes have an unmatched position in their market, which is ripe with growth opportunities. As such, operations in this business will likely grow with little effort over the foreseeable future. However, Olympus still lags behind the competition in the surgical device field and must overcome challenges in this area. Structural reforms are important, but, in the end, the value that the market attributes to Olympus will be determined by the growth potential of its Medical Business. I therefore hope you will focus on ensuring the growth of this business.

Nakanomyo Change over the past year has been substantial. The Company's management is showing a clear stance toward listening to the input of the market. I also believe that the outside directors and other members of the Board of Directors are engaging in very free discussion. In these ways, the Company is gradually developing governance systems that can be deemed as ideal. I hope that governance reforms of this type will continue going forward. It is also my understanding that you will take a flexible approach toward conditions in the Imaging Business. The Medical Business will likely be solid over the next three to five years. However, this is not a given. While not a trend limited to endoscopes, the quality of products in the low-to-middle range is rapidly improving, and competition is intensifying for products in the middle-to-high range in terms of price as well as other considerations. We cannot deny the possibility of this trend advancing further for endoscopes. If this occurs, I am worried that the Company's product mix may prove less competitive. A number of Japanese technology companies are losing to such trends. Where others fail, I want Olympus to continue to succeed with unrivaled strength, and I hope that you will develop strategies that allow this to be accomplished.

Sasa Addressing that point, similarly to magnetic resonance imaging (MRI) and computed tomography (CT) scanners, endoscopes cannot simply be installed and left for use. All of these devices are incredibly precise pieces of equipment, and they must constantly undergo maintenance. Endoscopes, in particular, are inserted directly into a patient's body and, therefore, have the potential to lead to a serious medical accident if they malfunction to even the smallest degree. For this reason, maintenance, repair, and service structures are absolutely essential. These systems present one of the key strengths for enabling Olympus to maintain its top share of the market. If other companies were to attempt to provide these systems, they would have to incur a somewhat prohibitive level of costs. In this manner, there is a very high hurdle for participation in this business. The extent to which Olympus is to deal in the low-to-middle range will be decided on a strategic basis going forward. I have a strong desire to accelerate the development of the Medical Business. Presently, we have medium-term product plans and business strategies in place that will cover us for the next five or six years. As such, I have no worries in this regard. Rather, at the moment, I think we need to invest more in sales and marketing. The main concern for these areas lies further down the line. As you stated, accelerating growth in the Medical Business will require a strategy that takes us one step further. This is actually an area we have chosen not to address in the medium-term vision. I therefore realize that one of the issues management must tackle next will be the development of such a strategy. For example, we have to be able to clearly explain what the figure for elimination or corporate represents for the Company. The ability to provide such explanations is something we must work to accomplish.

Moriyama Management's ability to escape for the first time from the plans targeting growth in the Imaging Business through the pursuit of sales expansion could be considered one accomplishment of this year. A concern for the future is whether or not the Company can institute profit structure reforms that take it further than simply meeting its goals. I think this is an area that markets are watching carefully. Implementing such reforms will entail strengthening monitoring functions. Is management now actually able to urge business divisions to rethink the plans they have developed? Also, is it now possible for plans to be changed swiftly in the middle of fiscal years?

Sasa Let me start by saying that we are already conducting periodic monitoring, and these efforts are not limited to the Imaging Business. Based on such efforts, management discusses the conditions of individual businesses while also taking a more comprehensive view. In addition, we monitor the Imaging Business on an individual basis. The business division is asked to report sales data, how it interprets this data, and what its future policies are. Further, we expect the division to inform us about the risks that are present as well as any delays in development or production. At the same time, we discuss how these matters are being interpreted by the corporate divisions conducting the monitoring and how we should proceed. Based on such considerations, we work to implement necessary measures when they are needed, and we do this on a Groupwide basis if appropriate. The Board of Directors as well has been instructed to maintain an understanding of the risks in the Imaging Business and to think of ways that these risks can be addressed by the Group. As such, the Board of Directors also plays a role in performing checks and balances and in supervision.

Nakanomyo Personally, I do not feel completely at rest with regard to the Imaging Business. The substantial reduction in sales volume targets is a significant shift, but I think it is still possible that these targets will not be met and losses will be recorded as a result. I can understand why you wish to continue the Imaging Business, and I feel that there is no need to withdraw. Still, is there any way you could further reduce risks?

Sasa Over the past year, we have evaluated all possible options. This issue was discussed in depth, and we received advice from the outside directors before finally arriving at our decision. However, as the operating environment changes, we will of course have to reevaluate the path we have chosen, and we are thus prepared to take additional steps as necessitated by the conditions we face. As you say, controlling risks, including those related to mirrorless cameras, will be an important task going forward. Moreover, if we are unable to complete the shift to mirrorless cameras, the very continuation of the Imaging Business will be threatened. Some risks can be addressed by reducing SG&A expenses while others vary in conjunction with sales. I do not think I have to list off the risks we face.

Moriyama I believe the degree to which you can communicate the changes in corporate governance systems on a global basis will be an important consideration. There is a limit to which the Company's efforts can be seen and understood from outside, and I therefore think Olympus should work to communicate these efforts more. Once a company has lost the trust of the market, it must work harder than other companies if it hopes to regain its former level of trust. One way Olympus might accomplish this is by taking steps that other Japanese companies do not. For example, the Company could disclose compensation amounts for all corporate officers, show the market everything that can be shown. In other words, if the Company goes forward where others hesitate, I think its efforts will inspire investors and others in the market to rethink their evaluation of Olympus.

Sasa This is a consideration, and it might be possible to disclose the activities of the Compensation Committee and the Nominating Committee.

Hari In your daily work as president, do you devote more time to securing profitability or to formulating growth strategies centered on the Medical Business? I expect that you plan to shift your focus to growth strategies over the medium-to-long term. Is this the case?

Sasa Just as you say, one of my main focuses is how we will restructure our operations. The Medical Business will form a central pillar of our future operations. As such, it will be important to consider the extent to which we can accelerate growth in that business while effectively controlling costs in other businesses. For this reason, I think it is critical that we develop a clear medium-to-long-term direction for the Medical Business. This will entail deciding how we will position human resources and allocate management resources. Going forward, I hope to devote my time as president to addressing these tasks.

Nakanomyo Where will the life science operations be positioned in the future? Will you pursue coordination with the Medical Business?

Sasa Such coordination is a possibility. However, we have to be aware of the lack of profitability in our life science operations, regardless of the fact Olympus commands the largest share of the market for biological microscopes. We were successful in generating profit by reorganizing production sites and implementing other structural reforms, but the profitability issues still remain. Competitors are surely facing a similar situation. Nevertheless, I believe that microscopes are absolutely necessary to the world. I recognize the importance of microscopes, and I think it is possible to improve profitability. Therefore, I am encouraging business divisions to continue these operations.

Opinions and Advice

Hari I can imagine Olympus presented a very stressful environment for employees after the scandal. Are you taking steps to address employees' mental health? Also, there is concern of a possible outflow of human resources. What is the case on this front?

Sasa We have not noticed any particular outflow of human resources. After the scandal, we came to feel the importance of employee morale. This was especially true in light of the restructuring in the Imaging Business and the pressures placed on the Medical Business. With Chairman Yasuyuki Kimoto, I held numerous meetings with employees, which we call town hall meetings. We also spoke with overseas employees. For example, town hall meetings were conducted at our U.S. operating sites in Center Valley, Pennsylvania; Boston, Massachusetts; Maple Grove, Minnesota; and San Jose, California; as well as in Vietnam, China, India, and other countries. We also held meetings with a large number of employees in Tokyo. I feel that the type of two-way communication practiced in these meetings is incredibly important. It is easy to simply transmit messages to employees. However, this type of one-sided communication does not guarantee that our feelings will be fully communicated, nor does it allow us to hear the voices of employees. While we may not be able to implement drastic reforms based on employee feedback, listening to the feelings of employees helps us take the next step in the right direction, and I think this is crucial. Going forward, I hope we can deliver more good news to employees. Up until now, the primary focus of such communication has been how we are fixing areas in need of improvement. In the future though, we will work to use communication activities as opportunities to convey positive information to our stakeholders, inside and outside of the Company, to show them how Olympus is changing. I think this type of communication will help to invigorate the Company.

Nakanomyo Looking at Apple Inc., I feel that the birth of this company's extraordinarily successful iPad was not so much the result of its technological prowess as it was a testament to Apple's ability to latch onto the dissatisfaction users had toward to the status quo for PCs. In this manner, what a company needs to realize is explosive growth is not necessarily technology. Even when it comes to endoscopes, I think users have a number of needs that are not being met. Mr. Moriyama and I have both had laparoscopic surgery, and we understand that these are minimally invasive procedures. However, the day before an endoscopic examination, I get anxious nonetheless. For colonoscopies especially, I think there is room for improvement, even with regard to the skill levels of physicians. In other words, if you have any ideas for realizing improvements in these areas, then I think you will be able to create significant value and clearly differentiate Olympus from manufacturers in China and other areas. It is my hope that Olympus will become a company that demonstrates unrivaled strength in this field.

Sasa From the perspective of existing business, I think it is important that we prepare for the potential appearance of innovations of the so-called disruptive technology nature. While we of course also aim to create such innovations ourselves, we are lacking certain resources. For this reason, I believe it is crucial that we establish a clear investment plan that contains both a medium-term perspective and a long-term perspective. Such an investment plan is not contained within the medium-term vision, but I hope to make one in the future.

Moriyama I think that globally minded investors primarily look at two types of change in companies. One is changes in performance; the other is changes in managers or management itself. Some investors will look at Olympus and its endoscope business over the long term and come to the conclusion that it is a worthy investment target no matter what incidents may have occurred. Others will focus on past management scandals and judge that the Company is not a valuable investment even today. If the governance systems for Olympus management truly have taken a change for the better, I expect that potential investors of the latter type may choose to invest in Olympus. One way in which investors are able to detect such management changes is through measures to step up IR and disclosure activities. It is often the case for companies that display improvements in such activities to also have undergone improvements in terms of management. From this perspective, I think the Company's IR activities have improved greatly over the past year, with the most significant changes being seen just recently. The Company conducts active disclosure, holds panels with its senior management, and even offers tours of endoscope factories. In light of these advancements, I believe Olympus is rapidly becoming the leading company in the precision equipment sector from the standpoint of disclosure. If the Company continues these activities, developing them globally while enhancing systems allowing for flexible contact with overseas investors, I am confident that Olympus will come to be more highly evaluated as a global company.

Sasa Strengthening information disclosure and IR activities, including those targeting overseas investors, is a must if we are to recover the trust of the market. Accordingly, we have advanced initiatives in this area over the past year, and we will continue strengthening these efforts into the future. Thank you for taking time out of your busy schedules to join us today. I hope to draw on your valuable input in management to drive the future development of Olympus.

How will OLYMPUS prepare for future growth?

In its medium-term vision, Olympus has defined the Medical Business, the Life Science & Industrial Business, and the Imaging Business as core business domains.
In particular, the Medical Business will be a driver for future earnings expansion and corporate growth. As such, we will work to further develop our operations centered on the Medical Business by leveraging the Company's strong technical prowess, which is borne out of the optical and imaging technologies refined through our involvement in the Life Science & Industrial Business and the Imaging Business. In this section, we explain the measures and strategies we have formulated for each business to reinforce the worldwide presence of the Group and expand its share of global markets.

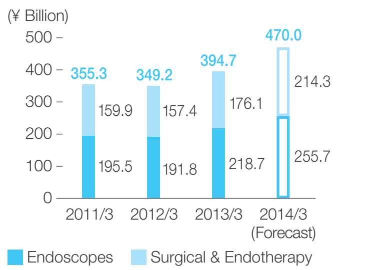
At a Glance

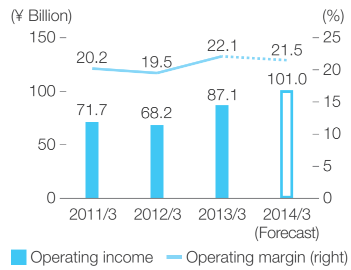
Business Segment	Business Description	Results of Operations (FY2013)
Medical Business  P. 30	Olympus commands the world's highest market share in its gastrointestinal endoscope operations and is playing an important role in realizing early diagnoses. Currently, the Company is focusing on accelerating growth in the surgical and endotherapy device field, which is central to developing minimally invasive treatments, and in rapidly expanding emerging markets.	New products introduced into Japan and overseas in the gastrointestinal endoscope and surgical and endotherapy device fields made strong contributions to earnings. As a result, net sales increased 13% year on year, operating income was up 28%, and the operating margin improved 2.0 percentage points, to 22%. With these strong results, the Medical Business supported the performance of the entire Company.
Life Science & Industrial Business  P. 38	The Company's life science operations support the advanced life science field. Olympus is a global market share leader for biological microscopes in this field. Key products provided in our industrial operations include industrial microscopes as well as industrial endoscopes and ultrasonic flaw detectors that help ensure the safety and security of social infrastructure through applications in the non-destructive testing field.	Both net sales and operating income were down year on year due to the impacts of limited capital expenditure by companies and delayed government budgets. Regardless, we introduced new products in both the life science and industrial fields, rationalized production sites, and otherwise advanced preparations for growth in fiscal 2014 and onward.
Imaging Business  P. 42	Olympus boasts the leading domestic share for mirrorless cameras, a field in which it offers the PEN and OM-D series of cameras designed with a focus on being small and light weight and having high image quality and operability. The Company also provides unique digital cameras, such as its high-end, high-power zoom compact cameras, as well as voice recorders that command a high market share.	The market for low-priced compact cameras shrunk rapidly, resulting in a 16% year-on-year decrease in net sales and the recording of an operating loss of ¥23.1 billion. Conversely, we saw a 15% increase in sales of mirrorless cameras, an area of focus for the Company, with sales growth particularly prominent in Japan.
Others	The segment is developing business in the medical and healthcare fields, such as bone replacement material, and new businesses operated by Olympus Business Creation Corp.	Non-core business domains were reorganized, entailing the sale and liquidation of unprofitable businesses. This resulted in a year-on-year decrease in net sales, but the operating loss contracted nonetheless.
Information & Communication Business	On September 28, 2012, the Company transferred its Information & Communication Business to Japan Industrial Partners, Inc. As a result, performance for fiscal 2013 only includes the six months ended September 30, 2012. Accordingly, net sales were down 50% year on year, to ¥114.2 billion, and operating income was ¥1.7 billion.	

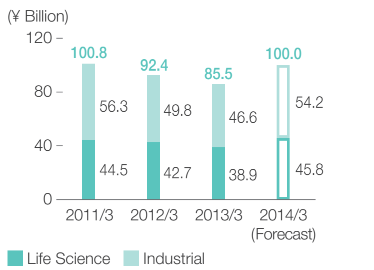
Company History

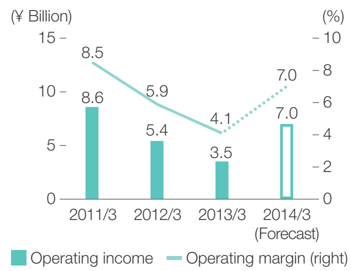
1919	1920	1936	1949	1950	1968
Established as Takachiho Seisakusho to manufacture microscopes in Japan	Asahi 600x microscope introduced	Semi-Olympus I, the first Olympus camera introduced, marking entry into camera business	Name changed to Olympus Optical Co., Ltd. The Company listed on the TSE	Development of the world's first practical gastrocamera	Entry into industrial endoscope field

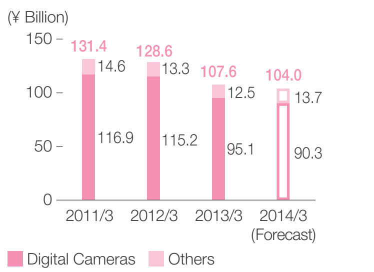
	Net Sales	Operating Income (Loss) / Margin	Share of Net Sales	Share of Net Sales by Region

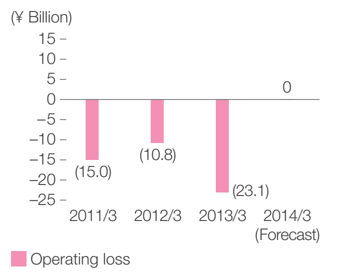


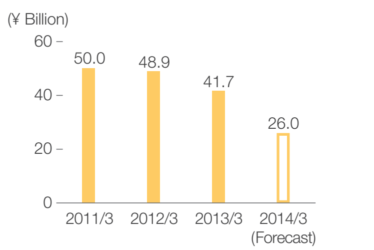


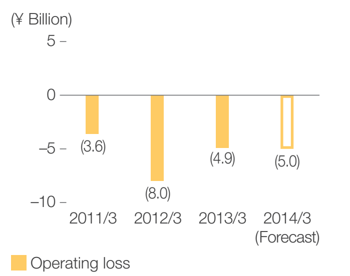


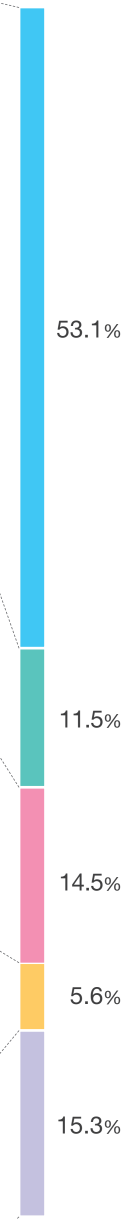


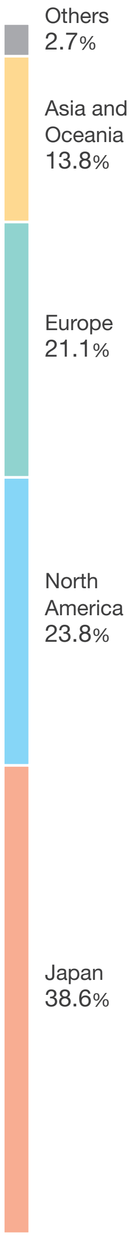


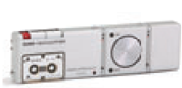












1969

The world's first micro-cassette tape recorder developed

1975

Entry into medical surgical endoscopy field

1996

Entry into digital camera business

2008

Acquisition of Gyrus Group PLC to strengthen surgical area of Medical Business

2009

Olympus launches its first mirrorless inter-changeable lens camera, OLYMPUS PEN E-P1

Review of Business Segments

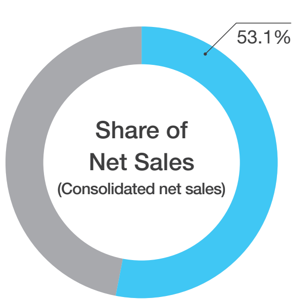
MEDICAL BUSINESS

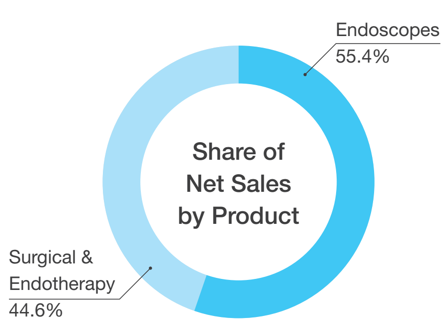
(Millions of yen)

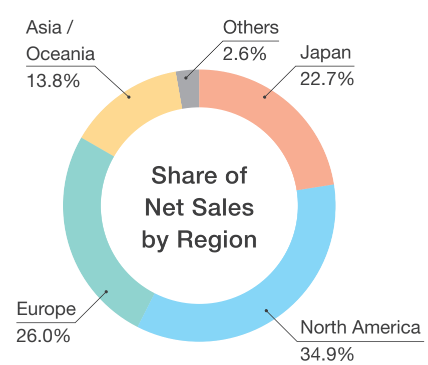
Years ended March 31		2011	2012	2013
Operating Results	Net Sales	355,322	349,246	394,724
	Operating Expenses	283,640	281,058	307,655
	Operating Income	71,682	68,188	87,069
	Operating Margin (%)	20.2	19.5	22.1
Sales by Product	Endoscopes	195,459	191,798	218,674
	Domestic	43,848	43,803	47,335
	Overseas	151,611	147,995	171,339
	Surgical & Endotherapy	159,863	157,448	176,050
	Domestic	35,582	36,615	42,177
	Overseas	124,281	120,833	133,873
Segment Data	R&D Expenditures (¥ Billion)	28.5	26.9	31.3
	Capital Expenditures (¥ Billion)	15.5	15.6	17.1
	Number of Employees*	15,646	16,225	16,552

* Including average number of temporary employees

Composition (Fiscal year ended March 31, 2013)







Olympus developed the world's first practical gastrocamera in 1950, contributing significantly 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 to develop a wide variety of detection and treatment methods using endoscopes and endoscopic devices.

Today, the trend toward minimally invasive treatment is revolutionizing medical care. Surgery that previously required opening the abdominal cavity can now be performed through the use of an endoscope, which enters the body through a natural orifice or small incision in the skin, resulting in nearly undetectable scars. These breakthroughs in minimally invasive procedures have helped reduce the physical burden on patients and have contributed to overall improvements in the quality of life.

Main Areas and Products

Gastrointestinal Endoscopes

Endoscopy systems:
Videoscopes, video processors, light sources, liquid crystal display (LCD) panels, etc.
Peripheral equipment:
Image recording device, endoscope cleaning systems, sterilization systems, etc.


Universal upper digestive video-scope (Gastrointes-tinal videoscope)


EVIS LUCERA ELITE (Video endoscopy system)

Surgical Devices

Medical equipment for surgical therapy and surgery:
Surgical video endoscopy systems (surgical endoscopes, video processors, light sources, LCD panels, etc.), peripheral devices for endoscopic surgery, electrosurgical knives, etc.


Laparoscope (Surgical endoscope)

THUNDERBEAT (integrated with both Advanced Bipolar and Ultrasonic Energy)

Endotherapy Devices

Endoscopic devices for all disciplines of endoscopy:
Approximately 1,000 different devices for various diagnostic and treatment procedures, including biopsy forceps, high-frequency polypectomy snares, grasping forceps, stone retrieval and lithotriptor baskets, hemostasis accessories, etc.


ITknife nano™ disposable, high-frequency knife (Endotherapy device)


Grasping forceps (Endotherapy device)

MEDICAL BUSINESS

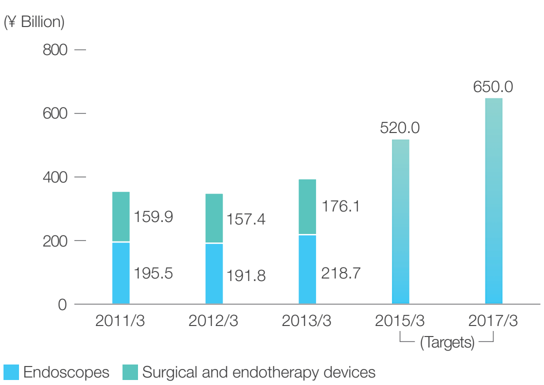
Akihiro Taguchi
President,
Medical Group

Message from the Group President

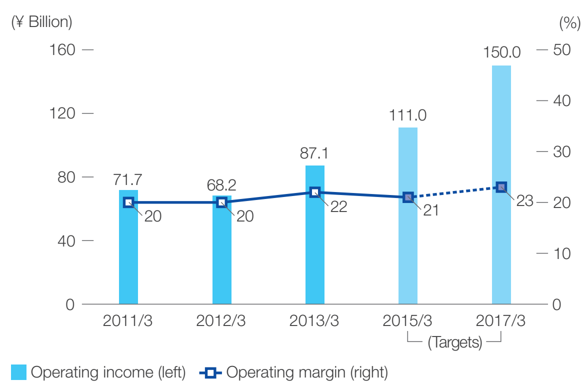
We will expand our business by focusing on advancements in early diagnosis and minimally invasive treatment technologies.

In the gastrointestinal endoscope field, we will strengthen our market position by leveraging new products introduced in Japan and overseas. At the same time, in the surgical device field, we will expand our share of the imaging and energy markets while continuing to build upon our established strengths in the urology and otorhinolaryngology markets. Through these efforts, we expect to realize significant growth. In addition, we will expand our business by focusing on advancements in early diagnosis and minimally invasive treatment technologies that address the increasing demand for reducing healthcare costs while improving patient care.

Net Sales



Operating Income / Operating Margin



Fiscal 2013 Business Results and Activities

In the gastrointestinal endoscope field, the EVIS EXERA III gastrointestinal video endoscopy system introduced in Europe and the United States, as well as EVIS LUCERA ELITE introduced in Japan, made strong contributions to sales. In the surgical device field, the VISERA ELITE integrated video endoscopy system, which supports endoscopic surgery, continued to record strong sales in Europe, the United States, and Japan. Consolidated net sales rose 13% year on year and operating income increased 28%. Today, the Medical Business is achieving steady sales growth.

New Products

The development of strategic products is progressing smoothly, and, leading up to the end of 2012, Olympus continued to introduce new products in the endoscope and surgical devices businesses. In the gastrointestinal endoscope field, the EVIS EXERA III next-generation gastrointestinal video endoscopy system was launched in Europe and the United States in April 2012, and EVIS LUCERA ELITE was released in Japan in November 2012.

In the surgical device field, we launched two new devices in Europe and the United States. In February 2012, we began sales of THUNDERBEAT, the world's first surgical energy device capable of delivering advanced bipolar and ultrasonic energy simultaneously. Afterwards in April 2012, we released VISERA ELITE*, a video endoscopy system designed for use in surgical applications. Going forward, Olympus will work to further expand its medical business by introducing new products that will serve as future growth drivers.

* Introduced into the Japanese market in October 2011

Business Environment and Projections

In both developed countries, where populations are rapidly aging, and emerging countries, which are experiencing rapid economic growth, the improvement of patient quality of life and control of both healthcare and social security costs have become urgent priorities. Olympus possesses technologies for the development and manufacture of products that meet needs spanning from those for early diagnoses to those for minimally invasive treatments. These technologies place the Company in a position of strategic significance as it is able to contribute to the economic soundness and clinical efficacy of medical products. Leveraging these strengths, Olympus will seek further business expansion by providing technologies, products, services, and solutions of the world's highest caliber.

Challenges and Business Strategies

Accelerate the Medium-Term Vision and Expand Business Fields for Future Growth

EVIS LUCERA ELITE

Strengthen business base in the gastrointestinal endoscope field (achieve average annual growth of 9%)

Olympus will leverage the EVIS EXERA III and EVIS LUCERA ELITE endoscopy systems, both of which were launched in Japan and overseas in 2012, to further expand the scale of this business. At the same time, we will accelerate initiatives intended to promote the standardization of early diagnosis procedures utilizing our proprietary Narrow Band Imaging (NBI) technology. Furthermore, the Company will seek out additional business opportunities in respiratory medicine as well as other medical and surgical disciplines.

Realize rapid growth in the surgical device field (achieve average annual growth of 14%)

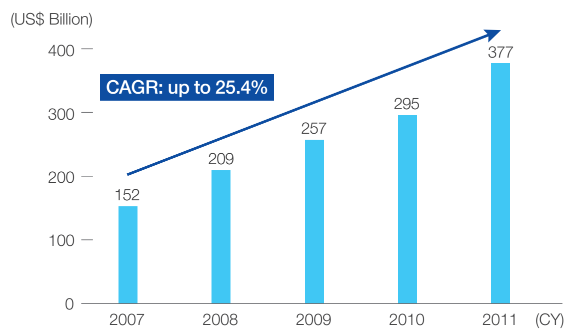
Olympus will target higher shares in the imaging and energy markets by enhancing its product lineups, including those differentiated for minimally invasive treatments. The Company will also pursue business expansion in the urology and otorhinolaryngology markets by fully leveraging the treatment technologies and sales capabilities of Gyrus ACMI, Inc.

On April 16, 2013, a joint venture medical company was established by Olympus and Sony Corporation. The resulting company, Sony Olympus Medical Solutions Inc., is developing new products centered on medical devices with 3D and 4K imaging capabilities. These devices are expected to widen the range of possibilities for endoscopic surgery and help accelerate growth in our surgical device portfolio.

Expand sales in emerging markets (achieve average annual growth of 23%)

Emerging countries are experiencing population aging in a similar fashion to developed countries, and healthcare costs are shooting upward. For this reason, it is incredibly important to train local physicians in the use of endoscopes. To meet this need, Olympus is systematically constructing and utilizing training centers with the aim of creating an even more expansive network of training facilities in Asia. In addition, we are expanding operations by reinforcing our lineup of products matched to the specific needs of each market.

Healthcare Expenditure in China



Source: Business Monitor International

TOPICS

Launch of 3D Laparoscopy System and Videoscope Bringing New Potential to the World of Surgery: ENDOEYE FLEX 3D

Laparoscopic surgery generally places less strain on the patient and requires shorter recovery periods when compared to open procedures. Several clinical trials in this field are being advanced to further validate these benefits. However, this type of surgery is often difficult to perform as the 2D screens of laparoscopy systems generally have problems portraying depth. To address this challenge, Olympus developed a 3D laparoscopy surgical system that provides a better sense of depth than the conventional 2D monitors. This system is expected to help surgeons perform laparoscopic surgical procedures in a quicker and more precise manner.

Business Focus: Medical Business

Earnings and Growth Drivers

Our Largest Business—From Early Diagnosis to Minimally Invasive Treatments

Olympus developed the world's first practical gastrocamera in 1950. Since then, the Company has remained dedicated to developing a diverse range of medical and surgical endoscopic devices and related services that enable physicians to conduct diagnostic and therapeutic endoscopic procedures. As the need for early diagnosis and minimally invasive treatments grows, we will further expand our portfolio of surgical solutions, such as next-generation surgical endoscopes and energy devices. Through this focus, we will continue to grow the Medical Business as our core business accounting for approximately 70%* of the Company's consolidated net sales. We have high expectations for the future growth potential of all three areas of our Medical Business: endoscopic solutions and services, surgical endoscopic solutions and services, and endotherapy devices.

* Performance in the Three Months Ended June 30, 2013, and Full-Year Forecasts for Fiscal 2014

Strengths of the Medical Business

Product Development Based upon Trust Relationships Established with Physicians over Many Years

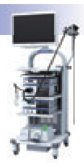
From the time when Olympus developed the world's first practical gastrocamera in 1950 up until today, the Company has continued to refine its endoscope technologies in close collaboration with physicians. For example, endoscopes require precise design and functionality, and we have worked with physicians over the course of many years to enhance and improve the specifications of our products to achieve this important threshold of operability. This committed effort is one reason Olympus is the world's leader in endoscopes.

1950
Gastrocamera


1964
Fiberscope


1985
Videoscope system


2002
High-definition endoscopy system


2012
EVIS EXERA III


Solid Global Operations

Aiming to provide the world with technologies, products, services, and solutions of the highest caliber, Olympus is developing networks in the Medical Business that reach across the globe.

- Industry's top service and repair network consisting of more than 200 locations
- Widespread sales network encompassing both developed and emerging countries
- Global manufacturing network utilizing regional resources and locations
- Network of training centers to cultivate endoscopic physicians

Focus on Early Diagnosis and Minimally Invasive Treatment

Olympus is pursing technological advances in the fields of early diagnosis, particularly in terms of gastrointestinal endoscopes, and minimally invasive treatment, with emphasis placed on surgical devices. Through these efforts, we hope to contribute to improvements in the quality of life of patients while also helping to address the worldwide trend of rising healthcare costs.

Our portfolio of products designed to improve clinical outcomes in these two areas has been tailored to meet the needs of physicians and patients. P.35

Sophisticated Technologies and Craftsmanship for Meeting Physician Needs

Devoting more than half a century to the development of medical equipment, Olympus has honed a unique ability to innovate while developing sophisticated manufacturing technologies. This strength and other qualities have enabled us to continue meeting the increasingly high demands of physicians around the world for solutions that allow them to provide better quality care.

Our one-of-a-kind manufacturing technologies allow us to employ high-mix, low-volume production systems. In order to reinforce these technologies and guarantee the stable distribution and availability of our products, we will invest in the enhancement of our current manufacturing sites in Japan. P.36

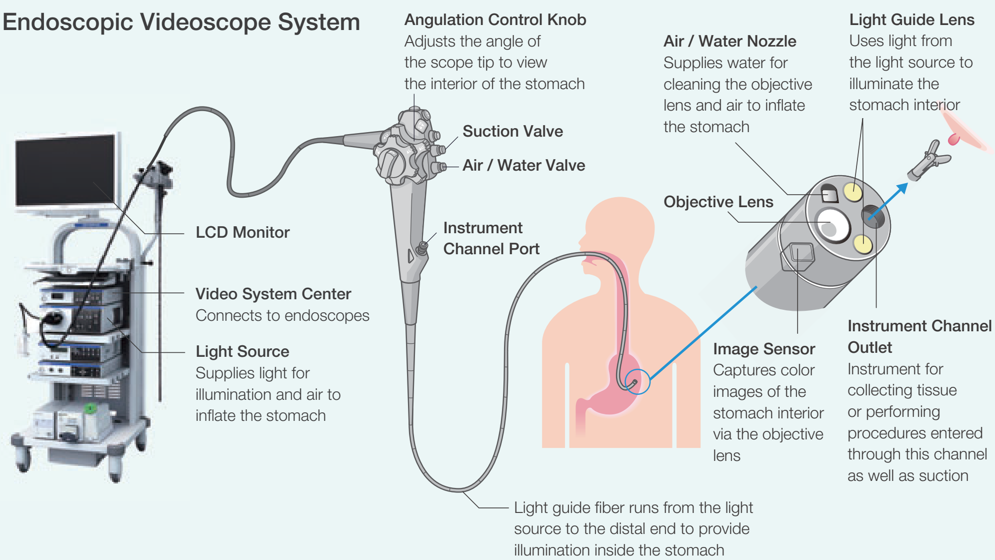
MEDICAL BUSINESS

Product Portfolio Supporting Early Diagnosis and Minimally Invasive Treatments

Gastrointestinal Endoscopes

Early Diagnosis

Endoscopic Videoscope System



Used in Organs

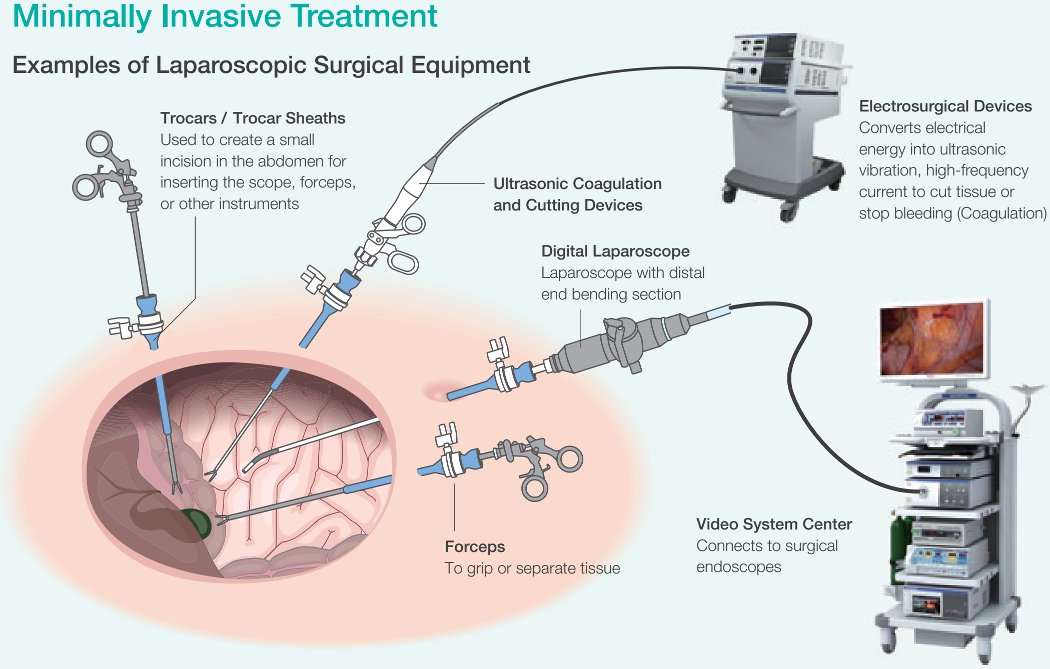
- Esophagus
- Stomach
- Colon
- Duodenum
- Bile duct
- Respiratory organs (lungs)

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

Surgical Devices

Minimally Invasive Treatment

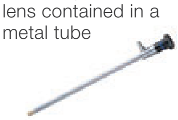
Examples of Laparoscopic Surgical Equipment



Hospital Department

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

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



Business Focus: Medical Business

Earnings and Growth Drivers

Decision to Invest about ¥20 Billion in Domestic Manufacturing Sites to Reinforce One-of-a-Kind Manufacturing Technologies and Ensure Product Availability

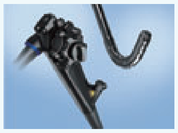
Olympus boasts a share of the global gastrointestinal endoscope market of more than 70%, representing an undisputed competitive advantage. This achievement is supported by a diverse range of strengths, including the trust of physicians earned throughout our years of operation and partnership, a solid business infrastructure across the world, unique and sophisticated technical capabilities, and one-of-a-kind manufacturing technologies, each developed with a focus on meeting the demands of physicians. To better leverage one of these strengths, we have decided to reinforce our superior manufacturing technologies by investing approximately ¥20 billion in our domestic manufacturing sites. We believe this will sharpen our competitive edge and solidify the production systems we use to provide the world with a stable supply of medical equipment.

Overview of Manufacturing Site Reinforcement Plans

Role of Principal Domestic Manufacturing Sites

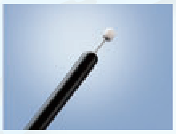
The Company's principal domestic manufacturing sites produce such medical devices as endoscopes, which require high-mix, low-volume production systems and the application of specialized technologies and expertise. We produce these items in Japan so that we may fully leverage the advanced manufacturing technologies housed within our domestic locations. By combining the various technological specialties of each manufacturing facility, we are able to create endoscopy systems that continue to win the trust and support of physicians throughout the world.

Aizu Olympus Co., Ltd.
Development and manufacture of endoscopes



Advanced precision processing technologies

Aomori Olympus Co., Ltd.
Development and manufacture of endotherapic devices



Disposable product and high-mix manufacturing technologies

Shirakawa Olympus Co., Ltd.
Development and manufacture of power supplies, light sources, and imaging processing equipment

Image development technologies

Investment Benefits and Schedule

- **30% increase in production capacity:**
  Increase production by constructing new buildings to expand floor space
- **50% improvement in production efficiency:**
  Improve production efficiency by instituting production reforms, optimizing layout for medical equipment production, and revising workflow processes
- **Implementation of business continuity measures:**
  Utilize experience with the Great East Japan Earthquake to develop production systems that ensure a stable supply of medical equipment even under extreme circumstances

Aizu	Investment: ¥9.4 billion	Start of expansion: August 2014 → Commencement of enhanced operations: May 2016
Shirakawa	Investment: ¥8.6 billion	
Aomori	Investment: ¥1.7 billion	
Approx. ¥20 billion		

CLOSE UP

Domestic Manufacturing Site Reinforcing Our Competitiveness (Aizu, Fukushima Prefecture)

Characteristics of Endoscopy System Manufacturing Techniques That Realize High-Mix, Low-Volume Production

The number of different variations of endoscopes we offer grows each year, and we currently offer more than 300 different models of endoscopes. Creating endoscopes requires sophisticated manufacturing technologies as well as high-mix, low-volume production systems. On top of fulfilling these requirements, we have maintained a stance toward production that compels us to develop components and equipment ourselves should the market be unable to supply us with items that meet our expectations for craftsmanship. As the components of endoscopes have incredibly intricate structures, it is impossible to find ready-made blades for their production. Therefore, each time we need to develop new endoscope components, we start by creating custom blades and other tools capable of meeting our design specifications. The unique products Olympus offers are the result of an ongoing, comprehensive process of in-house craftsmanship, which entails resolving issues on our own. This thorough process has enabled us to earn the trust from the world that we hold today.

Detailed eye for customer needs

▼

High-Mix, Low-Volume Production

▼

In-house development of materials, capabilities, and crafted components not otherwise available

▼

High-precision crafting technologies that create components accurate to the micron

▼

Japanese assembly technologies that make fine adjustments based on combinations of various technologies and expertise

High-precision endoscope tips

Highly precise scope assembly process

From Japan to the World

Olympus produces its endoscopes entirely in Japan so that it can employ a level of craftsmanship only found in its domestic facilities. At domestic endoscope factories, we have established a comprehensive manufacturing system that encompasses tasks ranging from collaborating with research and development teams to providing after-sales support services. This approach enables us to quickly integrate feedback from the medical field into our production. We also have a stance that inspires us to make our own components if we cannot obtain what we need from outside suppliers; this commitment enables us to better respond to the needs of medical practitioners worldwide. Endoscopes are expected to be of high quality and deliver advanced functionality for healthcare professionals and their patients anywhere in the world. Medical practitioners are constantly in search of advanced endoscopes with enhanced functionality, versatility, imaging, and design. Going forward, we will continue to bolster our production capabilities and pursue ongoing technological innovation in pace with the ever changing medical industry as we strive to achieve higher profitability and further growth. In this manner, we are dedicated to supplying quality products from Japan to the world.

Nobuyuki Koga
Aizu Olympus Co., Ltd.
President

Aizu Olympus

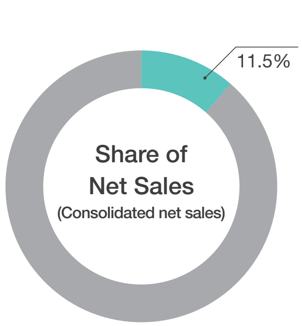
LIFE SCIENCE & INDUSTRIAL BUSINESS

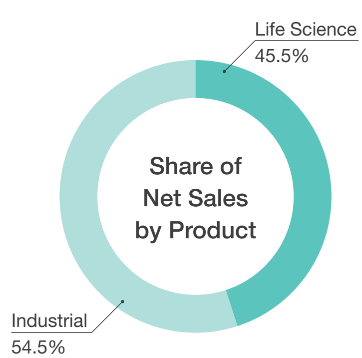
(Millions of yen)

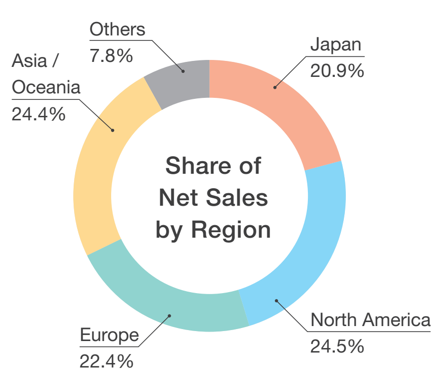
Years ended March 31		2011	2012	2013
Operating Results	Net Sales	100,808	92,432	85,513
	Operating Expenses	92,255	86,993	81,986
	Operating Income	8,553	5,439	3,527
	Operating Margin (%)	8.5	5.9	4.1
Sales by Product	Life Science	44,464	42,650	38,910
	Domestic	10,550	10,560	10,315
	Overseas	33,914	32,090	28,595
	Industrial	56,344	49,782	46,603
	Domestic	20,564	8,394	7,526
	Overseas	35,780	41,388	39,077
Segment Data	R&D Expenditures (¥ Billion)	10.4	8.7	8.2
	Capital Expenditures (¥ Billion)	3.9	4.3	3.4
	Number of Employees*	5,099	5,150	4,575

* Including average number of temporary employees

Composition (Fiscal year ended March 31, 2013)







In the life science field, tremendous strides are being made toward the realization of next-generation healthcare by clarifying the unrevealed mechanisms of brain, pathogeny and metastasis of cancer, and drug action and immune response. Olympus supports such research with bio-imaging technologies for the visualization of the movement and activity of molecules within organisms.

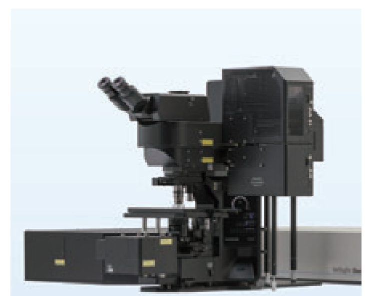
In the industrial field, in the area of non-destructive testing, Olympus supports public infrastructure safety and security and contributes to R&D and quality improvement in production by offering industrial endoscopes, ultrasonic flaw detectors, eddy current flaw detectors, and X-ray diffraction analyzers.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

Main Areas and 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

IX83 research inverted microscope



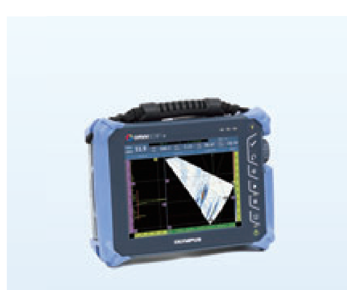
FLUOVIEW FVMPE-RS multi photon laser scanning microscope

Industrial

Metallurgical microscopes, semi-conductor 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

Opto-Digital Microscope DSX100 (high-performance model)

IPLEX TX industrial videoscope



OmniScan SX PA ultrasonic phased array flaw detector

45MG ultrasonic thickness gage

LIFE SCIENCE & INDUSTRIAL BUSINESS

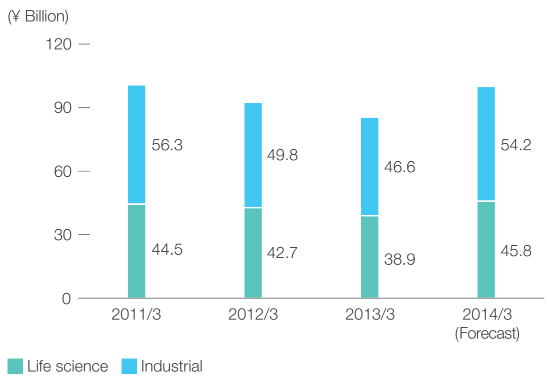
Shinichi Nishigaki
President,
Life Science &
Industrial Group

Message from the Group President

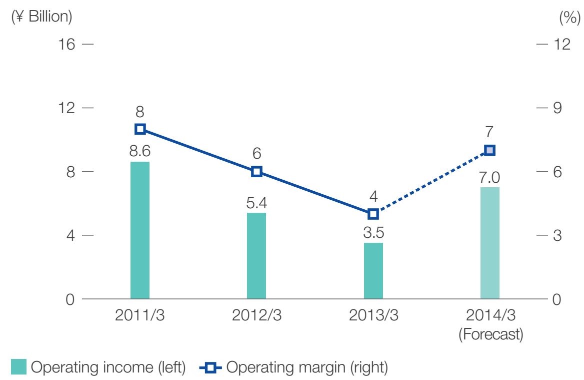
We will contribute to society by leveraging the strengths of our technology development capabilities and high market share to respond to a diverse range of needs.

In the life science field, the Company is advancing structural production reforms in pursuit of higher profitability. At the same time, new business areas are being proactively explored in the industrial field. Looking ahead, we will strengthen sales of new products in conjunction with the recovery of business conditions as we target a higher market share.

Net Sales



Operating Income / Operating Margin



Fiscal 2013 Business Results and Activities

In the life science field, we introduced the new FV1200 and FV1200MPE into our lineup of FLUOVIEW laser scanning microscopes, which are used to conduct advanced life science research. The industrial field, meanwhile, saw the launch of the IPLEX TX, the world's thinnest industrial articulating videoscope with a tip diameter of 2.4mm. Also in the industrial field, sales were strong of the 45MG ultrasonic thickness gage. Regardless of these efforts, overall net sales were down in the Life Science & Industrial Business due to the impacts of limited capital expenditure and budget delays among public research institutions stemming from the global economic recession.

In fiscal 2013, we took steps to improve operational efficiency and rationalize production sites through such means as closing a plant in the Philippines and consolidating sites in Nagano Prefecture, in Japan. However, these efforts were unable to absorb the impacts of the lower net sales, and operating income decreased in the Life Science & Industrial Business accordingly.

Business Environment and Projections

Starting in the fourth quarter of fiscal 2013, we began seeing improvement in the business environment on the back of a recovery trend in capital expenditure. This recovery was stimulated by an upward turn in global economic conditions and the depreciation of the yen, a result of the economic stimulus measures instituted by the new government administration in Japan. In response to the improved business environment, we will work to address recovering demand through the introduction of new products in hopes of expanding our market share.

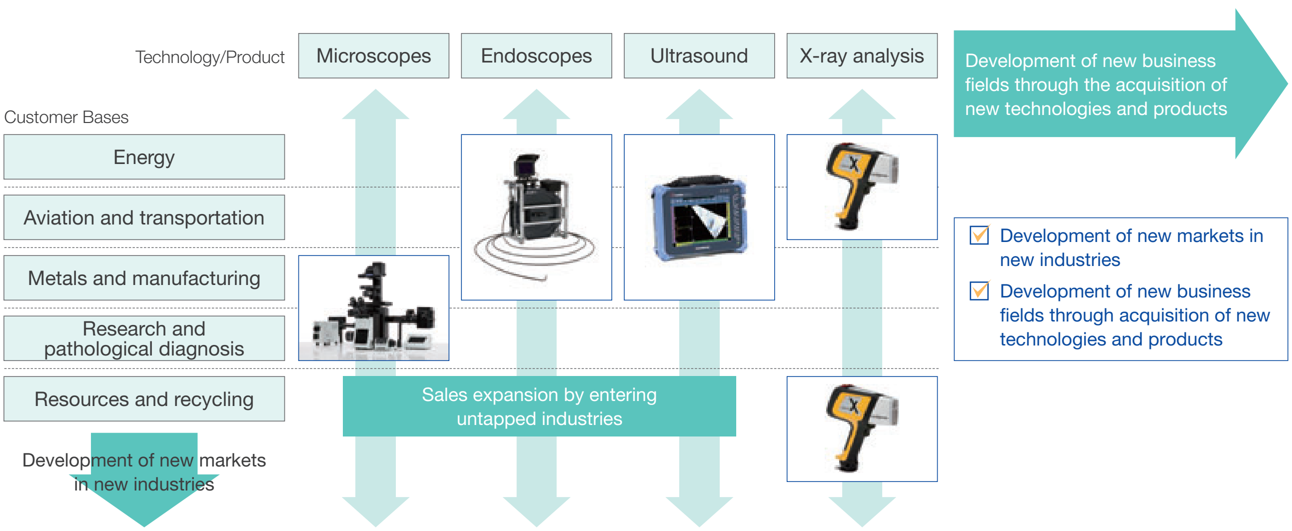
The biological research market is projected to expand following the acceleration of research targeting the practical application of induced pluripotent stem cells (iPS cells) and the influences of the BRAIN Initiative in the United States.

Challenges and Business Strategies

Initiatives will be accelerated in the life science field with the aim of maximizing the benefits of the production structure reforms advanced in fiscal 2013, and we will establish a revenue base that is responsive to changes in the business environment. At the same time, we will promote sales of high-margin, high-value-added products to enhance profitability. In the industrial field, the competitive position Olympus has established in current areas of operation will be leveraged to drive expansion into new fields. By introducing new products into new fields, we will increase the scale of our earnings.

Proactive Expansion of the Product Portfolio

We will effectively expand business fields based on the needs of customers and technologies/products by leveraging the Olympus Group's global infrastructure.



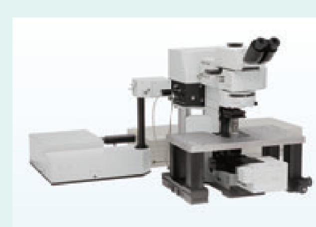
TOPICS

Launch of Laser Scanning Microscopes Allowing for High-Resolution, 3D Cell Observation

A common research technique in the life sciences is the use of live cells to elucidate the role and function of proteins or nerves and to search for these applications in the drug discovery or other new fields. Laser scanning microscopes are frequently used to conduct research in this field for their capabilities to produce 3D images of detailed cell structures. This is because they can obtain depth-direction information difficult to acquire using a conventional microscope. Our FLUOVIEW series of laser scanning microscopes employ the Company's optical technologies to provide 3D images with high contrast.

In fiscal 2013, Olympus introduced two new additions to its FLUOVIEW series: the FLUOVIEW FV1200 biological laser confocal scanning microscope and the FLUOVIEW FV1200MPE multi photon laser scanning microscope. These microscopes feature superior rigidity and ease of use, higher sensitivity, and lower noise when compared with other models, and they have also been adapted to meet researchers' needs stemming from greater diversity of research subjects and longer observation periods. These new microscopes represent Olympus technology that is supporting iPS cell and other advanced life science research.

FLUOVIEW FV1200 biological laser confocal scanning microscope



FLUOVIEW FV1200MPE multi photon laser scanning microscope

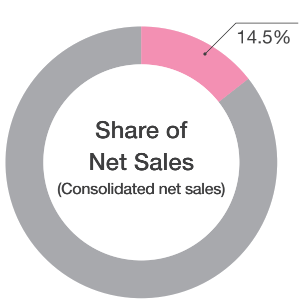
IMAGING BUSINESS

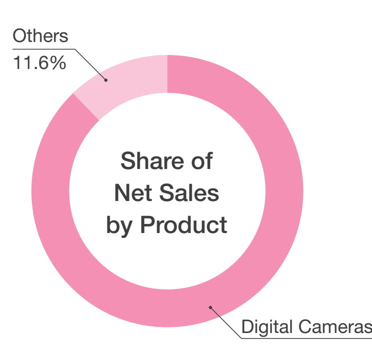
(Millions of yen)

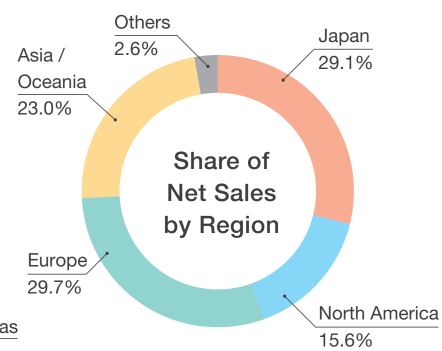
Years ended March 31		2011	2012	2013
Operating Results	Net Sales	131,417	128,561	107,638
	Operating Expenses	146,436	139,321	130,711
	Operating Loss	(15,019)	(10,760)	(23,073)
	Operating Margin (%)	—	—	—
Sales by Product	Digital Cameras	116,864	115,237	95,101
	Domestic	22,330	27,333	27,234
	Overseas	94,534	87,904	67,867
	Others	14,553	13,324	12,537
	Domestic	3,757	4,018	4,126
	Overseas	10,796	9,306	8,411
Segment Data	R&D Expenditures (¥ Billion)	11.7	9.6	10.2
	Capital Expenditures (¥ Billion)	4.8	5.2	3.1
	Number of Employees*	13,246	11,644	8,180

* Including average number of temporary employees

Composition (Fiscal year ended March 31, 2013)







Olympus provides products that overturn the conventional wisdom of mirrorless cameras and open up new possibilities in photography, such as the OM-D mirrorless camera incorporating new mirrorless and electronic viewfinder technologies and the compact, lightweight PEN series of mirrorless 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.

Main Areas and Products

Digital Cameras

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

Others

IC recorders, binoculars

OLYMPUS PEN E-P5 mirrorless camera

M.ZUIKO high-grade portrait lens DIGITAL ED 75mm F1.8

LS-14 linear PCM recorder

OLYMPUS STYLUS TG-2 Tough compact digital camera

OLYMPUS STYLUS XZ-2 compact digital camera

Restructuring of the Imaging Business

Minimize risks in compact camera operations

Significantly reduce business scale and limit risk

- Substantially reduce number of compact camera models (cease production of low-priced models)
- Reduce target for compact camera sales volumes to half of FY2013's target (FY2014 forecast: 2.7 million units)

Focus resources on high-margin mirrorless cameras

Focus allocation of management resources on mirrorless cameras

- Focus management resources on major cities where mirrorless camera demand is expected to grow
- Accelerate investment in sales channels highly suited to mirrorless cameras

Improve responsiveness to market changes

Respond swiftly and objectively based on monitoring findings

- Monitor plan progression in timely manner
- Make Companywide decisions based on objective viewpoints

Construct cost structure appropriate for business scale

P. 45

IMAGING BUSINESS

Haruo Ogawa
President,
Imaging Group

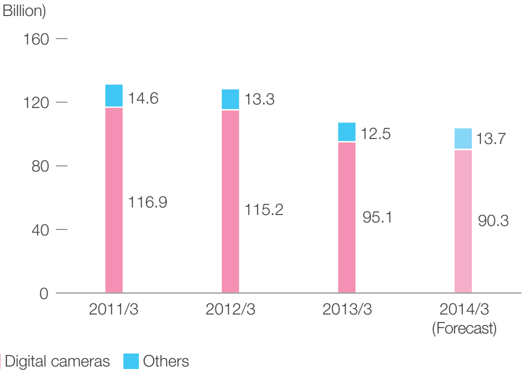
Message from the Group President

We will pursue solid growth while minimizing risks in consideration of market changes.

In accordance with the policy of risk minimization, we will significantly shrink our lineup of low-priced compact cameras and expand operations in the growing mirrorless camera market. Our first target will be to breakeven on an operating income basis by controlling costs so that they remain at a level that is appropriate to our business scale.

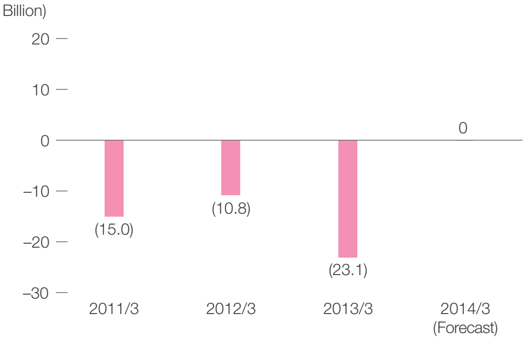
Net Sales

(¥ Billion)



Operating Loss

(¥ Billion)



Fiscal 2013 Business Results and Activities

In the field of digital single-lens reflex (SLR) cameras, the OLYMPUS OM-D E-M5, a highly functional, mirrorless camera equipped with an electronic viewfinder and the world's first 5-axis image stabilization system, recorded higher sales both in Japan and overseas. In compact cameras, sales were strong for new high-value-added camera models, such as the TG-1 and TG-2 high-resolution compact cameras that feature Olympus-levels of toughness and bright F2.0 lenses. However, the spread of smartphones led to the rapid shrinking of the market for low-priced compact cameras. As a result, both sales volumes and selling prices were down for these cameras, and overall net sales for the Imaging Business decreased accordingly.

Throughout fiscal 2013, product mix revisions, manufacturing function revisions, and SG&A expense reduction measures were implemented. Unfortunately, the benefits of these efforts were outweighed by the drop in net sales, and the operating loss grew as a result.

Business Environment and Projections

The compact camera market is rapidly contracting due to the spread of smartphones, and this market is expected to shrink by about 20% in fiscal 2014. Conversely, the mirrorless camera market, an area the Company will emphasize going forward, is expected to grow by an average of 20% per year for the foreseeable future.

Challenges and Business Strategies

There were two fundamental factors that resulted in the decline in profitability in the Imaging Business. One was the unexpected degree of contraction in the compact camera market. The other was our delayed response to this shrinking market. In order to address both of these issues, we have restructured the Imaging Business and defined risk minimization as the core policy for future business development. Previously, we managed this business with the aim of expanding the scale of sales. However, we have since changed our focus to prioritize preventing losses.

Based on this directive, we have defined the following three basic policies.

1 Minimize risks in compact camera operations

2 Focus resources on high-margin mirrorless cameras

3 Improve responsiveness to market changes

1 Minimize risks in compact camera operations

The main culprit in the decline in profitability was compact cameras. For this reason, we have significantly reduced sales volume targets to minimize risks. In particular, we will cease the future development of models in the V Series of low-priced models, and we are focusing on reducing inventories. With regard to high-priced compact cameras, we will only develop and sell models that realize significant technological synergies with mirrorless cameras. In conjunction with these measures, we have halved our fiscal 2014 sales volume targets for compact cameras, which represent an exceptionally conservative stance in comparison to the market projections released by the Camera & Imaging Products Association (CIPA), or, in other words, the collective opinion of the industry.

2 Focus resources on high-margin mirrorless cameras

Olympus is highly competitive in the Japanese market for mirrorless cameras, holding the top share of approximately 30% in the domestic market. As we reduce the scale of our compact camera operations, a portion of the management resources freed as a result will be allocated to the growing mirrorless camera market as we strive to effectively utilize our resources. In terms of sales regions as well, we will direct marketing primarily toward major cities, where mirrorless camera demand is expected to grow. Likewise, emphasis will be placed on sales channels that are highly suited to mirrorless cameras, such as specialty stores and the Internet. By strategically allocating resources in this manner, we are committed to realizing solid growth that parallels that of the market.

3 Improve responsiveness to market changes

In the future, the efforts of both management and business divisions will be incorporated to conduct real-time monitoring of business plan progress and, thereby, expedite decision making. The market has the potential to change at any moment. In recognition of this, we will install systems that enable us to quickly minimize inventory risks and implement appropriate cost control measures in response to market changes.

In addition to these policies, Olympus is working to drastically reform the cost structure of the Imaging Business.

Manufacturing systems were also significantly reorganized, with the five sites previously used in this business consolidated into two. We believe this will contribute to improvements in production efficiency during fiscal 2014. In addition, we will greatly decrease the number of compact camera models developed, which will lead to a decline in R&D expenditures and sales-related costs and allow us to reduce the number of employees in development, manufacturing, and sales divisions. Overseas sales bases will also be reorganized to reduce costs and facilitate sales of mirrorless cameras, with bases being consolidated and sales channels selectively limited to those deemed highly efficient. Through these efforts, we are targeting a total reduction of approximately ¥23 billion in manufacturing costs and SG&A expenses. This should enable us to breakeven on an operating income basis in fiscal 2014 and put us in a position to further emphasize mirrorless cameras in fiscal 2015 and onward, thereby developing a business structure that can secure profits in the range of several billion yen.

Reduction Targets for Manufacturing Costs and SG&A Expenses

Initiative	FY2014 (YoY)
Improve manufacturing cost ratio by shifting to mirrorless cameras (adjusting product mix)	+ ¥4 billion
Reduce costs by reorganizing manufacturing systems	+ ¥3 billion
Reduce costs by decreasing inventory expenses	+ ¥4 billion
Lower R&D expenditures by reducing number of models, etc.	+ ¥3 billion
Reduce expenses by consolidating sales bases and channels	+ ¥2 billion
Implement other reduction measures (IT/distribution expenses, system revisions, etc.)	+ ¥7 billion
Total reductions	Approx. + ¥23 billion

Intellectual Property Report

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 increased from the previous fiscal year in Optical Technology, Electronic and Imaging Technology, Precision Technology, and Biomechanical and Biological Fundamental Technology. The Company carefully selects which inventions should be filed for patents and willingly seeks patents for valuable inventions.

(2) Overseas

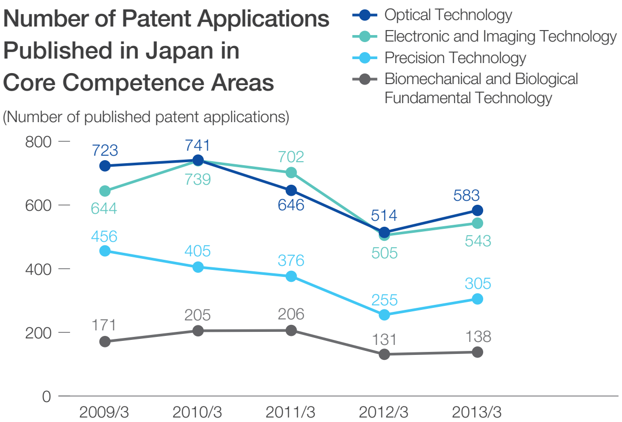
The number of patent applications published overseas showed an overall increase from the previous fiscal year as a result of increases in Optical Technology and Electronic and Imaging Technology, remaining largely unchanged from average years in Biomechanical and Biological Fundamental Technology, and a decrease in Precision Technology. This is because the Company has continuously taken measures to increase overseas applications for the purpose of globalization, including enhanced expansion of business into emerging countries. Particularly in China, the number of published patent applications grew in Optical Technology and Electronic and Imaging Technology.

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

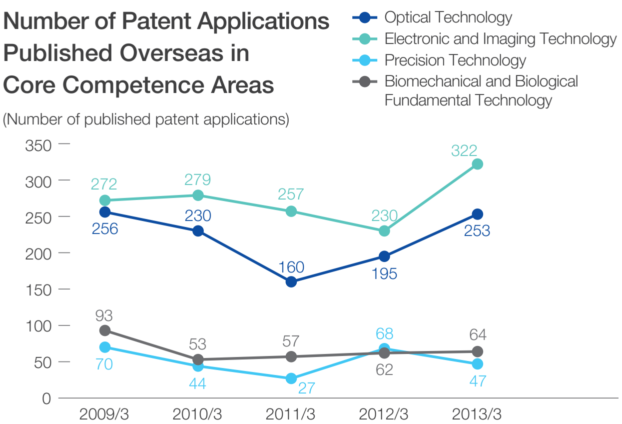
The core competence areas account for 59% of the total patents held, which is unchanged from the previous fiscal year.

The percentage of each core competence area to the total did not significantly change and Optical Technology and Electronic and Imaging Technology accounted for 46% of the total.

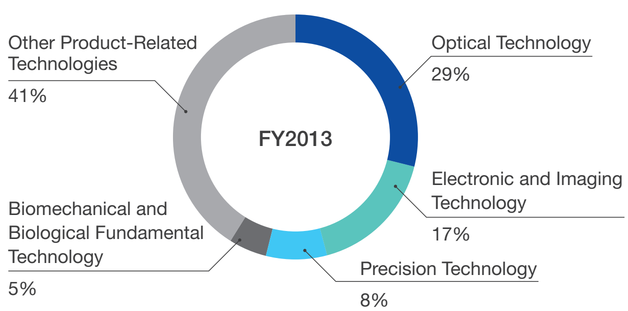
Number of Patent Applications Published in Japan in Core Competence Areas



Number of Patent Applications Published Overseas in Core Competence Areas



Core Competence Area Ratios as Part of All Patents Held

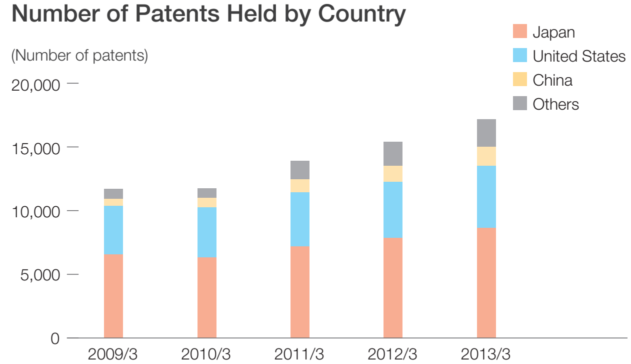


Number of Patents Held by Country

Change in the number of patents held by country over the past five years is shown in the graph. As with the previous year, the Company promoted the activity to acquire rights under the policy to increase the number of patents to be acquired overseas.

The number of patents held in Japan in the fiscal year ended March 31, 2013, increased by 9%. The number of patents held overseas increased by 13%, and the ratio of overseas patents to all patents held increased to 50%, 1 percentage point higher than the previous fiscal year.

Number of Patents Held by Country



The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities. This core philosophy, which we call "Social IN," underpins all of our business activities. Striving to realize the ideal embodied in this philosophy, we work to fulfill our responsibility toward society and are in constant pursuit of heightened corporate value. In this section, we explain the Company's foundations and social contribution activities.

Realization

Basic Policy on Corporate Governance

The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities. 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

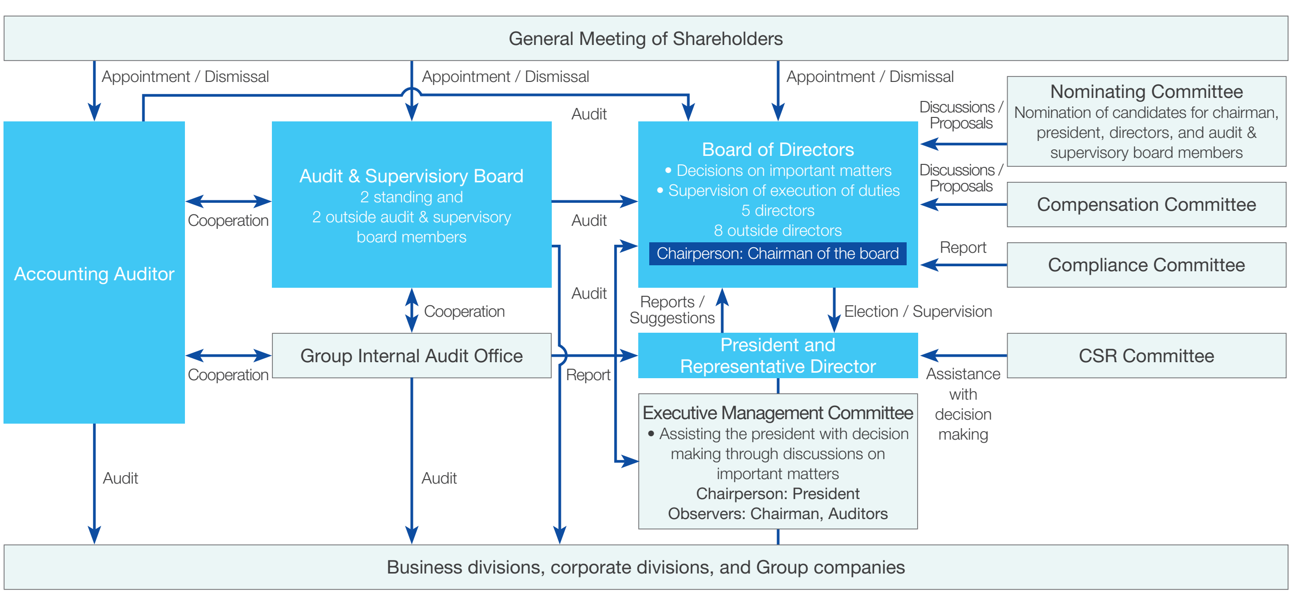
The Board of Directors consists of 13 members, including a majority of 8 outside directors. In principle, the Board of Directors meets once per month and strives to make timely decisions regarding the Company's business strategies and other important management matters and to exercise appropriate oversight of business execution. A corporate officer other than the president (the chairman of the board) chairs meetings of the Board of Directors. Olympus expects the 8 outside directors to apply their specialized expertise in management by engaging in decision making and oversight over the Board of Directors from an independent perspective. Furthermore, the Board of Directors requests reports on matters that are decided by the Executive Management Committee or by the president. In this manner, the Company is strengthening governance from the perspectives of sharing information and monitoring, thereby creating systems for better ensuring the soundness of management.

Olympus 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. In addition, the Company has set a maximum tenure period for the president and a maximum age for directors and executive officers. These restraints are in place to prevent inappropriate activities from occurring due to extended tenures of corporate officers.

Overview of Corporate Governance Structure

Format	Audit & Supervisory Board system
Adoption of executive officer system	Yes
Directors	13
Of whom outside directors	8
Term of directors	1 year
Audit & supervisory board members	4
Of whom outside audit & supervisory board members	2
Independent officers	9
Participation of outside directors in determination of remuneration	Yes
Board of Directors convened	21 times
Results-linked remuneration	Yes

Corporate Governance Structure



Outside Directors and Audit & Supervisory Board Members

Olympus has strengthened the corporate governance structure by appointing 8 outside directors, representing a majority of its 13 directors, and utilizing their objective standpoint, wealth of experience, and extensive knowledge of management. Furthermore, Olympus has increased the objectivity and fairness of management oversight by appointing 2 outside audit & supervisory board members out of the 4 audit & supervisory board members.

Olympus has designated 7 outside directors, representing a majority of the members of the Board of Directors, and 2 outside audit & supervisory board members as independent officers pursuant to the rules for listed companies stipulated by the Tokyo Stock Exchange.

Outside directors	Reason for appointment	Attendance at meetings of the Board of Directors (Met 21 times in fiscal 2013)
Takuya Goto*	Mr. Goto was appointed so that his extensive experience and diverse knowledge as a business manager at Kao Corporation may be applied to the Company's management.	21/21
Shiro Hiruta*	Mr. Hiruta was appointed so that his extensive experience and diverse knowledge as a business manager at Asahi Kasei Corporation may be applied to the Company's management.	20/21
Sumitaka Fujita*	Mr. Fujita was appointed so that his extensive experience and diverse knowledge as a business manager at ITOCHU Corporation may be applied to the Company's management.	20/21
Motoyoshi Nishikawa*	Mr. Nishikawa was appointed so that his extensive experience and diverse knowledge as a business manager at Nippon Steel Corporation (current Nippon Steel & Sumitomo Metal Corporation) as well as his diverse knowledge as an attorney may be applied to the Company's management.	21/21
Hikari Imai*	Mr. Imai was appointed so that his extensive experience and diverse knowledge as a business manager at Merrill Lynch Japan Securities Co., Ltd., and RECOF Corporation may be applied to the Company's management.	21/21
Kiyotaka Fujii*	Mr. Fujii was appointed so that his extensive experience and diverse knowledge as a business manager at Cadence Design Systems, Japan, SAP Japan Co., Ltd., LVJ Group K.K., Better Place Japan Co., Ltd., and Hailo Network Japan Co., Ltd., may be applied to the Company's management.	21/21
Keiko Unotoro*	Ms. Unotoro was appointed so that her extensive experience and diverse knowledge acquired from working at the Japan Fair Trade Commission may be applied to the Company's management.	Appointed from fiscal 2014
Kenichiro Yoshida	Mr. Yoshida was appointed so that his extensive experience and diverse knowledge as a business manager at So-net Entertainment Corporation may be applied to the Company's management.	Appointed from fiscal 2014

Outside audit & supervisory board members	Reason for appointment	Attendance at meetings of the Board of Directors and the Audit & Supervisory Board	
		Board of Directors (Met 21 times in fiscal 2013)	Audit & Supervisory Board (Met 37 times in fiscal 2013)
Nobuo Nagoya*	Mr. Nagoya was appointed so that his extensive experience and diverse knowledge as a certified public accountant may be applied to the Company's management.	21/21	35/37
Katsuya Natori*	Mr. Natori was appointed so that his extensive experience and diverse knowledge as a business manager at Sun Microsystems, Inc., Fast Retailing Co., Ltd., and IBM Japan, Ltd., as well as his diverse knowledge as an attorney may be applied to the Company's management.	21/21	36/37

* Independent officers

Strengthening of Audit and Supervisory Functions

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

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

Corporate Officer Compensation

The upper limits for the monthly compensation of directors and audit & supervisory board members as well as director bonuses are decided at the general meeting of shareholders.

Director compensation is decided by the Board of Directors in accordance with the Director Compensation Guidelines based on the recommendations of the Compensation Committee, which is comprised of a majority of highly independent outside directors. Audit & supervisory board member compensation is decided by the Audit & Supervisory Board in the same manner. Bonuses are not paid to audit & supervisory board members to maintain their standing as independent from business execution.

Position	Total value of remuneration (¥ million)	Total compensation by type (¥ million)				Number of directors / Audit & supervisory board members
		Base	Stock options	Bonus	Retirement benefits	
Directors (excluding outside directors)	358	319	—	38	—	13
Audit & supervisory board members (excluding outside audit & supervisory board members)	58	58	—	—	—	3
Outside officers	104	104	—	—	—	13

Note: Numbers of directors and audit & supervisory board members above include 11 directors and 3 audit & supervisory board members who resigned as of April 20, 2012.

Internal Controls

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

- **Compliance Committee**

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

- **CSR Committee**

  Olympus shall set up the CSR Committee chaired by the president and regularly hold meetings to plan CSR activities for the Olympus Group and set objectives for and evaluate these activities.

- **Group Internal Audit Office**

  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, the appropriateness of business execution procedures and details, and other matters.

Systems and measures to manage risks of losses:

① The Company shall manage its business risks based on thorough discussions held at meetings of the Board of Directors and the Executive Management Committee, among other meetings, and appropriate internal approval procedures.

② The Company shall manage risks, such as those relating to quality, product safety, export control, information security, occupational health and safety, the environment, and disasters, by defining responsible divisions, establishing internal corporate regulations and standards, and implementing related education and training.

③ The CSR Committee shall report and deliberate on plans and measures in relation to risk management and make efforts to establish and maintain a risk management system. Moreover, pursuant to the internal rules on risk management, each business division shall be aware of risks and take preventative measures, and the Company shall develop a framework that enables prompt actions in the event of an emergency. In the event of an earthquake, fire, other natural disaster, accident, corporate ethics violation, or occurrence of another high-risk incident, the business divisions shall make immediate reports to the president, members of the CSR Committee, and other relevant individuals through the Risk Management Department. Response measures will then be decided by the president.

Framework to ensure the effective performance of duties by directors:

① The Board of Directors shall develop medium- and long-term corporate strategic plans in order to clarify the Company's business objectives and realize efficient resource allocation based on the yearly business plans. In addition, the Board of Directors shall receive a monthly report on business performance in order to evaluate the progress of the Company's yearly business plan.

② The Board of Directors shall determine the separation of duties among the representative director, other operating directors in charge of business execution, and executive officers and supervise their execution of their duties.

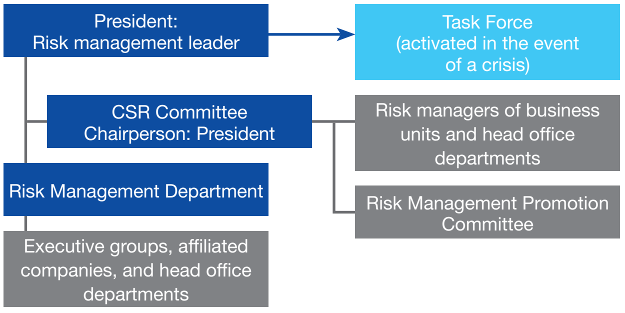
③ With the exception of matters deliberated on at meetings of the Board of Directors, the representative director shall only make decisions about significant matters after discussing these matters at meetings of the Executive Management Committee.

④ Based on internal corporate regulations, including the internal rules on approval procedures and organizational matters, the Board of Directors shall determine the management organization and the separation of duties, as well as the responsibility and authority of each corporate officer, and establish an appropriate and effective system for the performance of duties.

Risk Management Structure

As the Company's business activities expand and society undergoes changes, the threat of unforeseen risks is ever growing. In order to respond to such risks, Olympus has identified one of the functions of the CSR Committee, which is headed by the president, as managing risks, and the committee thus works to reduce exposure to risks and prevent their actualization as part of its normal operations. The Company has also put into place systems for responding to serious risks should they be realized. In addition, to further strengthen the Company's risk management structure, the Risk Management Bureau was revised and renamed the Risk Management Department in October 2012.

Risk Management System



Comments from an Outside Director
(Chairman of Compensation Committee)

In my role as outside director, I see it as my responsibility to guide Olympus in maximizing its corporate value by developing compensation schemes that motivate the Company's management and by providing guidance and recommendations from the perspective of general shareholders.

Sumitaka Fujita
Outside Director

1. Corporate Governance Systems and the Board of Directors

Olympus had outside directors even before my colleagues and I were appointed, and at least to this extent, the Company's corporate governance system was well structured. Nevertheless, the Company caused a major scandal, demonstrating that the Company's systems were not functioning properly. However, recovering from this scandal, Olympus has succeeded in developing unique governance systems, which now form the basis for its management. Discussions at meetings of the Board of Directors are serious and fully engaged by all members, and, along with the other outside directors, I offer opinions from a variety of viewpoints.

At present, the majority of the Company's Board of Directors consists of outside directors. Regardless, it is not the number of outside directors or any other aspect of the membership structure that is most important. Rather, what is most important is whether or not the governance systems are functioning properly. For this reason, I do not think it is enough to merely look at the structure of the Board of Directors or how it is operated. Instead, one must look at the overall management capabilities of a company, including its various internal systems, corporate officers, and employees. Further, a company must work to strengthen these overall management capabilities. In the future, I intend to make suggestions at meetings of the Board of Directors to help drive improvements to this end.

2. Corporate Officer Compensation Systems

The Compensation Committee, which I chair, is not designed to limit the compensation of corporate officers. Instead, its role is to create compensation schemes that are matched to the responsibilities of each executive officer and also to optimize their level of motivation. In the one year since it was established, the Committee has met well over 10 times. The first item on our agenda was the treatment of executive officers. The role of executive officers bears incredible responsibility. It was therefore decided that, instead of standard employment contracts, these officers should have contracts based on their fiduciary relationship with the Company, and we promptly switched to such a system. The next order of duty was to strengthen the link between corporate officer compensation and the Company's performance. We thus created a system under which officers are assigned goals toward accomplishing the Company's management targets, with the achievement of these goals influencing their compensation. I believe this system will help raise the motivation of corporate officers toward fulfilling their duties.

The recent introduction of a stock option system was based on the same principle. It was designed to further motivate officers to pursue the maximization of corporate value by linking a portion of corporate officer compensation to the Company's stock price. There are two reasons why we chose stock options over standard performance-linked compensation schemes. The first is that linking compensation to stock prices helps officers achieve the same perspective as shareholders, as they share both the benefits and risks of stock price fluctuations. The other reason is to give corporate officers incentive to pursue long-term improvements in corporate value. Compensation schemes that are linked to yearly performance offer short-term incentives as they only reflect one year's performance. Conversely, while stock options are issued each year, officers are not able to exercise these options until after they retire, which effectively links compensation to long-term fluctuations in stock prices. Accordingly, we expect this system to motivate corporate officers to seek medium-to-long-term improvements in the corporate value of Olympus.

I think one possible policy for the future is to create compensation schemes that link medium-to-long-term incentives more directly to performance. For example, we could introduce a system under which corporate officers receive payment of a defined amount in full when the goals of medium-term plans are accomplished, but receive none of this amount if a certain level of progress is not realized. In Japan, people have traditionally held a negative view toward corporate officers receiving large sums of compensation. However, I believe that if officers contribute to heightened corporate value, then they should be entitled to compensation that matches their contribution. This is a concept I think investors can understand as well.

3. Role of Independent Outside Directors

It is common in Japan for director and auditor candidates to be selected by a company's president, in a de facto manner, rather than being nominated through some sort of standardized process. While it depends on the corporate culture of the company in question, this can often make it difficult for in-house directors or auditors to freely state their opinions to the president. I believe that this may be the situation at many Japanese companies. I also believe that this was one of the problems with the former governance systems of Olympus. For this reason, independent outside directors are charged with the important task of prioritizing the quest for higher corporate value above all else and, therefore, should freely state opinions and suggestions and perform checks and balances to this end. When I say corporate value, I am referring to corporate value from the perspective of general shareholders and other stakeholders. I believe that it is the duty of outside directors to provide monitoring and guidance as necessary to protect the interests of general shareholders.

Of course, the duties of outside directors are not limited to such controls. They also provide viewpoints based on experience not found within the company itself. Luckily, discussions among the Board of Directors at Olympus are lively and open, which means that if there are issues with a proposal, directors will not be hesitant to point it out. I feel confident that this sort of frank discussion will help Olympus develop in the right direction.

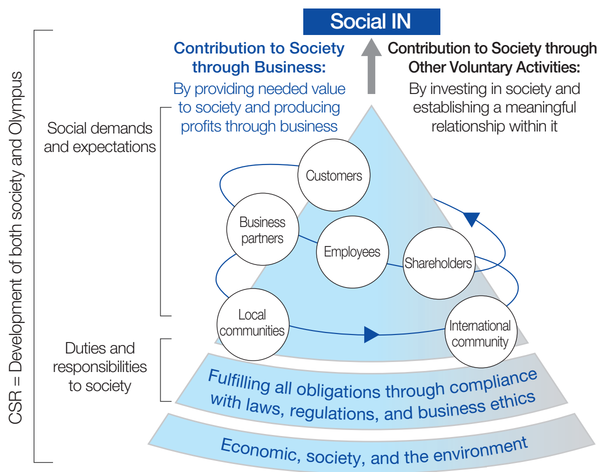
Olympus CSR

CSR Management

The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities.

Approach to CSR

CSR Concept of the Olympus Group



Through its CSR activities, the Olympus Group responds to the needs and expectations of society and fulfills its obligations and responsibilities. Olympus contributed to society in various ways even before it coined the phrase “Social IN.” However, we believe we should do more. The business environment is constantly changing, and there is also gradual change in the social values that Olympus needs to share with society and in our management and employees.

Our continuing existence in this environment of constant change and our ability to help people achieve healthy and happy lives depend on the fulfillment of our responsibilities to various stakeholders, namely our employees and their families, customers, business partners, shareholders, local communities, and society.

Establishment of the CSR Committee

CSR Committee and Promotion Committees

Olympus has newly established the CSR Committee to realize its “Social IN” philosophy by strengthening CSR Companywide.

The task of the CSR Committee is to spread and consolidate CSR activities throughout the Olympus Group by helping the president, who chairs the committee, to make decisions and by promoting and monitoring the application of “the plan, do, check action” (PDCA) approach to all decisions.

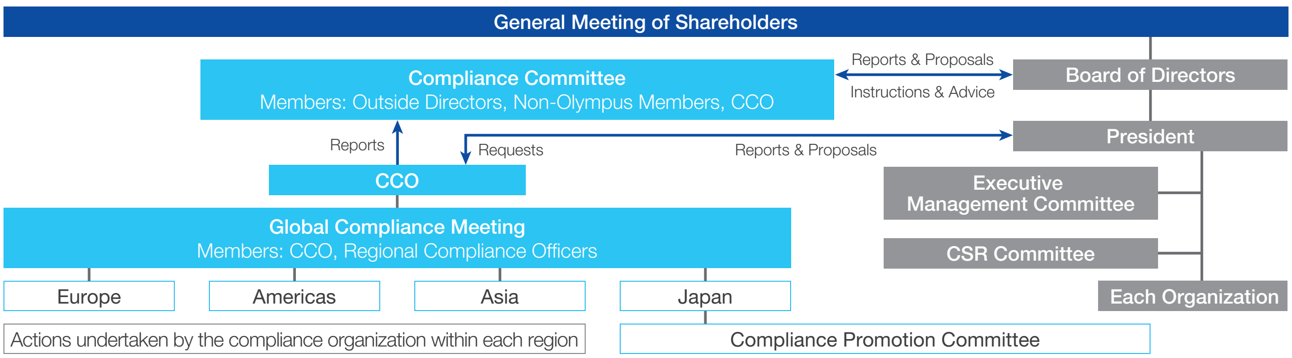
Several promotion committees have been established under the CSR Committee. These work with the CSR Committee to study corporate policies, develop plans, and promote their implementation in the functional areas for which they are responsible.

Compliance Promotion Structure

In April 2012, Olympus appointed a Chief Compliance Officer (CCO) whose task is to clarify compliance-related responsibilities. The Company also established the Compliance Committee chaired by an outside director to advise the Board of Directors on measures that can strengthen compliance activities on a global basis. The committee met for the first time on June 7, 2012. In principle, the committee will hold four meetings per year.

On May 10, 2012, Olympus held a global compliance meeting for compliance officers from regional headquarters worldwide. The purpose of this meeting was to examine the global and regional implementation of compliance-related policies and measures and to identify issues. In principle, we will continue to hold these meetings every quarter. Policies and measures put forward at the meetings will be implemented according to the organizational structure in each region. Within Japan, this role will be carried out by the Compliance Promotion Committee. Based on situations discussed and issues raised at the meetings, the CCO will regularly report to the Compliance Committee on the compliance situation of the Olympus Group as a whole.

Compliance Promotion System



Enhancement of Compliance Education

Olympus is working to enhance its compliance education programs to cultivate compliance awareness and ensure stringent compliance with relevant laws and regulations. Specific education programs are developed for each country and region.

● Rank-Specific and Function-Based Education

In addition to providing general compliance education for all employees through the distribution of compliance handbooks and the creation of e-learning courses, the Company conducts systematic training based on rank. This includes conducting training for management and executive personnel as well as for those employees that have just been promoted or entered the Company. Further, we implement ongoing training programs to educate relevant staff about laws and regulations relating to various aspects of our business, including CSR procurement, trade controls, and the prevention of fraudulent transaction practices.

● Messages from and Dialogue with Senior Management

The importance of compliance is a constant theme in the president's speeches, intranet messages, and messages from the CCO. In addition, since fiscal 2013, we have designated every October as Compliance Focus Month, a practice that is standard throughout all of our global operations. The importance of such activities was reaffirmed by messages from the CCO during December 2012, which proved to be a month ripe with various compliance initiatives.

Further, our efforts to ensure consistent compliance and create a free and open working environment include regular town hall meetings, which are meetings conducted by the president and CCO for executives and employees. These events are also held regularly at affiliated companies and overseas subsidiaries.

Information Disclosure Policy

Olympus is working to gain the understanding and confidence of all stakeholders, including shareholders and customers, by actively disclosing accurate corporate information in a fair and timely manner. Areas covered by disclosure include management policies, financial data, the state of business activities, and CSR activities.

1. Information Disclosure Standards

Olympus is committed to the disclosure of information in accordance with all laws, as well as the rules of the financial instruments exchange where the Company is listed, and to the disclosure of all information required by laws, regulations, and rules. In accordance with its internal disclosure standards, Olympus will also proactively disclose information that could have a significant impact on its corporate value, as well as all information deemed as useful to all stakeholders, regardless of whether such disclosure is required under laws, regulations, or rules.

2. Method of Information Disclosure

Disclosure information, as required by the Timely Disclosure Rules of the Tokyo Stock Exchange, will be disclosed through the Timely Disclosure network (TDnet) of the Tokyo Stock Exchange. Such information will then immediately be posted on our website. Furthermore, any information not subject to disclosure under laws, regulations, or rules will be disclosed by using the most appropriate methods, including the TDnet, our website, explanatory meetings, or printed publications.

3. Disclosing Information with Due Consideration

When disclosing information, Olympus will take care to protect personal information and avoid infringements of the rights of any party. Olympus will establish corporate rules concerning procedures for the disclosure of information using the aforementioned methods and all information disclosure will be implemented in accordance with those rules.

Social Contributions

Colorectal Cancer Awareness Campaign in Cooperation with Japanese Government Agencies

In February 2007, Olympus launched the Brave Circle Campaign to eradicate colorectal cancer. The aim of this campaign is to reduce the number of deaths from colorectal cancer by encouraging people in the target age group of 40 years and older to have diagnostic checks. In July 2009, the Brave Circle Steering Committee, which heads the campaign, was granted the status of special non-profit organization (NPO), and the initiative has evolved into a social contribution activity involving many companies and organizations, including Olympus. Programs in fiscal 2013 included providing booklets explaining diagnostic checks to people that are eligible for a government program that provides coupons for free colorectal checks. These events were organized in cooperation with 850 municipalities. In addition, the campaign included the Colorectal Cancer Quiz Rally and the Intestine Tunnel Adventure events conducted in conjunction with 27 prefectural governments and central government agencies to further promote colorectal checks. Olympus is actively participating in the activities of the Brave Circle Steering Committee as an official sponsor.

Tokyo Health Walk 2012


Brave Circle Campaign event held in Chiba Prefecture in September 2012


Brave Circle Campaign event held in Miyagi Prefecture in November 2012

Donation of Microscopes to Benin, Africa

In February 2013, the Company donated CX22LED biological microscopes to the country of Benin in Africa. When presenting the donation, Chairman Yasuyuki Kimoto was greeted as a guest of honor by Benin President Yayi Boni. The microscopes are now being used in the Centre National Hospitalier Universitaire to diagnose such infectious diseases as malaria.

In regions south of the Sahara Desert in Africa, approximately 600,000 children are infected with cerebral malaria each year, with one in every five of them passing away because of the disease. In Benin, 43% of patients that visit the Centre National Hospitalier Universitaire are seeking treatment for malaria. Hearing that Olympus was promoting awareness regarding the United Nations' Millennium Development Goals (MDGs), Dr. Daiki Murakami, First Secretary of the Embassy of Japan in Benin, contacted the Company to explain Benin's medical situation and the type of equipment that is available in the country. It was this episode that inspired the Company to donate the microscopes.


Olympus staff with Benin President Yayi Boni (center) and Zomahoun Idossou Rufin (far right), Ambassador of Benin to Japan


Microscope donated by Olympus in use at Centre National Hospitalier Universitaire

Activities around the World

Europe: Olympus Europa Holding GmbH (OEH)

Support for Improving Ophthalmology in Myanmar
Olympus Europa Holding GmbH is supporting the activities of the non-governmental organization (NGO) Project Vision as it works to save people in Myanmar from losing their sight. Through this project, four physicians traveled to Myanmar, where they worked with local medical practitioners to provide free eye treatment and eye surgery during the month of February 2013. In addition to treating patients, key focuses of the project are the training and education of local doctors and the improvement of local medical infrastructure for ophthalmology, with its long-term goal being to improve the overall environment regarding ophthalmology in Myanmar.

North America: Olympus Corporation of the Americas (OCA) / Olympus America Inc. (OAI) / Olympus Imaging America Inc. (OIMA)

Support for Early Cancer Detection and Treatment
Aiming to communicate the importance of the early detection of cancer, two Olympus employees are sharing their own experience with colorectal cancer. This bold effort has gained attention not only among Olympus employees but from the media as well. In addition, Olympus designates one month of each year as Colon Cancer Awareness Month. In 2012, the third Be a Star campaign was held during this period, through which we collected donations totaling more than US$4,000 to fund colorectal cancer research and prevention activities. Together with a contribution from the Company, these donations were turned over to the medical scholarship committee of Olympus Corporation of the Americas so that they could be used to support cancer sufferers and help educate healthcare specialists. Further, Peripheral Vision, a band consisting of Olympus employees that has won local entertainment events, encouraged people to make donations for supporting cancer treatment.

Employee band participating in a local event to encourage people to support cancer treatment

China: Olympus (China) Co., Ltd. (OCN)

Receipt of 2012 Award for Most Influential CSR Activity
Since fiscal 2009, Olympus has been conducting a gastrointestinal health education campaign in China to educate the public and increase the early detection rate of stomach cancer. In fiscal 2010, gastroenterologists presented briefings for the local media in 20 cities. The purpose of this initiative was to spread awareness of the concept of the "three earlies (early discovery, early diagnosis, early treatment)." Further, Olympus began to implement a variety of initiatives based on public participation in fiscal 2011. In collaboration with two media organizations in the fashion and healthcare field, it staged a series of "Health Lectures for 100 People" for the readers of these organizations' publications. Presented by medical specialists, the lectures were held in 10 cities. The Company also launched a major campaign in Beijing under the title "Wei ai wei wei" (for the sake of love, love your stomach).

In 2012, these activities were recognized for their significant contributions to the development of public health enterprises, and Olympus was presented the 2012 award for most influential CSR activity. This award is presented jointly by an influential Chinese PR network, a public service organization, and an organization for promoting active CSR initiatives and was designed to encourage companies to create and expand CSR projects by recognizing superior projects.

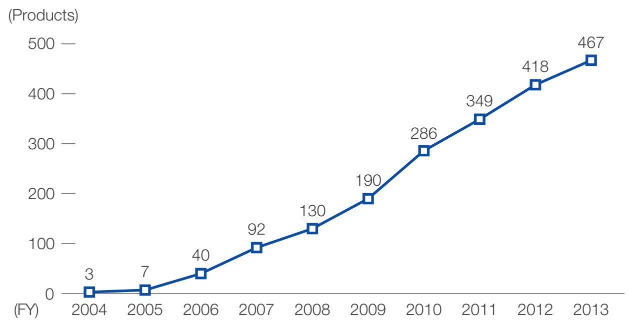
Olympus employees at award ceremony

Environmental Initiatives

Product-Related Initiatives

Our efforts to supply environment-friendly products include the establishment of the Olympus Eco-Products Standards. These environmental design standards are used to assess products, packaging, manufacturing, and logistics processes from the four perspectives of environmental protection and safety, energy conservation, resource conservation, and information disclosure. In fiscal 2011, Olympus added new environmentally responsible design standards that are even more rigorous than the Eco-Products Standards. Under these new standards, products that make significant contributions to the reduction of environmental loads are classified as "Super Eco-Products." In fiscal 2013, 49 products were added to the list of Olympus Eco-Products, bringing the cumulative total to 467, including 9 Super Eco-Products.

Cumulative Total of Olympus Eco-Products



Manufacturing-Related Initiatives

Olympus monitors and works to reduce environmental loads at all stages of product life cycles, including resource procurement, production, distribution, waste disposal, and recycling.

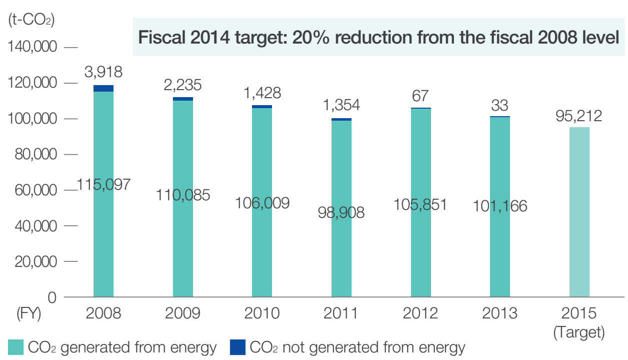
CO_2 Emissions Generated/Not Generated from Energy

While CO_2 emission volumes decreased 4% year on year, we still managed to realize a 15% reduction in comparison with fiscal 2008. In addition to pursuing electricity savings at all operating bases, we took advantage of the consolidation of production sites in Nagano to demolish the heavy fuel oil tank of the former Ina Plant and shift the plant's fuel source from heavy fuel oil to liquefied natural gas (LNG), which emits very low volumes of CO_2. Further, we have been actively utilizing renewable energy in Japan and overseas by installing solar power systems at operating sites and purchasing electricity that has been deemed green energy. Another focus is the development technologies that can eliminate the need for emitting non-energy greenhouse gases, such as HFC, PFC,
and SF6, which are used for cleaning, semiconductor etching, and other processes. We are now working to accelerate the implementation of initiatives to reduce the environmental impact of our manufacturing operations. The majority of the energy consumed by Olympus is in the form of electricity. In order to reduce electricity usage, we are promoting energy-saving activities in daily operations, introducing renewable energy, tracking energy losses through electricity monitors, and developing manufacturing technologies that use less energy and resources.

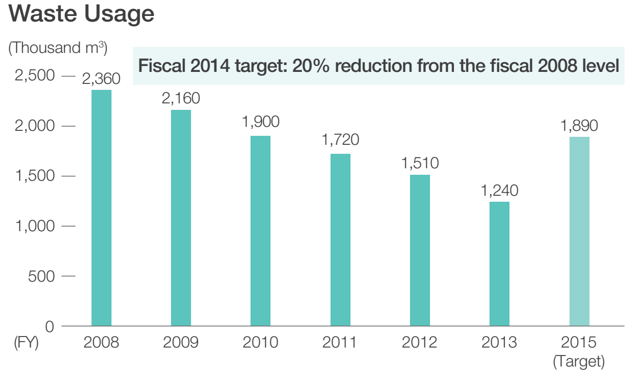
Waste Emissions

Water, which we use to wash products and in various other areas of our business activities, is an indispensable resource for our operations. Preserving water is also important from the perspective of protecting biodiversity. For this reason, the Company is continually developing production methods that require less water and inspecting equipment to prevent leakage. We are also working to minimize environmental impacts by monitoring wastewater treatment facilities and conducting appropriate maintenance and by managing the quality of wastewater.

Energy-Related and Non-Energy-Related CO_2 Emissions



Waste Usage



Logistics-Related Initiatives

Noticing that the number of shuttle trips between the Tokyo Center and the Nagano Facility was increasing, Olympus Logistics Corporation, the Company's logistics subsidiary, decided to investigate the cause of this phenomenon. Olympus Logistics discovered that the use of non-stackable packaging was responsible for the increase, and it solved this problem by introducing *Wacopon* returnable containers for the shuttle service. These containers are now helping to reduce the Company's logistics loads throughout Japan.

Financial Section

Financial Highlights

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

(Millions of yen)

Financial Summary (Consolidated)	2008	2009	2010	2011	2012	2013
Net sales						
Domestic	420,227	347,261	373,163	386,502	398,237	287,025
Overseas	708,648	633,542	509,923	460,603	450,311	456,826
Total	1,128,875	980,803	883,086	847,105	848,548	743,851
Percentage change compared with previous year (%)	6.3%	(13.1%)	(10.0%)	(4.1%)	0.2%	(12.3%)
Selling, general and administrative expenses	396,678	418,558	347,125	349,306	348,287	343,121
Percentage of net sales (%)	35.1%	42.7%	39.3%	41.2%	41.0%	46.1%
Percentage of net sales excluding R&D expenditures (%)	29.3%	35.5%	32.3%	33.3%	33.8%	37.6%
Operating income	112,826	42,722	61,160	38,379	35,518	35,077
Percentage of net sales (%)	10.0%	4.4%	6.9%	4.5%	4.2%	4.7%
Net income (loss)	54,625	(50,561)	52,527	3,866	(48,985)	8,020
Percentage of net sales (%)	4.8%	—	5.9%	0.5%	—	1.1%
EBITDA margin*1 (%)	14.0%	10.7%	13.1%	9.9%	9.5%	10.6%
EBITDA margin (Medical Business)*2 (%)	31.1%	27.0%	29.2%	26.9%	26.6%	29.0%
R&D expenditures	65,928	70,010	61,850	67,286	61,356	63,379
Percentage of net sales (%)	5.8%	7.1%	7.0%	7.9%	7.2%	8.5%
Capital expenditures	50,070	55,632	34,323	32,699	37,961	28,109
Depreciation and amortization	37,497	44,594	43,099	34,188	33,787	33,899
Amortization of goodwill	7,899	17,363	11,854	11,619	11,103	9,683
Sales by region						
Japan	420,227	347,261	373,163	386,502	398,237	287,025
North America	240,254	237,656	196,076	182,009	165,263	177,233
Europe	303,110	257,894	188,527	154,363	156,149	157,179
Asia and Oceania	138,873	114,152	100,045	97,293	107,304	102,395
Others	26,411	23,840	25,275	26,938	21,595	20,019
Average exchange rates						
Yen/U.S. dollar	114.28	100.54	92.85	85.72	79.08	83.10
Yen/Euro	161.53	143.48	131.15	113.12	108.98	107.14
Balance sheet, cash flows, and financial indicators						
Total assets	1,217,172	1,038,253	1,104,528	1,019,160	966,526	960,082
Total net assets	244,281	110,907	163,131	115,579	48,028	152,407
Equity ratio (%)	19.1%	10.0%	14.1%	11.0%	4.6%	15.5%
Interest-bearing debt	656,756	642,839	661,481	648,787	642,426	560,390
Net debt	533,475	505,763	454,698	435,226	442,338	330,780
Inventories	110,379	95,540	89,959	92,929	102,493	99,307
Inventory turnover period (months)	1.2	1.2	1.3	1.3	1.4	1.6
Cash and cash equivalents at end of year	119,842	132,720	203,013	210,385	198,661	225,782
Cash flow from operating activities	88,204	36,864	76,245	30,469	30,889	25,233
Cash flow from investing activities	(274,104)	(15,964)	(20,967)	19,003	(35,735)	33,455
Cash flow from financing activities	134,401	(3,751)	17,355	(37,359)	(5,761)	(42,436)
Return on equity (ROE) (%)	24.4%	(30.2%)	40.6%	2.9%	(62.3%)	8.3%
Return on assets (ROA) (%)	9.3%	4.1%	4.9%	0.4%	(4.9%)	0.8%
Net income (loss) per share (yen)	202.11	(188.85)	194.90	14.39	(183.54)	28.96
Total equity per share (yen)	861.58	387.31	576.63	421.37	167.76	494.96
Price earnings ratio (PER)*3 (times)	14.9	—	15.4	160.8	—	76.4
Price book-value ratio (PBR) (times)	3.5	4.1	5.2	5.5	8.1	4.5
Outstanding market value (billions of yen)	819.3	428.6	813.9	627.7	367.3	675.8
Cash dividends per share (yen)	40	20	30	30	—	—
Number of employees*4	35,722	36,503	35,376	34,391	34,112	30,697
Average number of temporary employees	(—)	(—)	(—)	(5,336)	(5,009)	(2,240)

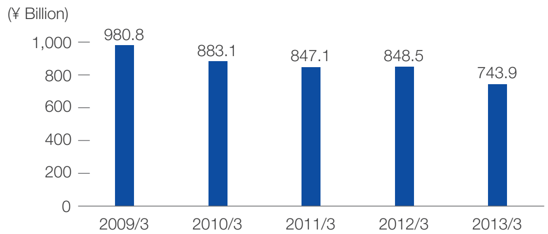
*1 At the Company, EBITDA is calculated using the following assumptions: EBITDA = Operating income + Depreciation and amortization that is included in cost of sales or SG&A expenses + Amortization of goodwill that is included in SG&A expenses. EBITDA margin = EBITDA / Net sales

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

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

*4 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.

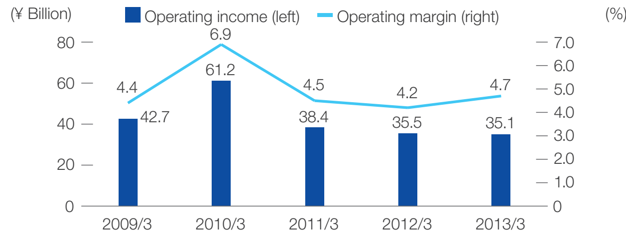
Net Sales 12.3% DOWN (YoY)



Net sales were down due to the transference of the Information & Communication Business and lower sales in the Imaging Business.

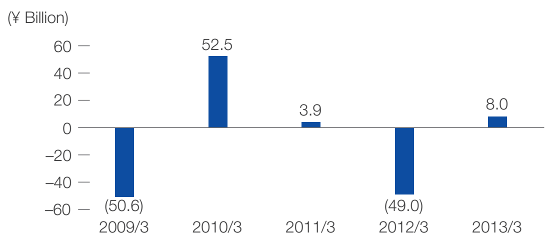
Operating Income Unchanged

Operating Margin 0.5 points UP (YoY)



Regardless of the widening of the operating loss in the Imaging Business, operating income was relatively unchanged year on year due to substantially higher operating income in the Medical Business.

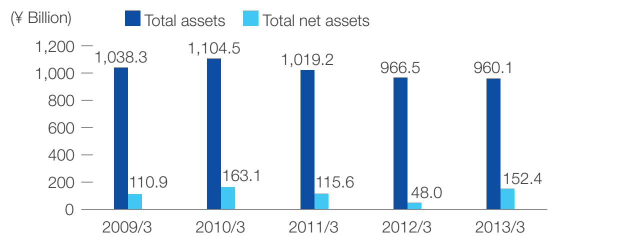
Net Income (Loss) Return to Profit (+¥57.0 billion)



Net income improved significantly as extraordinary income from the transference of the businesses outweighed the impacts of impairment loss and such extraordinary losses as loss on restructuring of business. *Reversal of deferred tax assets conducted in fiscal 2012.

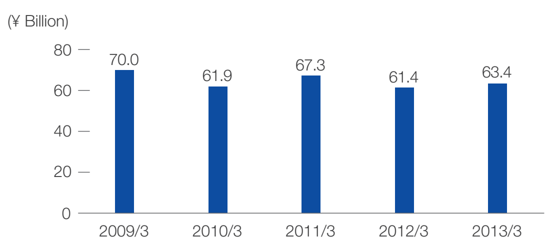
Total Assets 0.7% DOWN (YoY)

Total Net Assets 217.3% UP (YoY)



Equity increased to three times the level at the end of fiscal 2012 due to the benefits of foreign currency translation adjustments stemming from yen depreciation and payments from Sony Corporation.

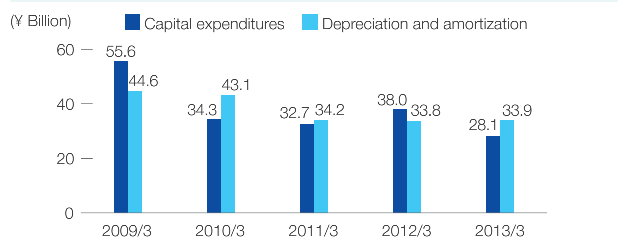
R&D Expenditures Unchanged



The percentage of R&D expenditures accounted for by the Medical Business is rising. The ratio of R&D expenditures to net sales was up following lower net sales; however, if net sales from the Information & Communication Business are excluded, the ratio decreased.

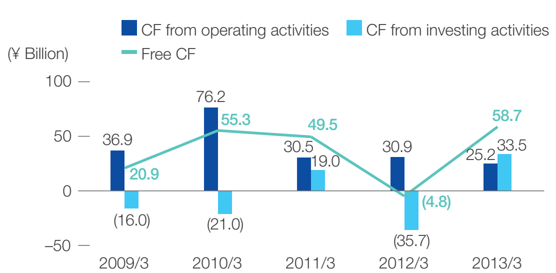
Capital Expenditures 26.0% DOWN (YoY)

Depreciation and Amortization Unchanged



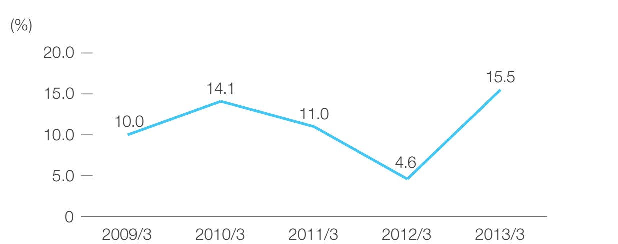
Despite higher expenditures in the Medical Business, overall capital expenditures decreased significantly as a result of lower expenditures in other businesses. Depreciation and amortization was relatively unchanged year on year.

Cash Flow (CF) Improved



Net cash provided by operating activities was ¥25.2 billion and net cash provided by investing activities was ¥33.5 billion, resulting in positive free cash flow of ¥58.7 billion.

Equity Ratio 10.9 points UP (YoY)



The equity ratio improved by approximately 11 percentage points year on year due to the benefits of foreign currency translation adjustments stemming from yen depreciation and payments from Sony Corporation.

Analysis of Business Results, Financial Position, and Cash Flows

Analysis of Business Results

Company Overview

In the global economy during fiscal 2013, the situation remained uncertain, mainly as a result of financial instability in Europe and the deceleration of growth rates in China and other emerging countries. In the Japanese economy, conditions continued to be difficult owing to the constant threat of economic downturns overseas, despite signs of a moderate domestic rebound mainly driven by demand related to recovery from the Great East Japan Earthquake and economic measures taken following a change in administration at the end of 2012.

Amid these difficult conditions, the Olympus Group formulated the corporate strategic plan known as the medium-term vision. This plan was commenced in fiscal 2013 under the guidance of the new management team that assumed office on April 20, 2012. Under this new management structure, the Group positioned "rebuilding of business portfolio and optimaizing allocation of management resources," "review and reduction of costs," "restoration of financial health," and "restructuring of corporate governance" as its basic strategies. It also steadily implemented various initiatives, including transferring the Information & Communication Business, entering into a business and capital alliance with Sony Corporation, and submitting a written affirmation on the internal control system with the aim of facilitating the removal of the Security on Alert designation placed on the Company's stock by the Tokyo Stock Exchange. This designation was lifted on June 11, 2013.

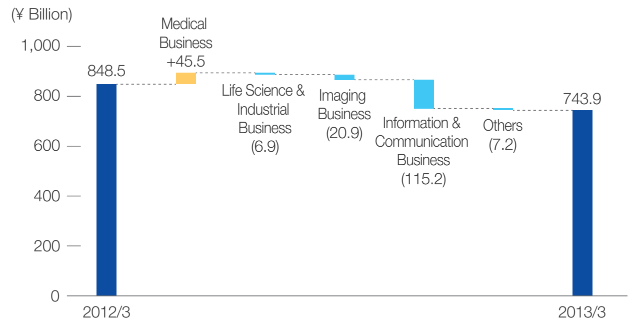
Looking at the Olympus Group's focus business areas, in the Medical Business, we launched new products in Japan and overseas in our flagship gastrointestinal endoscope field, and these products contributed to higher earnings. In the Life Science & Industrial Business, we introduced new laser scanning microscopes and industrial videoscopes. As for the Imaging Business, we enhanced our lineup of mirrorless cameras and implemented cost reduction measures.

In fiscal 2013, R&D expenses amounted to ¥63,379 million and capital expenditures totaled ¥28,109 million.

In regard to foreign exchange, the yen initially appreciated against both the U.S. dollar and the euro in comparison with the previous fiscal year. However, in December 2012, the yen began to depreciate rapidly. The average exchange rate during fiscal 2013 was ¥83.10 against the U.S. dollar (¥79.08 in the previous fiscal year) and ¥107.14 against the euro (¥108.98 in the previous fiscal year). This increased net sales by ¥12,800 million and operating income by ¥200 million.

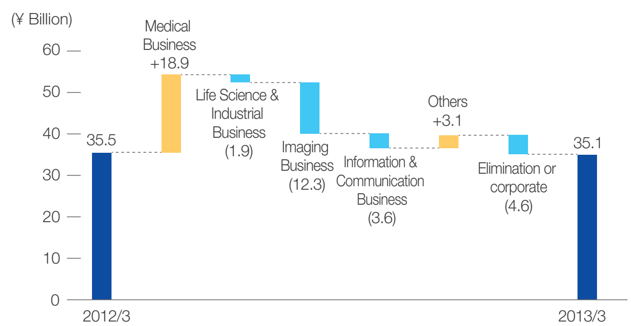
• Net Sales

Consolidated net sales decreased 12.3% year on year, to ¥743,851 million. This was because the impacts of the transference of the Information & Communication Business and lower sales in the Imaging Business, a result of a shrinking compact camera market, outweighed the benefits of higher sales in the Medical Business.



• Operating Income

Operating income remained the same level as the previous fiscal year, declining only 1.2% year on year, to ¥35,077 million, as the substantial increase in segment profit in the Medical Business offset the rise in segment loss in the Imaging Business.



• Net Income

Net income was ¥8,020 million, compared with a net loss of ¥48,985 million in fiscal 2012. This reflected the recording of extraordinary income of ¥22,454 million, mainly resulting from the transfer of the Information & Communication Business, as opposed to the recording of extraordinary losses of ¥16,358 million, which included impairment loss on business assets in the Imaging Business, in addition to income taxes of ¥10,900 million.

Performance by Segment

• Medical Business

In the Medical Business, consolidated net sales were ¥394,724 million (up 13.0% year on year) and operating income was ¥87,069 million (up 27.7% year on year).

In our flagship gastrointestinal endoscope field, we launched a new endoscopic videoscope system in Japan and overseas. Also, sales of EVIS EXERA III were strong overseas while EVIS LUCERA ELITE performed well in Japan. These factors made significant contributions to higher sales. In the surgical and endotherapy device field, strong sales continued for the VISERA ELITE surgical video endoscopy system. As a result, sales were up in the Medical Business. Operating income likewise increased following higher sales.

• Life Science & Industrial Business
In the Life Science & Industrial Business, consolidated net sales amounted to ¥85,513 million (down 7.5% year on year) and operating income totaled ¥3,527 million (down 35.2% year on year).

In the life science field, we introduced the new FV1200 and FV1200MPE into our lineup of FLUOVIEW laser scanning microscopes. In the industrial field, meanwhile, sales were strong for our ultrasonic, precision thickness gages. Regardless of these factors, overall net sales were down in the Life Science & Industrial Business due to the impacts of limited capital expenditure and budget delays among public research institutions stemming from the global economic recession. Operating income similarly decreased regardless of the benefits of production structure reforms and other efforts to reduce the cost of sales.

In the fourth quarter of fiscal 2013, both net sales and operating income showed year-on-year increases due to the benefits of fluctuations in foreign exchange and signs of recovery in domestic economic conditions.

• Imaging Business
In the Imaging business, consolidated net sales amounted to ¥107,638 million (down 16.3% year on year), while operating loss was ¥23,073 million (compared with an operating loss of ¥10,760 million in the previous fiscal year).

OLYMPUS OM-D E-M5, a high-performance mirrorless camera equipped with such features as an electronic viewfinder and the world's first 5-axis image stabilization system, posted higher domestic and overseas sales. Meanwhile, sales were strong for new high-value-added camera models, such as the TG-1 and TG-2 high-resolution compact cameras that feature Olympus-levels of toughness and bright F2.0 lenses. Nevertheless, the spread of smartphones resulted in a sharp contraction in the compact camera market, driving down both sales volumes and selling prices. As a result, overall sales declined in the Imaging Business. While we worked to reduce costs, the lower sales resulted in an increase in the operating loss.

• Information & Communication Business
In the Information & Communication Business, consolidated net sales amounted to ¥114,243 million (down 50.2% year on year), while operating income totaled ¥1,704 million (down 67.7% year on year).

On September 28, 2012, the Company transferred its Information & Communication Business to IJ Holdings Inc., a wholly owned company of a partnership operated and managed by Japan Industrial Partners, Inc. Net sales and operating income figures are therefore for the period from the start of the fiscal year until the date of transference.

• Others
In the Others Business, consolidated net sales amounted to ¥41,733 million (down 14.7% year on year) and operating loss was ¥4,870 million (compared with an operating loss of ¥7,992 million in the previous fiscal year).

Due to progress in the disposal of unprofitable businesses, there were declines in both net sales and the operating loss.

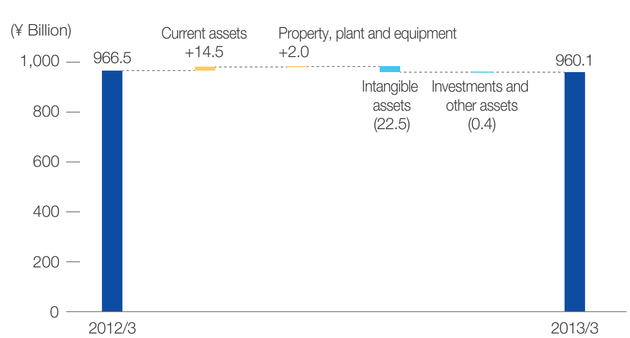
Fiscal 2014 Outlook
An overall recovery trend is expected in the global economy. However, there still remains concern for economic downturn in such forms as the prolonged financial instability in Europe and the deceleration of economic growth in emerging countries. In the Japanese economy, conditions remain difficult, but there is hope for a gradual recovery trend to occur due to the benefits of the economic stimulus measures instituted by the new government and continued yen depreciation.

In this environment, the Olympus Group will continue to focus on the advancement of the four basic strategies defined in its medium-term vision: "rebuilding of business portfolio and optimaizing allocation of management resources," "review and reduction of costs," "restoration of financial health," and "restructuring of corporate governance." In the Imaging Business, which continues to record losses, the Group will work to improve earnings while prioritizing risk minimization.

In the Medical Business, we will work to maintain our overwhelming market share by launching new products in the gastrointestinal endoscope field. Efforts in the surgical business will be focused on achieving further growth by expanding the scope of our product lineups to include the areas of operating room imaging and energy devices. In the Life Science & Industrial Business, we will reform revenue structures and launch new products in growth fields. Meanwhile, in the Imaging Business, we will work to improve performance by significantly reducing sales volume targets to counter expected shrinking in the compact camera market and by focusing investment in the growing mirrorless camera field.

Financial Position

Total Assets
As of March 31, 2013, total assets stood at ¥960,082 million, down ¥6,444 million from a year earlier. Total current assets increased ¥14,479 million following an increase in cash and deposits, while investments and other assets decreased ¥22,917 million due to such factors as amortization of goodwill and sales of investment securities.



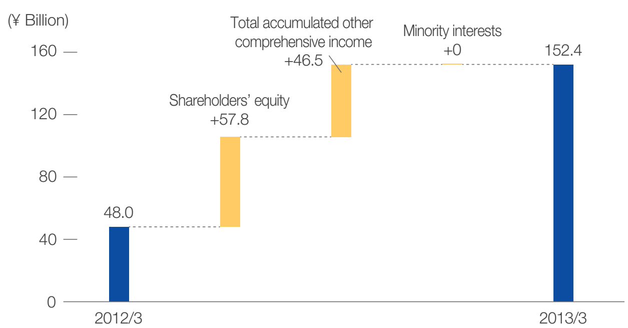
Liabilities

As of March 31, 2013, total liabilities amounted to ¥807,675 million, down ¥110,823 million compared with the end of the previous fiscal year. This decline was primarily due to decreases in notes and accounts payable of ¥33,058 million, short-term borrowings of ¥23,455 million, and long-term debt of ¥58,581 million.

Net Assets and Equity Ratio

Net assets at the end of the fiscal year totaled ¥152,407 million, up ¥104,379 million from the previous fiscal year-end. This rise was primarily due to an increase in total accumulated other comprehensive income of ¥46,537 million, which resulted from fluctuations in foreign exchange and stock prices, as well as respective ¥25,000 million increases in both common stock and capital surplus following the payment of a third-party allotment from Sony Corporation.

As a result of the above, the equity ratio increased from 4.6% from the end of the previous fiscal year to 15.5%.



Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥25,233 million, down ¥5,656 million from the previous fiscal year. Major factors increasing cash included the recording of income before income taxes and minority interests of ¥19,142 million, compared with loss before income taxes and minority interests of ¥9,495 million in the previous fiscal year; a ¥1,967 million rise in decrease in prepaid pension cost; and the recording of decrease in inventories of ¥1,048 million, compared with increase in inventories of ¥9,742 million in the previous fiscal year. Major factors decreasing cash included the recording of loss on sale of investment securities in subsidiaries and affiliates, net of ¥20,026 million, compared with gain on sale of investment securities in subsidiaries and affiliates, net of ¥38 million in the previous fiscal year; decrease in impairment loss on fixed assets of ¥8,239 million; decrease in provision for loss on business liquidation of ¥3,060 million, compared with increase in provision for loss on business liquidation of ¥3,205 million in the previous year; increase in non-current lease receivables of ¥6,969 million, compared with decrease in non-current lease receivables of ¥2,145 million in the previous year; and commission fee for contract modification of ¥3,392 million.

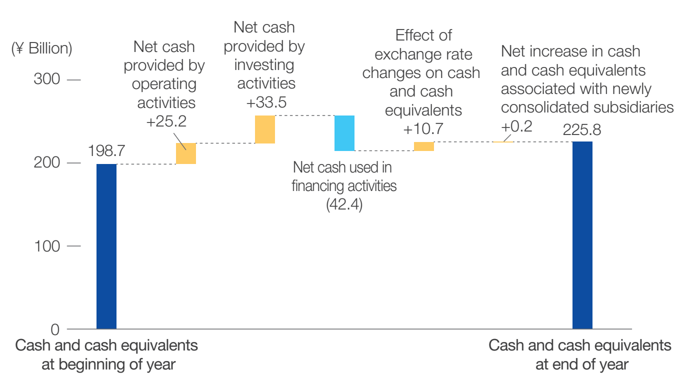
Cash Flows from Investing Activities

Net cash provided by investing activities was ¥33,455 million, compared with net cash used in investing activities of ¥35,735 million in the previous fiscal year. Major factors increasing cash included an increase in net increase from sales of investments in subsidiaries resulting in changes in scope of consolidation of ¥52,602 million, a decrease in purchases of intangible assets of ¥8,541 million, and the absence of payments for acquisition of newly consolidated subsidiaries, compared with ¥6,584 million recorded in the previous fiscal year. Major factors decreasing cash included an increase in payments for loans receivable of ¥2,052 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥42,436 million, up ¥36,675 million compared with the previous fiscal year. Major factors increasing cash included the recording of proceeds from issuance of new shares of common stock of ¥49,953 million and a decrease in repayments of long-term borrowings of ¥20,262 million. Major factors decreasing cash included the recording of decrease in short-term borrowings of ¥27,782 million, compared with increase in short-term borrowings of ¥2,722 million in the previous fiscal year; the absence of proceeds from long-term borrowings, compared with ¥60,244 million in the previous fiscal year; and an increase in redemption of bonds of ¥19,800 million.

As a result, cash and cash equivalents at end of year amounted to ¥225,782 million, an increase of ¥27,121 million compared with the end of the previous fiscal year.



Risk Information

A number of factors could significantly affect the business performance of the Olympus Group. To respond to such risks, Olympus newly formed the CSR Committee in 2011 and is strengthening activities pertaining to risk management. In addition, Olympus has established risk management rules, the Risk Management Promotion Committee based on those rules, and made decisions on risk management policies and evaluation, verification, and procedural guidelines.

Moreover, in October 2012, the former Risk Management Bureau was revised and renamed the Risk Management Department to further strengthen the Company's risk management structure. Within the Risk Management Department, we have assembled a full-time staff that collects and assesses information, formulates countermeasures, and ensures their effectiveness. In addition, the division works with each regional business center, business division, and affiliate to develop risk management structures. Should any risks arise that could have a significant impact on the maintenance of the Company's corporate value, such risks are immediately reported to the president and the CSR Committee, which collaborate with related divisions to determine appropriate countermeasures and ensure prompt resolution of the issue. Olympus is also developing a structure to respond to rapidly developing crises and thereby minimize the impact on corporate value.

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

Business Risks

(1) Risks Associated with Sales Activities

1. In the Medical Business, it is possible that healthcare policies may be amended in an unforeseeable and material manner due to healthcare system reforms or that some other significant change may occur in the medical industry. If the Olympus Group is unable to adapt to such environmental changes or obtain the licenses and approvals in various countries necessary for its business activities in a timely manner, earnings may be affected.
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 the curtailment of national budgets for such reasons as macroeconomic changes may affect earnings.
3. In the digital camera field of the Imaging Business, market conditions are growing ever harsher. If the market contracts more rapidly than anticipated, the Group may be unable to adequately counter the resulting sales decline with its restructuring measures, and earnings may be impacted as a result.

(2) Risks Associated with Production and Development Activities

1. In the Imaging Business, core production 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, the destabilization of conditions or the 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 Business Partnerships and Corporate Acquisitions

1. Olympus has formed long-term strategic partnerships related to technologies and product development with leading companies in the industry. Inability to maintain such partnerships due to the occurrence of financial or other business-related issues with strategic partners, changes in goals, or other reasons may hinder the Group's business activities.

2. Olympus may acquire companies for the purpose of business expansion. Inability to integrate acquired businesses in accordance with the Group's management strategies or inability to efficiently utilize the management resources of existing businesses or acquired businesses may affect the Group's operations, business performance, or financial position for such reasons as the recording of impairment of goodwill, loss on sales of businesses associated with business reorganizations, or expenses for business liquidation.
3. As of March 31, 2013, the Olympus Group held listed stocks with a total value of ¥43,904 million and unlisted stocks with a total value of ¥2,584 million as investments for the purpose of facilitating business alliances. The stock price of listed stocks is determined based upon market principles. Accordingly, fluctuations in market trends could cause the value of these stocks to decline. For unlisted stocks, it is possible that the estimated value of these stocks could decline due to changes in the financial position of the company in question. Such price fluctuations could force the Group to record loss on valuation of investment securities, and the Group's earnings or financial position could be affected as a result.

(4) Risks Associated with Financing

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

(5) Risks Associated with Leakage of Information

The Group possesses important confidential information, such as technical information and personal information of customers and other interested parties. The Group has taken various measures to prevent leakage of such information outside the Group, including the preparation of internal regulations, 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 such factors as damage to the Group's corporate value, loss of public trust, or the payment of compensation to customers or other interested parties affected by the leakage.

(6) Risks Associated with Deferred Posting of Past Losses

A case is pending in the Tokyo District Court in which the Company is charged with violations of the Securities and Exchange Act 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. In its closing argument, the prosecution sought ¥1.0 billion in fines for the violations. The results of these proceedings may affect the Group's business performance or financial position. Furthermore, shareholders of the Company have filed legal complaints 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. As of the publishing date of the Company's securities filings, the following major lawsuits have been filed against the Company.

1. On July 23, 2012, Terumo Corporation, a shareholder of the Company, filed a complaint against the Company seeking damages of ¥6,612 million and 5% per annum interest on this amount for the period from August 22, 2005, up to the payment of the principal.
2. On June 28, 2012, 49 plaintiffs (of which one company withdrew its claim before the complaint was received), including the Teachers' Retirement System of the State of Illinois as well as non-Japanese institutional investors and pension funds that are shareholders of the Company, filed a complaint against the Company (the date the Company received the complaint was November 12, 2012) seeking damages of ¥19,138 million and 5% per annum interest on this amount for the period from October 14, 2011, up to the payment of the principal. (On March 15, 2013, a petition to change the claim was submitted, and the damages sought were changed to ¥20,851 million and 5% per annum interest on this amount for the period from November 8, 2011, up to the payment of the principal accordingly.)

3. On December 13, 2012, 68 plaintiffs (of which two companies withdrew their claims after the complaint was sent), including California Public Employees' Retirement System as well as non-Japanese investors and pension funds that are shareholders of the Company, filed a complaint against the Company (the date the Company received the complaint was March 29, 2013) seeking damages of ¥5,892 million (which was reduced to ¥5,875 million following the above-mentioned withdrawals) and 5% per annum interest on this amount for the period from October 14, 2011, up to the payment of the principal.

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 above-mentioned 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). However, on August 29, 2012, the Company held consultations with the correspondent financial institutions and concluded agreements with them to amend the relevant clauses on the basis of the consultations, and the infringements were cancelled as a result.

(7) 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's stock as Security 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 written affirmation on the internal control system, the Company's shares may be delisted, which may affect the Olympus Group's business performance and financial position. Even after the removal of this designation, the Company will continue to revise its internal control systems to minimize risks. However, it is still possible that a legal violation may occur and the Company's performance may be impacted.

Further, the Security on Alert designation was lifted from the Company's stock on June 11, 2013.

(8) 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, 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 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Notes 4, 17 and 27)	¥ 200,088	¥ 229,610	$ 2,442,660
Notes and accounts receivable (Notes 4 and 6)	150,594	125,231	1,332,245
Allowance for doubtful accounts	(3,098)	(3,297)	(35,074)
Lease receivables and leased investment assets (Notes 17 and 32)	18,888	21,777	231,670
Inventories (Note 7)	102,493	99,307	1,056,457
Deferred income taxes (Note 14)	23,574	25,087	266,883
Other current assets	34,019	43,322	460,872
Total current assets	526,558	541,037	5,755,713
PROPERTY, PLANT AND EQUIPMENT:			
Land	15,931	15,172	161,404
Buildings and structures (Note 17)	129,654	127,908	1,360,723
Machinery and equipment (Note 17)	211,195	229,828	2,444,979
Leased assets	9,402	11,523	122,585
Construction in progress	1,131	1,853	19,713
	367,313	386,284	4,109,404
Less-Accumulated depreciation	(239,505)	(256,482)	(2,728,532)
Net property, plant and equipment	127,808	129,802	1,380,872
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 5)	51,318	48,614	517,170
Deferred income taxes (Note 14)	8,167	9,418	100,191
Goodwill (Note 20)	124,465	106,346	1,131,340
Other assets (Notes 12, 17 and 32)	136,106	133,326	1,418,362
Allowance for doubtful accounts (Note 12)	(7,896)	(8,461)	(90,010)
Total investments and other assets	312,160	289,243	3,077,053
Total assets	¥ 966,526	¥ 960,082	$10,213,638

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	**2013**	**2013**
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 4, 8 and 17)	¥ 63,092	**¥ 39,637**	**$ 421,670**
Current maturities of long-term debt (Notes 4, 9 and 17)	49,023	**97,873**	**1,041,202**
Notes and accounts payable (Notes 4 and 10)	75,330	**42,272**	**449,702**
Other payables	36,947	**31,221**	**332,138**
Accrued expenses	62,613	**67,676**	**719,957**
Provision for warranty costs	7,336	**7,513**	**79,926**
Income taxes payable (Note 14)	8,228	**12,622**	**134,277**
Other current liabilities	17,824	**18,046**	**191,979**
Total current liabilities	320,393	**316,860**	**3,370,851**
NON-CURRENT LIABILITIES:			
Long-term debt, less current maturities (Notes 4, 9 and 17)	530,311	**422,880**	**4,498,723**
Deferred income taxes (Note 14)	29,456	**28,381**	**301,926**
Provision for retirement benefits (Note 11)	24,062	**27,736**	**295,064**
Provision for loss on business liquidation	3,205	**145**	**1,543**
Other non-current liabilities	11,071	**11,673**	**124,180**
Total non-current liabilities	598,105	**490,815**	**5,221,436**
Total liabilities	918,498	**807,675**	**8,592,287**
CONTINGENT LIABILITIES (Note 16)			
NET ASSETS (Note 15):			
Common stock:			
Authorized 1,000,000,000 shares			
Issued 271,283,608 and 305,671,508 shares as of March 31, 2012 and 2013, respectively	48,332	**73,332**	**780,128**
Capital surplus	54,788	**79,788**	**848,809**
Retained earnings	60,197	**68,000**	**723,404**
Treasury stock, at cost	(11,249)	**(11,255)**	**(119,735)**
Total shareholders' equity	152,067	**209,865**	**2,232,606**
Net unrealized holding gains on available-for-sale securities, net of taxes	3,128	**6,295**	**66,968**
Net unrealized gains (losses) on hedging derivatives, net of taxes	(1,268)	**20**	**213**
Foreign currency translation adjustments	(102,067)	**(58,029)**	**(617,330)**
Pension liability adjustments of foreign subsidiaries	(7,090)	**(9,046)**	**(96,234)**
Total accumulated other comprehensive income	(107,297)	**(60,760)**	**(646,383)**
Minority interests	3,258	**3,302**	**35,128**
Total net assets	48,028	**152,407**	**1,621,351**
Total liabilities and net assets	¥ 966,526	**¥ 960,082**	**$10,213,638**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011, 2012 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011 As restated (Note 1)	2012	**2013**	**2013**
Net sales	¥847,105	¥848,548	**¥743,851**	**$7,913,309**
Cost of sales (Note 7)	459,420	464,743	**365,653**	**3,889,926**
Gross profit	387,685	383,805	**378,198**	**4,023,383**
Selling, general and administrative expenses (Note 18)	349,306	348,287	**343,121**	**3,650,223**
Operating income	38,379	35,518	**35,077**	**373,160**
Other income (expenses):				
Interest expense, net	(11,913)	(13,167)	**(12,940)**	**(137,660)**
Gain (loss) on available-for-sale securities, net	(2,346)	1,163	**999**	**10,628**
Foreign currency exchange gain (loss), net	2,615	162	**(1,954)**	**(20,787)**
Equity in earnings of affiliates, net	574	144	**22**	**234**
Reversal of provision for loss on restructuring of business	—	—	**1,348**	**14,340**
Gain on sales of fixed assets	—	—	**1,316**	**14,000**
Gain (loss) on sales of investment securities in subsidiaries and affiliates, net	(77)	(38)	**20,027**	**213,053**
Commission fee for contract modification (Note 1)	—	—	**(3,392)**	**(36,085)**
Gain on transfer of business	2,696	—	**—**	**—**
Amortization of negative goodwill	2,408	—	**—**	**—**
Impairment loss on fixed assets (Note 19)	(482)	(15,839)	**(7,600)**	**(80,851)**
Write-off of previously recorded of goodwill (Note 20)	(631)	(1,179)	**—**	**—**
Loss on step acquisitions	(310)	—	**—**	**—**
Loss on adoption of accounting standard for asset retirement obligations (Note 2)	(311)	—	**—**	**—**
Loss on natural disaster	(608)	—	**—**	**—**
Loss on funds (Note 21)	(327)	—	**—**	**—**
Provision of allowance for doubtful accounts on Funds (Note 22)	(2,448)	—	**—**	**—**
Loss on restructuring of businesses (Note 23)	—	(3,392)	**(2,947)**	**(31,351)**
Provision for loss on business liquidation	—	(3,205)	**—**	**—**
Expenses related to restatement of prior periods (Note 24)	—	(2,001)	**—**	**—**
Extra severance payments for voluntary retirement (Note 25)	—	—	**(1,336)**	**(14,213)**
Soil improvement cost	—	—	**(187)**	**(1,989)**
Settlement package (Note 26)	—	—	**(1,231)**	**(13,096)**
Other, net	(7,281)	(7,661)	**(8,060)**	**(85,745)**
Total	(18,441)	(45,013)	**(15,935)**	**(169,522)**
Income (loss) before income taxes and minority interests	19,938	(9,495)	**19,142**	**203,638**
Income taxes (Note 14):				
Current	17,362	16,293	**15,838**	**168,489**
Deferred	(1,737)	22,989	**(4,938)**	**(52,532)**
Total	15,625	39,282	**10,900**	**115,957**
Income (loss) before minority interests	4,313	(48,777)	**8,242**	**87,681**
Minority interests	(447)	(208)	**(222)**	**(2,362)**
Net income (loss)	¥ 3,866	¥ (48,985)	**¥ 8,020**	**$ 85,319**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011, 2012 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011 As restated (Note 1)	2012	**2013**	**2013**
Income (loss) before minority interests	¥ 4,313	¥(48,777)	**¥ 8,242**	**$ 87,681**
Other comprehensive income (Note 33):				
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	(1,467)	(3,396)	**3,165**	**33,670**
Net unrealized gains (losses) on hedging derivatives, net of taxes	(233)	(510)	**1,288**	**13,702**
Foreign currency translation adjustments	(29,013)	(6,858)	**44,145**	**469,628**
Pension liability adjustments of foreign subsidiaries	481	(3,447)	**(1,956)**	**(20,809)**
Changes in share of other comprehensive income of affiliates	(206)	—	**—**	**—**
Share of other comprehensive income of affiliates	(6)	(2)	**5**	**53**
Total other comprehensive income	(30,445)	(14,213)	**46,647**	**496,244**
Comprehensive income	¥(26,131)	¥(62,990)	**¥54,889**	**$583,925**
Total comprehensive income attributable to:				
Shareholders of Olympus Corporation	¥(26,884)	¥(63,203)	**¥54,556**	**$580,382**
Minority interests	¥ 753	¥ 213	**¥ 333**	**$ 3,543**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011, 2012 and 2013

	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 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 as restated (Note 1)			3,866		3,866
Change in scope of consolidation as restated (Note 1)			(872)		(872)
Decrease in retained earnings due to changes in equity as restated (Note 1)			(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 April 1, 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 April 1, 2012	¥48,332	¥54,788	¥ 60,197	¥(11,249)	¥152,067
Issuance of common stock	25,000	25,000			50,000
Net income			8,020		8,020
Change in scope of consolidation			(217)		(217)
Acquisition of treasury stock				(6)	(6)
Net changes during the year	25,000	25,000	7,803	(6)	57,798
Balance at March 31, 2013	**¥73,332**	**¥79,788**	**¥ 68,000**	**¥(11,255)**	**¥209,865**

	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 adjustments of foreign subsidiaries	Total accumulated other comprehensive income	Minority interests	Total net assets as restated (Note 1)
Balance at April 1, 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 as restated (Note 1)					—		3,866
Change in scope of consolidation as restated (Note 1)					—		(872)
Decrease in retained earnings due to changes in equity as restated (Note 1)					—		(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 April 1, 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 April 1, 2012	¥ 3,128	¥(1,268)	¥(102,067)	¥(7,090)	¥(107,297)	¥ 3,258	¥ 48,028
Issuance of common stock					—		50,000
Net income					—		8,020
Change in scope of consolidation					—		(217)
Acquisition of treasury stock					—		(6)
Net change in items other than shareholders' equity	3,167	1,288	44,038	(1,956)	46,537	44	46,581
Net changes during the year	3,167	1,288	44,038	(1,956)	46,537	44	104,379
Balance at March 31, 2013	**¥ 6,295**	**¥ 20**	**¥ (58,029)**	**¥(9,046)**	**¥ (60,760)**	**¥ 3,302**	**¥152,407**

	Thousands of U.S. dollars (Note1)				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	$514,170	$582,851	$640,394	$(119,670)	$1,617,745
Issuance of common stock	265,958	265,958			531,916
Net income			85,319		85,319
Change in scope of consolidation			(2,309)		(2,309)
Acquisition of treasury stock				(65)	(65)
Net changes during the year	265,958	265,958	83,010	(65)	614,861
Balance at March 31, 2013	**$780,128**	**$848,809**	**$723,404**	**$(119,735)**	**$2,232,606**

	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 adjustments of foreign subsidiaries	Total accumulated other comprehensive income	Minority interests	Total net assets as restated (Note 1)
Balance at April 1, 2012	$33,277	$(13,489)	$(1,085,819)	$(75,426)	$(1,141,457)	$34,660	$ 510,948
Issuance of common stock					—		531,916
Net income					—		85,319
Change in scope of consolidation					—		(2,309)
Acquisition of treasury stock					—		(65)
Net change in items other than shareholders' equity	33,691	13,702	468,489	(20,808)	495,074	468	495,542
Net changes during the year	33,691	13,702	468,489	(20,808)	495,074	468	1,110,403
Balance at March 31, 2013	**$66,968**	**$ 213**	**$ (617,330)**	**$(96,234)**	**$ (646,383)**	**$35,128**	**$1,621,351**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2011, 2012 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011 As restated (Note 1)	2012	**2013**	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income (loss) before income taxes and minority interests	¥ 19,938	¥ (9,495)	**¥ 19,142**	**$ 203,638**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	34,188	33,787	**33,899**	**360,628**
Impairment loss on fixed assets (Note 19)	482	15,839	**7,600**	**80,851**
Amortization of goodwill	12,249	12,283	**9,683**	**103,011**
Amortization of negative goodwill	(2,408)	—	**—**	**—**
Commission fee for contract modification	—	—	**3,392**	**36,085**
Settlement package (Note 26)	—	—	**1,231**	**13,096**
Extra severance payments for voluntary retirement (Note 25)	—	—	**1,336**	**14,213**
Increase (decrease) in provision for retirement benefit	(150)	1,445	**794**	**8,447**
(Increase) decrease in prepaid pension cost	(1,581)	2,051	**4,018**	**42,745**
Decrease in provision for warranty costs	(1,170)	(716)	**(419)**	**(4,457)**
Interest income	(831)	(859)	**(1,002)**	**(10,659)**
Interest expense	12,744	14,026	**13,942**	**148,319**
Equity in earnings of affiliates, net	(574)	(144)	**(22)**	**(234)**
Gain on transfer of business	(2,696)	—	**—**	**—**
(Gain) loss on available-for-sale securities, net	2,346	(1,163)	**(999)**	**(10,628)**
Increase (decrease) in provision for loss on business liquidation	—	3,205	**(3,060)**	**(32,553)**
(Gain) loss on sale of investment securities in subsidiaries and affiliates, net	77	38	**(20,026)**	**(213,043)**
(Increase) decrease in accounts receivable	9,969	(11,681)	**(10,063)**	**(107,053)**
(Increase) decrease in inventories	(3,452)	(9,742)	**1,048**	**11,149**
Increase (decrease) in accounts payable	(5,731)	6,792	**6,707**	**71,351**
Increase (decrease) in other payables	(3,825)	260	**3,217**	**34,223**
Increase in accrued expense	1,565	3,719	**1,458**	**15,511**
(Increase) decrease in non-current lease receivables	(903)	2,145	**(6,969)**	**(74,138)**
Increase in allowance for doubtful accounts on funds	2,448	—	**—**	**—**
Loss on funds (Note 21)	327	—	**—**	**—**
Other	1,937	1,182	**(1,203)**	**(12,799)**
Sub-total	74,949	62,972	**63,704**	**677,703**
Interest and dividends received	1,708	1,836	**1,843**	**19,606**
Interest paid	(13,081)	(13,990)	**(13,852)**	**(147,362)**
Commission fee for contract modification	—	—	**(3,392)**	**(36,085)**
Settlement charge (Note 26)	—	—	**(1,231)**	**(13,096)**
Extra severance payments for voluntary retirement (Note 25)	—	—	**(1,336)**	**(14,213)**
Outflow of money from funds (Note 30)	(2,448)	—	**—**	**—**
Income taxes paid	(30,659)	(19,929)	**(20,503)**	**(218,117)**
Net cash provided by operating activities	30,469	30,889	**25,233**	**268,436**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Deposits in time deposits	(4,810)	(2,007)	**(3,846)**	**(40,915)**
Withdrawals from time deposits	5,227	3,719	**2,913**	**30,989**
Purchases of property, plant and equipment	(20,243)	(22,761)	**(24,023)**	**(255,564)**
Purchases of intangible assets	(9,381)	(12,483)	**(3,942)**	**(41,936)**
Purchases of investment securities	(3,745)	(1,076)	**(373)**	**(3,968)**
Sales of investment securities	7,756	4,155	**6,506**	**69,213**
Payments for acquisition of newly consolidated subsidiaries (Note 28)	(12,328)	(6,584)	**—**	**—**
Net increase from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 29)	201	27	**52,629**	**559,883**
Payments for acquisition of subsidiaries	(5,817)	(624)	**—**	**—**
Payments for loans receivable	(3,578)	(1)	**(2,053)**	**(21,840)**
Proceeds from loans receivable	120	2,408	**3,885**	**41,330**
Payments for transfer of business	(6,529)	—	**—**	**—**
Proceeds from transfer of business	5,797	—	**—**	**—**
Collection of assets held by the Funds (Note 31)	65,553	—	**—**	**—**
Other	780	(508)	**1,759**	**18,712**
Net cash provided by (used in) investing activities	19,003	(35,735)	**33,455**	**355,904**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings	(13,980)	2,722	**(27,782)**	**(295,553)**
Proceeds from long-term borrowings	34,501	60,244	**—**	**—**
Repayments of long-term borrowings	(18,908)	(63,197)	**(42,935)**	**(456,755)**
Redemption of bonds	(20,040)	(240)	**(20,040)**	**(213,191)**
Proceeds from issuance of new shares of common stock	—	—	**49,953**	**531,415**
Payments for acquisition of treasury stock	(10,006)	(152)	**(4)**	**(42)**
Dividends paid	(8,099)	(4,004)	**—**	**—**
Dividends paid to minority shareholders	(40)	(22)	**(75)**	**(798)**
Other	(787)	(1,112)	**(1,553)**	**(16,523)**
Net cash used in financing activities	(37,359)	(5,761)	**(42,436)**	**(451,447)**
Effect of exchange rate changes on cash and cash equivalents	(5,931)	(1,220)	**10,701**	**113,840**
Net increase (decrease) in cash and cash equivalents	6,182	(11,827)	**26,953**	**286,733**
Cash and cash equivalents at beginning of year	203,013	210,385	**198,661**	**2,113,416**
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries	1,190	103	**168**	**1,787**
Cash and cash equivalents at end of year (Note 27)	¥210,385	¥198,661	**¥225,782**	**$2,401,936**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Olympus Corporation and Consolidated Subsidiaries

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

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

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

Based on such findings of the investigation of the independent Third Party Committee, it was determined that the Company substantially controlled the Funds, which had losses on securities investments and had not previously been consolidated for the purpose of deferring recognition of losses. Accordingly, the Company has restated its consolidated financial statements by consolidating the Funds and reflecting 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 amounts paid to buy back preferred shares to illegitimate financial advisors in connection with the acquisition of Gyrus, which were used to offset 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)
April 1, 2010:			
Retained earnings	¥ 168,238	¥ 114,719	¥(53,519)
Total net assets	216,891	163,131	(53,760)
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)

Further, the impact of the restatement and consolidation of the Funds has been reflected in the consolidated financial statements as follows:

- Upon consolidation of the Funds, the Company consolidated cash held by the Funds as part of fund investment assets (Note 31 "Collection of assets held by the funds") and recorded management fees incurred by the fund managers (Note 21 "Loss on funds").
- Upon discovery of the illegitimate payments to external collaborators, the Company recorded a non-current receivable and off-setting allowance for doubtful accounts of the Funds (Notes 12 "Allowance for doubtful accounts," 22 "Provision of allowance for doubtful accounts on funds" and 30 "Outflow of money from funds").
- In connection with the restatement of the financial statements and investigation of the events, the Company incurred fees of approximately ¥2,000 million ($21,277 thousand) for the year ended March 31, 2012.
- As an indirect consequence of these events, the Company (a) made a settlement payment to its former president (Note 28 "Cash flow related to payments for acquisition of newly consolidated subsidiaries"), (b) received service of complaint in connection with various lawsuits brought against the Company (Note 40 "Supplemental information") and (c) modified the terms of its syndicated loan due to violation of

certain financial covenants and incurred commission fees of ¥3,392 million ($36,085 thousand) recorded in the statement of operations for the year ended March 31, 2013.

In addition, certain reclassifications have been made in the 2011 and 2012 consolidated financial statements to conform to the classification used in the 2013 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 ¥94 to US$1.00, the approximate rate of exchange prevailing at March 31, 2013. 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, 2013, the accounts of 167 (185 in 2011 and 192 in 2012) subsidiaries have been included in the consolidated financial statements.

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, 2013, 3 (4 in 2011 and 4 in 2012) 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. Where there has been a significant decline in the value of such investments, the Company has written down the investments. The differences between acquisition cost and underlying net equity at the time of acquisition (goodwill) are amortized on the straight-line method in the range of mainly 5 to 20 years.

(c) Cash and Cash Equivalents

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

(d) Securities

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

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

(e) Derivative and Hedge Accounting

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

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

(f) Inventories

Inventories are stated at the lower 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 for the years ended March 31, 2011, 2012 and 2013 were as follows:

	2011	2012	**2013**
Buildings and structures	10.7%	11.0%	**10.2%**
Machinery and equipment	31.4%	32.9%	**29.8%**

(h) Allowance for Doubtful Accounts

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

(i) Provision for Warranty Costs

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

(j) Provision for Retirement Benefits

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

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

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

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

Provision for retirement benefits presented in the non-current liabilities of the consolidated balance sheets included retirement allowance for directors and corporate auditors as of March 31, 2012 and 2013.

(k) Provision for Loss on Business Liquidation

Provision for loss on business liquidation is provided for anticipated loss from liquidation of businesses to be carried out by certain subsidiaries of the Company.

(l) Research and Development

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

(m) Lease Transactions

Non-cancelable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and 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 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. Accounting Standard for Accounting Changes and Error Corrections

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. New Accounting Standards Not Yet Applied

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25). The major changes are as follows:

(1) Treatment of actuarial gains and losses and past service costs

(a) Treatment in the balance sheet

Under the new standard and guidance, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section (accumulated other comprehensive income ("AOCI")), after adjusting for tax effects, and the deficit or surplus would be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits) without any adjustments.

(b) Treatment in the statement of operations and the statement of comprehensive income

Actuarial gains and losses and past service costs that arose in the current period and are yet to be recognized in profit or loss would be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in AOCI in prior periods and then recognized in profit or loss in the current period would be treated as reclassification adjustments.

(2) Adoption date

The Company will adopt the new standard and guidance from the year end of the fiscal year starting on April 1, 2013.

(3) Impact on the Company

The Company is currently evaluating the effects of adoption of the new standard and guidance on the consolidated financial statements.

4. Financial Instruments

Overview

(1) Policy for financial instruments

In consideration of plans for capital investment, the Company and its consolidated subsidiaries (collectively, the "Group") raise funds through bank borrowings and issuance of bonds. The Group manages temporary cash surpluses through low-risk financial assets. 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 creditworthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by foreign exchange forward 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, foreign exchange forward 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 8 years and 2 months from the balance sheet date. The debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for certain debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

Regarding derivatives, the Group enters into foreign exchange forward 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 34 “Derivative financial instruments.”

(3) Risk management for financial instruments

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

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

As of March 31, 2013, 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 foreign exchange forward 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 executing derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions. Monthly reports including actual transaction data are submitted to the director in charge of treasury function and the Board of Directors for their review.

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

Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis and keeps its liquidity in hand over a certain ratio of consolidated sales, in order to manage liquidity risk.

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

The fair value of financial instruments is based on 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 values. In addition, the notional amounts of derivatives in Note 34 “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 2013 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) "Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2012 and 2013" 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	¥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	¥717,756	¥653,855	¥(63,901)
Derivatives*	¥ (1,922)	¥ (1,922)	¥ —

As of March 31, 2013	Millions of yen		
	Carrying value	Estimated fair value	Difference
Assets			
1) Cash and deposits	¥229,610	¥229,610	¥ —
2) Notes and accounts receivable	125,231	125,231	—
3) Investment securities	43,904	43,904	—
Total	¥398,745	¥398,745	¥ —
Liabilities			
1) Notes and accounts payable	¥ 42,272	¥ 42,272	¥ —
2) Short-term borrowings	39,637	39,637	—
3) Bonds, including current maturities	90,000	90,424	424
4) Long-term borrowings, including current maturities	430,753	442,623	11,870
Total	¥602,662	¥614,956	¥12,294
Derivatives*	¥ (185)	¥ (185)	¥ —

As of March 31, 2013	Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Difference
Assets			
1) Cash and deposits	$2,442,660	$2,442,660	$ —
2) Notes and accounts receivable	1,332,245	1,332,245	—
3) Investment securities	467,064	467,064	—
Total	$4,241,969	$4,241,969	$ —
Liabilities			
1) Notes and accounts payable	$ 449,702	$ 449,702	$ —
2) Short-term borrowings	421,670	421,670	—
3) Bonds, including current maturities	957,447	961,957	4,510
4) Long-term borrowings, including current maturities	4,582,479	4,708,755	126,276
Total	$6,411,298	$6,542,084	$130,786
Derivatives*	$ (1,968)	$ (1,968)	$ —

* The value of assets and liabilities arising from derivatives is shown at net value, with the amount in parentheses representing a 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 5 “Securities.”

Notes and accounts payable and Short-term borrowings

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

Bonds

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

Long-term borrowings

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

Derivatives transactions

Please refer to Note 34 “Derivative financial instruments.”

2) Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
1) Non-listed equity securities	¥ 937	¥ 737	$ 7,840
2) Others	1,826	1,847	19,649
Total	¥2,763	¥2,584	$27,489

Because no quoted market price is available and estimating their future cash flow is deemed to be prohibitively expensive, therefore, 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 2013

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, 2013	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	¥229,570	¥ —	¥ —	¥ —
Notes and accounts receivable	125,231	—	—	—
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	705	1,141	—	—
Total	¥355,506	¥1,141	¥ —	¥ —

As of March 31, 2013	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	$2,442,234	$ —	$ —	$ —
Notes and accounts receivable	1,332,245	—	—	—
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	7,500	12,138	—	—
Total	$3,781,979	$12,138	$ —	$ —

4) Repayment schedule for bonds, long-term borrowings, lease payables and the other interest-bearing debt with maturities at March 31, 2012 and 2013

As of March 31, 2012	Millions of yen					
	Within a year	Over a year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 63,092	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	20,040	35,040	40	—	30,000	25,000
Long-term borrowings	28,983	67,795	87,515	68,499	20,069	196,353
Lease payables	1,580	1,472	1,241	837	605	170
Total	¥113,695	¥104,307	¥88,796	¥69,336	¥50,674	¥221,523

	Millions of yen					
As of March 31, 2013	Within a year	Over a year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 39,637	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	35,000	—	—	30,000	—	25,000
Long-term borrowings	62,873	79,653	70,720	20,695	75,331	121,481
Lease payables	2,007	1,656	1,499	712	273	54
Total	¥139,517	¥81,309	¥72,219	¥51,407	¥75,604	¥146,535

As of March 31, 2013	Thousands of U.S. dollars					
	Within a year	Over a year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	$ 421,670	$ —	$ —	$ —	$ —	$ —
Bonds	372,340	—	—	319,149	—	265,957
Long-term borrowings	668,862	847,372	752,340	220,160	801,394	1,292,351
Lease payables	21,351	17,617	15,947	7,574	2,904	574
Total	$1,484,223	$864,989	$768,287	$546,883	$804,298	$1,558,882

Note: Repayment dates of security deposits included in the other interest-bearing debt are not determined.

5. Securities

The following tables summarize acquisition cost and book value of securities with fair value as of March 31, 2012 and 2013:

Available-for-sale securities

Securities with book value exceeding acquisition cost

	Millions of yen						Thousands of U.S. dollars		
	2012			**2013**			**2013**		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥22,991	¥30,310	¥7,319	**¥25,262**	**¥34,386**	**¥9,124**	**$268,745**	**$365,809**	**$97,064**
Others	230	584	354	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥23,221	¥30,894	¥7,673	**¥25,262**	**¥34,386**	**¥9,124**	**$268,745**	**$365,809**	**$97,064**

Securities with book value not exceeding acquisition cost

	Millions of yen						Thousands of U.S. dollars		
	2012			**2013**			**2013**		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥18,543	¥14,877	¥(3,666)	**¥10,977**	**¥9,518**	**¥(1,459)**	**$116,777**	**$101,255**	**$(15,522)**
Others	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥18,543	¥14,877	¥(3,666)	**¥10,977**	**¥9,518**	**¥(1,459)**	**$116,777**	**$101,255**	**$(15,522)**

Note: In the years ended March 31, 2012 and 2013, the Company recognized impairment loss of ¥708 million and ¥532 million ($5,660 thousand), respectively, on available-for-sale securities with fair value.

The Company recognizes impairment loss when the fair market value of marketable and investment securities declines to less than 50% of the acquisition cost at the end of the period. In addition, an impairment loss is also recognized when the fair market value declines more than 30% but less than 50%, and the recovery of the fair market value is not expected due to 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, 2011, 2012 and 2013:

	Millions of yen									Thousands of U.S. dollars		
	2011			2012			**2013**			**2013**		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Equity securities	¥ 753	¥123	¥37	¥3,098	¥2,401	¥16	**¥5,901**	**¥2,302**	**¥1,754**	**$62,777**	**$24,489**	**$18,660**
Others	1,055	30	—	239	10	2	**543**	**340**	**—**	**5,777**	**3,617**	**—**
Total	¥1,808	¥153	¥37	¥3,337	¥2,411	¥18	**¥6,444**	**¥2,642**	**¥1,754**	**$68,554**	**$28,106**	**$18,660**

Investments in unconsolidated subsidiaries and affiliates included in investment securities as of March 31, 2012 and 2013 were as follows:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Investment in unconsolidated subsidiaries and affiliates	¥2,797	**¥2,126**	**$22,617**
Total	¥2,797	**¥2,126**	**$22,617**

6. Notes and Accounts Receivable

Notes and accounts receivable as of March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Unconsolidated subsidiaries and affiliates	¥ 1,092	**¥ 81**	**$ 862**
Trade	149,502	**125,150**	**1,331,383**
Total	¥150,594	**¥125,231**	**$1,332,245**

7. Inventories

Inventories as of March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Finished goods	¥ 61,963	**¥59,740**	**$ 635,532**
Work in process and raw materials	40,530	**39,567**	**420,925**
Total	¥102,493	**¥99,307**	**$1,056,457**

Write-downs of inventories for the years ended March 31, 2011, 2012 and 2013 were included in the following account:

	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
Cost of sales	¥1,208	¥1,191	**¥7,571**	**$80,543**

8. 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 0.45% to 12.00% as of March 31, 2012 and 2013, respectively.

9. Long-Term Debt

Long-term debt as of March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
(Unsecured long-term debt)			
2.15% yen bonds, due July 2018	¥ 25,000	**¥ 25,000**	**$ 265,957**
1.09% yen bonds, due July 2012	20,000	**—**	**—**
1.94% yen bonds, due March 2017	20,000	**20,000**	**212,766**
1.58% yen bonds, due July 2013	20,000	**20,000**	**212,766**
1.69% yen bonds, due March 2014	15,000	**15,000**	**159,574**
1.98% yen bonds, due September 2016	10,000	**10,000**	**106,383**
3.03% loan from a Japanese bank, due September 2017	35,000	**35,000**	**372,340**
3.20% loan from a Japanese bank, due July 2018	33,100	**33,100**	**352,128**
2.51% loan from a Japanese bank, due December 2013	27,500	**27,500**	**292,553**
3.78% loan from a Japanese bank, due March 2015	23,783	**25,856**	**275,064**
2.83% loan from a Japanese bank, due September 2015	23,000	**23,000**	**244,681**
2.79% loan from a Japanese bank, due September 2014	21,900	**21,900**	**232,979**
1.89% loan from a Japanese bank, due March 2016	20,000	**20,000**	**212,766**
2.62% loan from a Japanese bank, due September 2013	20,000	**20,000**	**212,766**
3.15% loan from a Japanese bank, due September 2018	20,000	**20,000**	**212,766**
2.99% loan from a Japanese bank, due September 2016	20,000	**20,000**	**212,766**
1.98% loan from a Japanese bank, due December 2017	20,000	**20,000**	**212,766**
3.14% loan from a Japanese bank, due August 2017	20,000	**20,000**	**212,766**
2.51% loan from a Japanese bank, due August 2014	20,000	**20,000**	**212,766**
2.69% loan from a Japanese bank, due December 2013	12,000	**12,000**	**127,660**
1.61% loan from a Japanese bank, due September 2012	10,000	**—**	**—**
2.16% loan from a Japanese bank, due March 2013	10,000	**—**	**—**
1.51% loan from a Japanese bank, due March 2015	10,000	**10,000**	**106,383**
2.75% loan from a Japanese bank, due September 2019	20,000	**20,000**	**212,766**
2.08% loan from a Japanese bank, due May 2015	17,000	**17,000**	**180,851**
2.78% loan from a Japanese bank, due May 2019	18,000	**18,000**	**191,489**
2.50% loan from a Japanese bank, due May 2019	10,000	**10,000**	**106,383**
2.04% loan from a Japanese bank, due May 2021	15,000	**15,000**	**159,574**
Other bonds	120	**—**	**—**
Other loans from foreign banks	193	**200**	**2,127**
Other loans from Japanese banks	39,505	**17,996**	**191,447**
(Secured long-term debt)			
Other loans from Japanese banks	3,233	**4,201**	**44,692**
	579,334	**520,753**	**5,539,925**
Less-Current maturities	(49,023)	**(97,873)**	**(1,041,202)**
	¥530,311	**¥422,880**	**$ 4,498,723**

As of March 31, 2013 the aggregate annual maturities of long-term debt were as follows:

Fiscal years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 97,873	$1,041,202
2015	79,653	847,372
2016	70,720	752,340
2017	50,695	539,309
2018	75,331	801,393
2019 and thereafter	146,481	1,558,309
Total	¥520,753	$5,539,925

10. Notes and Accounts Payable

Notes and accounts payable as of March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Unconsolidated subsidiaries and affiliates	¥ 197	**¥ 31**	**$ 330**
Trade	75,133	**42,241**	**449,372**
Total	¥75,330	**¥42,272**	**$449,702**

11. 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 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Projected benefit obligation	¥ 139,266	**¥ 157,826**	**$ 1,679,000**
Fair value of plan assets	(133,032)	**(152,476)**	**(1,622,085)**
Unrecognized prior service costs	6,791	**4,796**	**51,021**
Unrecognized actuarial loss	(12,551)	**(2,897)**	**(30,819)**
Prepaid pension costs	23,448	**20,345**	**216,436**
Retirement benefits for employees	23,922	**27,594**	**293,553**
Retirement benefit for directors and corporate auditors	140	**142**	**1,511**
Total provision for retirement benefit	¥ 24,062	**¥ 27,736**	**$ 295,064**

Retirement benefit expenses for employees included in the consolidated statements of operations for the years ended March 31, 2011, 2012 and 2013 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
Service costs	¥ 6,588	¥ 7,402	**¥ 8,965**	**$ 95,372**
Interest cost on projected benefit obligation	4,024	3,891	**4,051**	**43,096**
Expected return on plan assets	(5,488)	(5,466)	**(5,744)**	**(61,106)**
Amortization of actuarial loss	3,950	6,427	**(1,889)**	**(20,096)**
Amortization of prior service costs	(1,070)	(1,581)	**8,255**	**87,819**
Retirement benefits expenses	8,004	10,673	**13,638**	**145,085**
Payment for defined contribution plans	268	526	**543**	**5,777**
Total	¥ 8,272	¥11,199	**¥14,181**	**$150,862**

The discount rates used by the Company were mainly 2.0% for the years ended March 31, 2011, 2012 and 2013. The rate of expected return on plan assets used by the Company is mainly 4.0% for the years ended March 31, 2011, 2012 and 2013. 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.

Extra severance payments for voluntary retirement of ¥1,336 million ($14,213 thousand) for the year ended March 31, 2013 are not included in the above table (see Note 25 "Extra severance payments for voluntary retirement").

12. Allowance for Doubtful Accounts

The non-current allowance for doubtful accounts primarily represents an allowance recorded upon restatement and consolidation of the Funds as discussed in Note 1 “Summary of significant accounting policies” (a) “Basis of presenting consolidated financial statements.” Illegitimate payments for fees to external collaborators of ¥7,211 million ($76,713 thousand) were recorded as a non-current receivable and included in non-current other assets on the balance sheet as of March 31, 2012. The Company did not agree to the fees and is seeking collection of the amounts paid, however, collection of such amounts was determined to be doubtful and a full allowance was recorded against the non-current receivable.

13. Stock Option Plans

(1) March 31, 2012

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 2 corporate auditors 144 employees
Class and number of shares for which new subscription rights were offered	Common stock 10,844
Date of rights granted	From August 30, 2005 to July 31, 2008
Period of exercise of rights	From January 1, 2007 to June 26, 2018
Number of stock options unvested:	
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.

(2) **March 31, 2013**

There were no stock options outstanding as of March 31, 2013, because the subsidiary for which stock options to directors had vested was sold and deconsolidated during the year ended March 31, 2013. No options that had already vested as of April 1, 2012 were exercised or lapsed before the sale of the subsidiary.

14. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitants' tax and enterprise tax, which in the aggregate resulted in normal statutory rates of approximately 40.7%, 40.7% and 38.0% for the years ended March 31, 2011, 2012 and 2013, respectively. Income taxes of foreign consolidated subsidiaries are based generally on tax rates applicable in their countries of incorporation.

The following table summarizes the reconciliation between the statutory tax rates and the Company's effective tax rates for consolidated financial statement purposes for the years ended March 31, 2011 and 2013.

The reconciliation for the year ended March 31, 2012 is not stated as net loss before income taxes was recorded.

	2011	2012	**2013**
Japanese statutory tax rates	40.7%	—	**38.0%**
Non-deductible expenses	8.1	—	**2.8**
Non-taxable income	—	—	**(3.2)**
Effect of lower tax rates applied for overseas subsidiaries	(19.3)	—	**(8.0)**
Increase in valuation allowance	27.7	—	**120.7**
Amortization of goodwill	17.0	—	**16.1**
Effect of reorganization of group structure	—	—	**(109.9)**
Other, net	4.2	—	**0.4**
Effective tax rates	78.4%	—	**56.9%**

Significant components of deferred tax assets and liabilities as of March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Deferred tax assets			
Inventories	¥ 6,461	**¥ 6,825**	**$ 72,606**
Prepaid expenses	7,382	**5,915**	**62,926**
Accrued bonuses	5,077	**4,782**	**50,872**
Investments in consolidated subsidiaries	4,859	**3,894**	**41,426**
Unrealized intercompany profits	1,873	**1,969**	**20,947**
Depreciation of property, plant and equipment	5,593	**6,677**	**71,032**
Amortization of intangible assets	4,962	**4,620**	**49,149**
Provision for retirement benefits	8,092	**9,630**	**102,447**
Securities	9,873	**6,519**	**69,351**
Loss carry forward	25,121	**60,479**	**643,394**
Other	21,158	**32,612**	**346,935**
Sub-total	100,451	**143,922**	**1,531,085**
Valuation allowance	(61,026)	**(97,526)**	**(1,037,511)**
Total deferred tax assets	39,425	**46,396**	**493,574**
Prepaid pension expenses	(7,961)	**(6,147)**	**(65,394)**
Basis differences in assets acquired and liabilities assumed upon acquisition	(18,785)	**(17,712)**	**(188,426)**
Other	(10,961)	**(17,236)**	**(183,360)**
Total deferred tax liabilities	(37,707)	**(41,095)**	**(437,180)**
Net deferred tax assets	¥ 1,718	**¥ 5,301**	**$ 56,394**

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 were 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 and net unrealized losses on hedging derivatives, net of taxes by ¥13 million and increase deferred income taxes by ¥805 million and net unrealized holding gains (losses) on available-for-sales securities, net of taxes by ¥77 million as of and for the year ended March 31, 2012.

15. Net Assets

Under the Japanese Corporate Law (the "Law"), the entire amount paid for new shares is required to be designated as common stock.

However, a company may, by a resolution of its Board of Directors, designate an amount not exceeding one-half of the 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 Law.

(1) March 31, 2011

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 April 1, 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
Board of Directors (November 5, 2010)	Common Stock	¥4,050	¥15.00	September 30, 2010	December 3, 2010

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

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

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.

(2) March 31, 2012

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 April 1, 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 purchased from dissenting shareholders opposed to the exchange of shares in which ITX Corporation became a wholly owned subsidiary of the Company, 40,000 shares purchased 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

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

(3) **March 31, 2013**

A summary of information regarding the consolidated statement of changes in net assets for the year ended March 31, 2013 was as follows:

Total number and class of shares issued and treasury stock

Class of shares	As of April 1, 2012 (Number of shares)	Increase (Number of shares)	Decrease (Number of shares)	As of March 31, 2013 (Number of shares)
Shares issued:				
Common stock (Note 1)	**271,283,608**	**34,387,900**	**—**	**305,671,508**
Treasury stock:				
Common stock (Note 2)	**4,421,878**	**3,904**	**—**	**4,425,782**

Notes:
1. The increase in the number of issued shares of common stock includes 34,387,900 shares through the issuance of shares through third-party allotment.
2. The increase in the number of shares of common stock in treasury includes 3,904 shares through the purchase of stock less than one trading unit.

There were no dividends paid in the year ended March 31, 2013, and there were no dividends whose record date is in the year ended March 31, 2013 but whose effective date is in the year ending March 31, 2014.

16. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for notes and bills discounted of ¥357 million and ¥195 million ($2,074 thousand) as of March 31, 2012 and 2013, 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 and ¥93 million ($989 thousand), respectively, and as guarantors of borrowings from banks to third parties, amounting to ¥2,204 million and ¥2,000 million ($21,277 thousand), respectively, as of March 31, 2012 and 2013.

17. Pledged Assets

The following assets were pledged as collateral for long-term debt, current maturities of long-term debt and short-term borrowings as of March 31, 2012 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Cash and deposits	¥ 2,090	**¥ 2,000**	**$ 21,277**
Lease receivables and leased investment assets	7,797	**8,257**	**87,840**
Buildings and structures	1,077	**980**	**10,426**
Machinery and equipment	307	**443**	**4,713**
Other assets	2,970	**4,808**	**51,148**
	¥14,241	**¥16,488**	**$175,404**

The obligations secured by such collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Long-term debt	¥ 3,115	**¥ 4,109**	**$ 43,713**
Current maturities of long-term debt	118	**93**	**989**
Short-term borrowings	7,797	**8,257**	**87,841**
	¥11,030	**¥12,459**	**$132,543**

18. Selling, General and Administrative Expenses

The following table summarizes the major components of selling, general and administrative expenses for the years ended March 31, 2011, 2012 and 2013:

	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
Advertising and promotion expenses	¥ 44,620	¥ 42,612	**¥ 39,946**	**$ 424,957**
Salaries and allowance	102,594	106,401	**104,079**	**1,107,223**
Bonuses	18,952	21,721	**21,699**	**230,840**
Retirement benefit expenses	7,538	9,263	**11,517**	**122,521**
Amortization of goodwill	11,619	11,103	**9,683**	**103,011**
Research and development expenses	38,711	33,113	**28,410**	**302,234**
Depreciation and amortization	24,167	23,423	**23,070**	**245,426**

The total of research and development expenses included in “Selling, general and administrative expenses” and “Cost of sales” for the years ended March 31, 2011, 2012 and 2013 amounted to ¥67,286 million, ¥61,356 million and ¥63,379 million ($674,245 thousand), respectively.

19. Impairment Loss on Fixed Assets

The losses on impairment of fixed assets that the Company and its consolidated subsidiaries recorded for the years ended March 31, 2011, 2012 and 2013 were as follows:

For the year ended March 31, 2011

Use	Type of assets	Location	Millions of yen
Assets used for Others business	Construction in progress	Nagano	¥482
Total			¥482

For the year ended March 31, 2012

Use	Type of assets	Location	Millions of yen
Assets used for Imaging Business	Land	Tokyo, Guangdong Province in China and others	¥ 3,008
	Buildings and structures		4,051
	Tools, furniture and fixtures		1,265
	Machinery and equipment		1,404
	Right of using facilities		122
	Patent		284
	Software, etc.		865
	Long-term prepaid expenses		594
Assets used for Others business	Land	Nagano and others	345
	Buildings and structures		222
	Tools, furniture and fixtures		325
	Machinery and equipment		285
	Leased assets		8
	Software, etc.		50
	Long-term prepaid expenses		1,977
Assets used for Life Science and Industrial Business	Patent	—	301
Assets used for Information and Communication Business	Buildings and structures	Tokyo	52
	Tools, furniture and fixtures		6
	Software		12
Idle properties	Buildings and structures	Nagano, Singapore and others	358
	Tools, furniture and fixtures		1
	Machinery and equipment		9
	Leasehold right		5
	Software, etc.		290
Total			¥15,839

For the year ended March 31, 2013

Use	Type of assets	Location	Millions of yen	Thousands of U. S. dollars
Assets used for Imaging Business	Land	Tokyo, Guangdong Province in China and others	¥ 200	$ 2,128
	Buildings and structures		1,236	13,149
	Tools, furniture and fixtures		713	7,585
	Machinery and equipment		573	6,096
	Construction in process		66	702
	Right of using facilities		47	500
	Patent		102	1,085
	Software, etc.		364	3,872
	Long-term prepaid expenses		432	4,596
Assets used for Others business	Land	Massachusetts in America and others	10	106
	Buildings and structures		579	6,160
	Tools, furniture and fixtures		8	85
	Machinery and equipment		328	3,489
	Construction in process		3	32
	Leased assets		24	255
	Goodwill		16	170
	Patent		19	202
	Software, etc.		11	117
	Technology-related assets		1,031	10,968
	Marketing rights		348	3,702
Assets scheduled for disposal	Software	Tokyo	1,490	15,852
Total			¥7,600	$80,851

The Company and its consolidated subsidiaries mainly classify their assets for business use into groups based on business segment. However, assets to be disposed of and idle assets are classified as respective independent groups of assets.

Some assets for business use were not expected to make a profit constantly because of deterioration in the business environment. As a result, carrying amounts for assets for business use were written down to their recoverable amounts. The recoverable amount is measured according to the value in use or net selling price based on real estate appraisal. When the value in use based on future cash flows is estimated to be negative, the assets are assumed to have no recoverable value.

With regard to assets scheduled for disposal, a decision has been made to dispose of an in-house system for supporting operational efficiency improvement. As a result, the book value of these assets is considered to be zero.

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

20. Write-Off of Previously Recorded Goodwill

For the year ended March 31, 2012, the Company fully wrote off its goodwill related to subsidiaries because the value was deemed impaired, in accordance with Paragraph 32 (1) of JICPA Accounting Committee Report No. 7 "Practical Guidance for Consolidated Procedures Related to Equity Account in Consolidated Financial Statements."

21. Loss on Funds

Upon restatement and consolidation of the Funds as discussed in Note 1 "Summary of significant accounting policies" (a) "Basis of presenting consolidated financial statements," management fees incurred by the Funds of ¥327 million were recorded as other expenses for the year ended March 31, 2011.

22. Provision of Allowance for Doubtful Accounts on Funds

Upon restatement and consolidation of the Funds as discussed in Note 1 “Summary of significant accounting policies” (a) “Basis of presenting consolidated financial statements,” an increase in the provision for doubtful accounts of the Funds of ¥2,448 million was recorded against the non-current receivable for illegitimate payments to external collaborators and included as part of other expenses on the statement of operations for the year ended March 31, 2011.

23. Loss on Restructuring of Businesses

Loss on restructuring of businesses of ¥3,392 million and ¥2,947 million ($31,351 thousand) recorded in the consolidated statements of operations for the years ended March 31, 2012 and 2013, respectively, stems mainly from the reorganization of the ERP business for retailers (UCS6) for 2012 and the reorganization of the Imaging Business for 2013.

24. Expenses Related to Restatement of Prior Periods

Expenses related to the restatement of prior periods of ¥2,001 million 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 as discussed in Note 1 “Summary of significant accounting policies” (a) “Basis of presenting consolidated financial statements.”

25. Extra Severance Payments for Voluntary Retirement

A charge of ¥1,336 million ($14,213 thousand) recorded in the consolidated statement of operations for the year ended March 31, 2013 is for extra severance payments in connection with the results of a solicitation for voluntary retirement for certain employees.

26. Settlement Package

The Company’s former Representative Director, President and Chief Executive Officer, Mr. Michael Woodford had filed an employment tribunal action against the Company. On May 29, 2012, a settlement was reached on a series of disputes, including those related to the dismissal of Mr. Woodford from his position as the Company’s Representative Director, President and Chief Executive Officer. As a result, a charge of ¥1,231 million ($13,096 thousand) was recorded in the consolidated statement of operations for the year ended March 31, 2013.

27. Cash and Cash Equivalents

Reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows for the years ended March 31, 2011, 2012 and 2013 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
Cash and deposits	¥213,561	¥200,088	**¥229,610**	**$2,442,660**
Less-Time deposits with maturities over three months	(3,176)	(1,427)	**(3,828)**	**(40,724)**
Cash and cash equivalents	¥210,385	¥198,661	**¥225,782**	**$2,401,936**

28. 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 acquisitions for the year ended March 31, 2011 were as follows:

	Millions of yen
Current assets	¥ 3,246
Non-current assets	10,807
Goodwill	7,406
Current liabilities	(2,921)
Non-current 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

29. Cash Flow from Sales of Investments in Subsidiaries Resulting in Change in Scope of Consolidation

Details of assets and liabilities, and the reconciliation between the transaction price and proceeds from the transfer of ITX Corporation, Net Protections, Inc. and 11 other companies, which have been excluded from the scope of consolidation due to sale of shares during the year ended March 31, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 64,733	$ 688,649
Non-current assets	29,852	317,574
Current liabilities	(54,970)	(584,787)
Non-current liabilities	(2,009)	(21,372)
Net unrealized holding gains on available-for-sale securities, net of taxes	(13)	(138)
Foreign currency translation adjustment	221	2,351
Minority interests	(240)	(2,553)
Gain on sales of investment securities in subsidiaries, net	20,027	213,053
Transfer price for business	57,601	612,777
Cash and cash equivalents	(3,402)	(36,191)
Proceeds from sale not yet collected	(1,570)	(16,703)
Net: Proceeds from sales of investment securities in subsidiaries, net	¥ 52,629	$ 559,883

30. Outflow of Money from Funds

Upon restatement and consolidation of the Funds as discussed in Note 1 "Summary of significant accounting policies" (a) "Basis of presenting consolidated financial statements," illegitimate payments to external collaborators of the Funds of ¥2,448 million was recorded as part of operating activities on the statement of cash flows for the year ended March 31, 2011 (Note 22 "Provision of allowance for doubtful accounts on funds").

31. Collection of Assets Held by the Funds

Upon restatement and consolidation of the Funds as discussed in Note 1 "Summary of significant accounting policies" (a) "Basis of presenting consolidated financial statements," cash held by the Funds of ¥65,553 million was recorded as part of fund investment assets on the consolidated balance sheet as of April 1, 2010 and recorded as an investing activity in-flow of cash on the statement of cash flows for the year ended March 31, 2011.

32. Lease Transactions

Finance Lease Transactions (Lessee):

The Company and its consolidated subsidiaries lease certain machinery and equipment under 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 was as follows:

As of March 31:	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
(Equivalent amount)			
Acquisition cost	¥ 1,257	**¥ 428**	**$ 4,553**
Accumulated depreciation	(1,061)	**(362)**	**(3,851)**
Accumulated loss on impairment	(1)	**—**	**—**
Net book value	¥ 195	**¥ 66**	**$ 702**

As of March 31:	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
(Future lease payments)			
Due within one year	¥141	**¥57**	**$606**
Due after one year	74	**17**	**181**
Total	¥215	**¥74**	**$787**
Balance of impairment loss account on leased assets included in the outstanding future lease payments	¥ 1	**¥ —**	**$ —**

For the years ended March 31:	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
(Lease payments and pro forma information)				
Lease payments	¥1,150	¥456	**¥136**	**$1,447**
Equivalent of depreciation expense	1,060	413	**121**	**1,287**
Equivalent of interest expense	46	16	**6**	**64**

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 2013 were as follows:

As of March 31, 2012	Millions of yen		
	Due within one year	Due after one year	Total minimum lease payments
	¥14	¥11	¥25

As of March 31, 2013	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
	¥301	**¥258**	**¥559**	**$3,202**	**$2,745**	**$5,947**

Finance Lease Transactions (Lessor):

Leased investment assets recognized in the consolidated balance sheets as of March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Lease receivables and leased investment assets:			
Lease receivables	¥17,243	**¥21,161**	**$225,117**
Estimated residual value	3,545	**2,146**	**22,830**
Interest income	(1,900)	**(2,405)**	**(25,585)**
Leased investment assets	¥18,888	**¥20,902**	**$222,362**

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Other assets:			
Lease receivables	¥16,348	**¥26,256**	**$279,319**
Estimated residual value	1,659	**2,074**	**22,064**
Interest income	(1,804)	**(3,831)**	**(40,755)**
Leased investment assets	¥16,203	**¥24,499**	**$260,628**

The following table sets forth amounts of lease receivables and leased investment assets to be collected subsequent to March 31, 2012 and 2013:

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 receivables	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Lease receivable components of leased investment assets	17,030	81	65	48	19	—
Other assets:						
Lease receivables	—	—	—	—	—	—
Lease receivable components of leased investment assets	—	9,625	4,972	1,157	303	291

As of March 31, 2013	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 receivables	**¥ 875**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Lease receivable components of leased investment assets	**21,161**	**—**	**—**	**—**	**—**	**—**
Other assets:						
Lease receivables	**—**	**978**	**171**	**104**	**42**	**23**
Lease receivable components of leased investment assets	**—**	**11,244**	**7,847**	**4,102**	**1,977**	**1,086**

As of March 31, 2013	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 receivables	**$ 9,308**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Lease receivable components of leased investment assets	**225,117**	**—**	**—**	**—**	**—**	**—**
Other assets:						
Lease receivables	**—**	**10,404**	**1,819**	**1,106**	**447**	**245**
Lease receivable components of leased investment assets	**—**	**119,617**	**83,479**	**43,638**	**21,032**	**11,553**

Operating Lease Transactions (Lessor):

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

As of March 31, 2012	Millions of yen		
	Due within one year	Due after one year	Total minimum lease payments
	¥2,173	¥2,635	¥4,808

As of March 31, 2013	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
	¥2,685	**¥3,029**	**¥5,714**	**$28,564**	**$32,223**	**$60,787**

33. Other Comprehensive Income

The following table presents reclassification adjustments and corresponding tax effects allocated to each component of other comprehensive income for the years ended March 31, 2012 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes:			
Amount arising during the year	¥ (2,676)	**¥ 4,636**	**$ 49,319**
Reclassification adjustments for gains and losses included in net income	(2,183)	**(368)**	**(3,915)**
Amount before tax effect	(4,859)	**4,268**	**45,404**
Tax effect	1,463	**(1,103)**	**(11,734)**
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	(3,396)	**3,165**	**33,670**
Net unrealized gains (losses) on hedging derivatives, net of taxes:			
Amount arising during the year	1,268	**(18)**	**(191)**
Reclassification adjustments for gains and losses included in net income	(1,692)	**1,494**	**15,893**
Amount before tax effect	(424)	**1,476**	**15,702**
Tax effect	(86)	**(188)**	**(2,000)**
Net unrealized gains (losses) on hedging derivatives, net of taxes	(510)	**1,288**	**13,702**
Foreign currency translation adjustments:			
Amount arising during the year	(6,858)	**43,516**	**462,936**
Reclassification adjustments for gains and losses included in net income	—	**629**	**6,692**
Foreign currency translation adjustments	(6,858)	**44,145**	**469,628**
Pension liabilities adjustment of foreign subsidiaries:			
Amount arising during the year	(5,557)	**(4,173)**	**(44,394)**
Reclassification adjustments for gains and losses included in net income	313	**782**	**8,319**
Amount before tax effect	(5,244)	**(3,391)**	**(36,075)**
Tax effect	1,797	**1,435**	**15,266**
Pension liabilities adjustment of foreign subsidiaries	(3,447)	**(1,956)**	**(20,809)**
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	(2)	**5**	**53**
Share of other comprehensive income of companies accounted for by the equity method	(2)	**5**	**53**
Total other comprehensive income	¥(14,213)	**¥46,647**	**$496,244**

34. 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 its subsidiaries.

The Company's and its consolidated subsidiaries' trade payables that are denominated in foreign currencies which meet specific matching criteria and have been hedged by 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 credit-worthy 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, fair values and unrealized gain or (loss) for outstanding derivative financial instruments by risk category and instrument type as of March 31, 2012 and 2013:

Derivatives for which the hedge accounting is not applied

As of March 31, 2012	Millions of yen		
	Notional amount	Fair value	Unrealized gain or (loss)
Foreign exchange forward contracts:			
To buy U.S. dollars	¥ 82	¥ 0	¥ 0
To buy other currencies	21,098	(494)	(494)
To sell U.S. dollars	1,041	18	18
To sell other currencies	3,191	(111)	(111)
Foreign exchange option contracts:			
Put option	3,800	84	84
Foreign currency swap contracts:			
Receive British pounds / pay Euro	5,405	5	5
Receive other currencies / pay other currencies	5,466	17	17

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2013	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	**¥ 115**	**¥ 1**	**¥ 1**	**$ 1,223**	**$ 11**	**$ 11**
To buy other currencies	**17,061**	**(183)**	**(183)**	**181,500**	**(1,947)**	**(1,947)**
To sell U.S. dollars	**1,354**	**(26)**	**(26)**	**14,404**	**(277)**	**(277)**
To sell other currencies	**4,391**	**(74)**	**(74)**	**46,713**	**(787)**	**(787)**
Foreign exchange option contracts:						
Put option	**3,967**	**80**	**80**	**42,202**	**851**	**851**
Foreign currency swap contracts:						
Receive British pounds / pay Euro	**2,081**	**(8)**	**(8)**	**22,138**	**(85)**	**(85)**
Receive other currencies / pay other currencies	**5,888**	**7**	**7**	**62,638**	**74**	**74**

The fair values of foreign exchange 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	
	Notional amount	Fair value
Foreign exchange forward contracts, accounted for by deferral hedge accounting:		
To buy U.S. dollars	¥ 1,302	¥ (1)
To buy other currencies	328	(5)
To sell U.S. dollars	12,732	(485)
To sell other currencies	14,438	(640)
Foreign exchange forward contracts, accounted for by special hedge accounting:		
To buy U.S. dollars	20,011	*
To buy other currencies	2	*
To sell U.S. dollars	7,496	*
To sell other currencies	579	*
Interest rate swap contracts, accounted for by deferral hedge accounting:		
Receive floating / pay fixed	14,940	(310)
Interest rate swap contracts, accounted for by special hedge accounting short-cut method:		
Receive floating / pay fixed	374,879	**

As of March 31, 2013	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	¥ 294	¥21	$ 3,128	$223
To buy other currencies	6	(0)	64	(0)
To sell U.S. dollars	286	(4)	3,043	(43)
To sell other currencies	122	1	1,298	11
Foreign exchange forward contracts, accounted for by special hedge accounting:				
To buy U.S. dollars	9,530	*	101,383	*
To buy other currencies	25	*	266	*
To sell U.S. dollars	23,834	*	253,553	*
To sell other currencies	7,531	*	80,117	*
Interest rate swap contracts, accounted for by deferral hedge accounting:				
Receive floating / pay fixed	—	—	—	—
Interest rate swap contracts, accounted for by special hedge accounting short-cut method:				
Receive floating / pay fixed	347,295	**	3,694,628	**

The fair value of foreign exchange forward contracts is estimated based on market prices for contracts with similar terms.
The fair value of interest rate swap contracts is estimated by obtaining quotes from financial institutions.
* Foreign exchange forward contracts are accounted for as part of accounts receivable and accounts payable. Therefore, the fair value of the contracts is 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 is included in the fair value of underlying long-term debt.

35. 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 that are categorized according to products and services, the Olympus Group has the following five reportable segments based on these business divisions: 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, endotherapy devices and other products. The “Life Science and Industrial Business” manufactures and sells biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment and other products. The “Imaging Business” manufactures and sells digital cameras, voice recorders and other products. The “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.

On September 28, 2012, the Company transferred its Information & Communication Business of ITX Corporation, which was previously classified in the Information and Communication segment, to a newly established company, and on the same day, the newly established company was sold to IJ Holdings Inc., a wholly owned subsidiary of a partnership operated and managed by Japan Industrial Partners, Inc. As a result, this newly established company was excluded from the scope of consolidation.

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

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

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

	Millions of yen							
	For the year ended March 31, 2011							
	Medical	Life Science and Industrial	Imaging	Information and Communication	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

	Millions of yen							
	For the year ended March 31, 2012							
	Medical	Life Science and Industrial	Imaging	Information and Communication	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							
	For the year ended March 31, 2013							
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Total	Adjustments	Consolidated Total
Net sales:								
Third parties	¥394,724	¥85,513	¥107,638	¥114,243	¥41,733	¥743,851	¥ —	¥743,851
Intersegment	159	10	37	—	252	458	(458)	—
Total	¥394,883	¥85,523	¥107,675	¥114,243	¥41,985	¥744,309	¥ (458)	¥743,851
Segment profit (loss)	¥ 87,069	¥ 3,527	¥ (23,073)	¥ 1,704	¥ (4,870)	¥ 64,357	¥ (29,280)	¥ 35,077
Assets	505,302	89,995	81,740	—	62,364	739,401	220,681	960,082
Depreciation and amortization	20,270	4,420	2,591	283	1,827	29,391	4,508	33,899
Amortization of goodwill	7,032	770	—	1,504	377	9,683	—	9,683
Capital expenditures	17,147	3,429	3,076	231	1,826	25,709	2,400	28,109

	Thousands of U.S. dollars							
	For the year ended March 31, 2013							
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Total	Adjustments	Consolidated Total
Net sales:								
Third parties	$4,199,191	$909,713	$1,145,085	$1,215,351	$443,969	$7,913,309	$ —	$ 7,913,309
Intersegment	1,692	106	394	—	2,680	4,872	(4,872)	—
Total	$4,200,883	$909,819	$1,145,479	$1,215,351	$446,649	$7,918,181	$ (4,872)	$ 7,913,309
Segment profit (loss)	$ 926,266	$ 37,521	$ (245,457)	$ 18,128	$ (51,809)	$ 684,649	$ (311,489)	$ 373,160
Assets	5,375,553	957,394	869,574	—	663,447	7,865,968	2,347,670	10,213,638
Depreciation and amortization	215,638	47,021	27,564	3,011	19,436	312,670	47,958	360,628
Amortization of goodwill	74,809	8,191	—	16,000	4,011	103,011	—	103,011
Capital expenditures	182,415	36,479	32,723	2,457	19,426	273,500	25,532	299,032

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 ¥(28,472) million, ¥(24,634) million and ¥(29,280) million ($(311,489) thousand) for the years ended March 31, 2011, 2012 and 2013, 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 ¥219,894 million, ¥163,981 million and ¥220,681 million ($2,347,670 thousand) as of March 31, 2011, 2012 and 2013, respectively, of corporate assets, which are not allocable to the reportable segments.
4. Adjustments for depreciation and amortization include ¥4,225 million, ¥4,630 million and ¥4,508 million ($47,958 thousand) for the years ended March 31, 2011, 2012 and 2013, respectively, of depreciation and amortization for corporate assets, which are not allocable to the reportable segments.
5. Adjustments for capital expenditures include ¥4,000 million, ¥6,469 million and ¥2,400 million ($25,532 thousand) for the years ended March 31, 2011, 2012 and 2013, 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

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2011, 2012 and 2013 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
to Japan	¥386,502	¥398,237	**¥287,025**	**$3,053,458**
to North America	182,009	165,263	**177,233**	**1,885,457**
to Europe	154,363	156,149	**157,179**	**1,672,117**
to Asia	97,293	107,304	**102,395**	**1,089,309**
to Other areas	26,938	21,595	**20,019**	**212,968**
	¥847,105	¥848,548	**¥743,851**	**$7,913,309**

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

Property, plant and equipment by geographical countries or areas as of March 31, 2011, 2012 and 2013 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
Japan	¥ 73,409	¥ 62,816	**¥ 53,952**	**$ 573,957**
America	27,887	29,114	**35,948**	**382,426**
Europe	24,143	22,968	**25,842**	**274,915**
Asia	15,902	12,910	**14,060**	**149,574**
	¥141,341	¥127,808	**¥129,802**	**$1,380,872**

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, 2011, 2012 and 2013 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 assets by reportable segment for the years ended March 31, 2011, 2012 and 2013 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2012	**2013**	**2013**
Medical	¥ —	¥ —	**¥ —**	**$ —**
Life Science and Industrial	—	301	**—**	**—**
Imaging	—	11,593	**3,733**	**39,713**
Information and Communication	—	70	**—**	**—**
Others	482	3,212	**2,377**	**25,287**
Reportable segment total	482	15,176	**6,110**	**65,000**
Adjustments and eliminations	—	663	**1,490**	**15,851**
	¥482	¥15,839	**¥7,600**	**$80,851**

(e) Outstanding balances of goodwill by reportable segment as of March 31, 2011, 2012 and 2013 were as follows:

	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

	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 **2013**					
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Consolidated Total
Outstanding balance of goodwill	**¥101,534**	**¥3,919**	**¥—**	**¥ —**	**¥893**	**¥106,346**

	Thousands of U.S. dollars **2013**					
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Consolidated Total
Outstanding balance of goodwill	**$1,080,149**	**$41,691**	**$—**	**$ —**	**$9,500**	**$1,131,340**

(f) Amortization of negative goodwill by reportable 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 the Others Segment.

36. Amounts per Share

Net income (loss) per share is computed by dividing income available to common shareholders by the average number of common shares outstanding for each year. Diluted income (loss) per share is similar to the basic one except that the average of common shares outstanding is increased by the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. For the year ended March 31, 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 years ended March 31, 2011 and 2013, 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
	2011	2012	**2013**	**2013**
Net income (loss):				
Basic	¥14.39	¥(183.54)	**¥28.96**	**$0.308**
Diluted	¥ —	¥ —	**¥ —**	**$ —**

As of March 31:	Yen		U.S. dollars
	2012	**2013**	**2013**
Net assets	¥167.76	**¥494.96**	**$5.266**

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	
	2011	2012	**2013**
Average number of shares for basic net income	268,658,437	266,893,365	**276,957,809**

(2) Net assets per share

As of March 31:	Number of shares	
	2012	**2013**
The number of shares of common stock used for the calculation of net assets per share	266,861,730	**301,245,726**

As of March 31:	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Total net assets	¥48,028	**¥152,407**	**$1,621,351**
Amounts deducted from total net assets:			
Minority interests	3,258	**3,302**	**35,128**
Net assets attributable to shares of common stock	¥44,770	**¥149,105**	**$1,586,223**

37. Related Party Transactions

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

Year ended March 31, 2011	Transaction	Outstanding balance
	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	¥—
—Advance payment from KeyMed (Medical & Industrial Equipment) Ltd., a subsidiary of the Company	¥26	¥—

Year ended March 31, 2012	Transaction	Outstanding balance
	Millions of yen	
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	¥—

Notes:
1. The interest rate applied to the loan was determined based on market rates.
2. Because the duration of the advance was extremely short and the amount of interest based on market rates would have been negligible, no interest was charged.
3. Mr. Michael C. Woodford resigned as a director of the Company on December 1, 2011 and ceased to be a related party as of that date.

There were no related party transactions for the year ended March 31, 2013.

38. Business Combination

(Business Divestitures)

1. Outline of business divestiture

(1) Name of company to which a divested business was transferred through company split and company to which shares were transferred

(a) Name of company to which a divested business was transferred through company split: ITX Corporation

(b) Name of company to which shares were transferred: IJ Holdings Inc.

(2) Operations of divested business

Information & Communication Business

(3) Primary reason for business divesture

Although the Information & Communication Business has generated steady cash flow and the Olympus Group has been actively engaged in this business, the Company reached the conclusion that aggressive expansion of retail activities and investment in human resources were essential to bring further growth to this business. Therefore, it was required to establish a framework that allowed expeditious and aggressive injection of management resources including know-how and funding for the above-mentioned business.

Upon consultation with Japan Industrial Partners, Inc., the Company decided to conduct this company split and share transfer. The decision was made in the belief that utilizing Japan Industrial Partners, Inc.'s many achievements and abundant experience in assisting with subsidiaries becoming independent, businesses being divested, etc., and stimulating further development of the business with the support of Japan Industrial Partners, Inc. in the area of management know-how and funding, would lead to further growth of the business and maximization of the shareholder value of the Company.

(4) Date of company split and share transfer

Company split: September 28, 2012

Share transfer: September 28, 2012

(5) Outline of other transactions including legal form

The Company transferred the Information & Communication Business of ITX Corporation to the newly established company ("NewCo"), which is the successor in an absorption-type company split, and transferred NewCo to IJ Holdings Inc., a wholly owned company of a partnership operated and managed by Japan Industrial Partners, Inc. ITX Corporation changed its trade name to Impress Development K.K. on the same date.

2. Accounting treatment

(1) Gain on transfer of business, which is reported as and included in "Gain on sales of investment securities in subsidiaries and affiliates, net" for the year ended March 31, 2013

¥17,600 million ($187,234 thousand)

(2) Carrying amount of assets and liabilities of the transferred business consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥57,427	$610,926
Non-current assets	26,317	279,968
Total assets	¥83,744	$890,894
Current liabilities	¥48,208	$512,851
Non-current liabilities	1,832	19,489
Total liabilities	¥50,040	$532,340

3. Reportable segment in which divested business was included

Information and Communication Business

4. Estimated net sales and operating income of the divested business in the consolidated statement of operations for the year ended March 31, 2013

Net sales	¥114,243 million	$1,215,351 thousand
Operating income	¥ 1,704 million	$ 18,128 thousand

39. Subsequent Events

(1) Establishment of Significant Joint Venture

Upon receiving all necessary regulatory approvals, the Company has established a medical business venture company Sony Olympus Medical Solutions Inc. on April 16, 2013 in accordance with a business and capital alliance agreement with Sony Corporation ("Sony") executed on September 28, 2012.

(1) Purpose of establishment

Sony Olympus Medical Solutions aims to align Sony's electronics technologies in areas such as digital imaging with Olympus' manufacturing and R&D expertise in the area of medical products including lenses and optical technologies in order to bring high-quality medical care to as many people as possible and contribute to medical advancement worldwide.

(2) Overview of newly established company

(1) Name	Sony Olympus Medical Solutions Inc.
(2) Headquarters	Hachioji, Tokyo, Japan
(3) Type of business	Manufacture and sales of medical equipment and other equipment
(4) Stated capital	¥50 million ($532 thousand)
(5) Acquisition cost	¥24.5 million ($261 thousand)
(6) Ownership percentage after acquisition	Sony 51.0%, Olympus 49.0%

(2) Prepayment of Syndicated Loans

In order to reduce interest-bearing debt from the perspective of financial soundness, the Company made a prepayment of debt on June 26, 2013, based on the agreement on June 18, 2013 with a loan syndicate, with the arranger being The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Further, on June 20, 2013, the Company made an agreement for the prepayments of debt with two loan syndicates, with the arranger being Sumitomo Mitsui Banking Corporation. The prepayments of debt are scheduled to be made on June 28, 2013.

(1) Syndicated loan (The Bank of Tokyo-Mitsubishi UFJ, Ltd. and 1 other financial institution)

(1) Amount of prepayment	¥12,000 million ($127,660 thousand) (Balance as of March 31, 2013: ¥12,000 million ($127,660 thousand))
(2) Interest rate	2.69% (Fixed interest rate)
(3) Date of borrowing	December 26, 2008
(4) Initial terms of repayment	Lump sum repayment
(5) Initial date of repayment	December 26, 2013
(6) Date of prepayment	June 26, 2013
(7) Expenses related to prepayment	¥104 million ($1,106 thousand)
(8) Interest saved by prepayment	¥162 million ($1,723 thousand)

(2) Syndicated loan (Sumitomo Mitsui Banking Corporation and 21 other financial institutions)

(1) Amount of prepayment	¥27,500 million ($292,553 thousand) (Balance as of March 31, 2013: ¥27,500 million ($292,553 thousand))
(2) Interest rate	2.51% (Fixed interest rate)
(3) Date of borrowing	December 30, 2008
(4) Initial terms of repayment	Lump sum repayment
(5) Initial date of repayment	December 30, 2013
(6) Date of prepayment (scheduled)	June 28, 2013
(7) Expenses related to prepayment	¥193 million ($2,053 thousand)
(8) Interest expected to be saved by prepayment	¥350 million ($3,723 thousand)

(3) Syndicated loan (Sumitomo Mitsui Banking Corporation and 4 other financial institutions)

(1) Amount of prepayment	¥2,500 million ($26,596 thousand) (Balance as of March 31, 2013: ¥2,500 million ($26,596 thousand))
(2) Interest rate	2.45% (Fixed interest rate)
(3) Date of borrowing	January 23, 2009
(4) Initial terms of repayment	Lump sum repayment
(5) Initial date of repayment	December 30, 2013
(6) Date of prepayment (scheduled)	June 28, 2013
(7) Expenses related to prepayment	¥16 million ($170 thousand)
(8) Interest expected to be saved by prepayment	¥31 million ($330 thousand)

(3) Prepayment of Debt of Consolidated Subsidiary

In order to reduce interest-bearing debt from the perspective of financial soundness, Gyrus Group Limited, a consolidated subsidiary of the Company, made prepayment of debt on May 31, 2013 to The Bank of Tokyo-Mitsubishi UFJ, Ltd.

(1) Amount of prepayment	£181 million (¥25,856 million / $275 million) (Balance as of March 31, 2013: £181 million (¥25,856 million / $275 million))
(2) Interest rate	3.78% (Fixed interest rate)
(3) Date of borrowing	December 28, 2011
(4) Initial terms of repayment	Lump sum repayment
(5) Initial date of repayment	March 19, 2015
(6) Date of prepayment	May 31, 2013
(7) Expenses related to prepayment	£9 million (¥1,252 million / $13 million)
(8) Interest saved by prepayment	£12 million (¥1,761 million / $19 million)

40. Supplemental Information

(1) Future Circumstances

Following the Company's announcement on November 8, 2011 concerning its deferral of recognition of losses on securities investments, investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and the U.S.) have been launched and remain underway. The consolidated financial statements may need to be restated depending on the results of such investigations in the future.

As a result of inappropriate financial reporting by the Company, there is currently a case pending against the Company at Tokyo District Court for breaches of the Securities and Exchange Act and the Financial Instruments and Exchange Act, and on March 26, 2013, the verdict in the closing argument of this case is that a fine of ¥1.0 billion ($10,638 thousand) should be imposed. Also as a result of inappropriate financial reporting by the Company, certain shareholders and shareholder groups, etc. have filed lawsuits against the Company, and there is a risk that additional claims or lawsuits may be brought against the Company in the future for similar reasons.

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

(2) Legal Claims

A lawsuit has been filed against the Company. The overview of the lawsuit is as follows.

(1) Date of filing lawsuit

July 23, 2012

(2) Plaintiff

1. Company: Terumo Corporation
2. Address: 2–44–1, Hatagaya, Shibuya–ku, Tokyo
3. Representatives: Yutaro Shintaku, President, Representative Director

(3) Content of lawsuit and amount of claim

The Company issued 6,811,000 shares, amounting to a total of ¥14,998 million ($159,553 thousand), to Terumo Corporation through third party allotment, in accordance with the securities registration statement submitted on August 4, 2005.

Terumo Corporation claims, owing to the Company's past deferral of the recognition of losses, that false statements on important matters were contained in the securities registration statement when such third party allotment was made. Consequently, the lawsuit was filed to seek compensation for damages of ¥6,612 million ($70,340 thousand), in accordance with Article 18, Paragraph 1 and Paragraph 2 of the former Securities and Exchange Act and Article 19 of the said Act, which are applied by replacing the terms pursuant to the provision of Article 23–2 of the said Act.

The amount of compensation for damages claimed consists of ¥6,612 million ($70,340 thousand) and 5% per annum interest on this amount for the period from August 22, 2005 up to the payment of the principal.

(4) Future outlook

The Company has appointed a lawyer as its counsel for this lawsuit and is seeking dismissal of the claim. The lawsuit's effect on the financial results of the Company is uncertain since its financial impact is not estimable at this stage.

Independent Auditor's Report

Ernst & Young ShinNihon LLC
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 sheets as at March 31, 2012 and 2013, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2013, 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 audits. We conducted our audits 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 2013, and their consolidated financial performance and cash flows for each of the three years in the period ended March 31, 2013, in conformity with accounting principles generally accepted in Japan.

Emphasis of Matters

1. We draw attention to Note 40 to the consolidated financial statements, which describes that following the Company's announcement on November 8, 2011 concerning its deferral of recognition of losses on securities investments, investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and the U.S.) have been launched and remain underway. The consolidated financial statements may need to be restated depending on the results of such investigations in the future.

   Furthermore, as a result of inappropriate financial reporting by the Company, there is a case pending against the Company at Tokyo District Court for breaches of the Securities and Exchange Act and the Financial Instruments and Exchange Act. Also as a result of inappropriate financial reporting by the Company, certain shareholders and shareholder groups, etc. have filed lawsuits against the Company, and there is a risk that additional claims or lawsuits may be brought against the Company in the future for similar reasons.

2. We draw attention to Note 40 to the consolidated financial statements, which describes that Terumo Corporation filed a lawsuit against the Company.

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.

Ernst & Young ShinNihon LLC

June 26, 2013
Tokyo, Japan

Other Financial Data

Net Sales and Operating Income by Business Segment

(Millions of yen)

Fiscal years ended March 31		2008	2009	2010	2011	2012	2013
Medical	Net sales	353,269	383,828	350,716	355,322	349,246	394,724
	Operating expenses	254,849	308,394	275,507	283,640	281,058	307,655
	Operating income	98,420	75,434	75,209	71,682	68,188	87,069
Life Science & Industrial	Net sales	131,446	118,819	114,095	100,808	92,432	85,513
	Operating expenses	124,456	114,059	105,341	92,255	86,993	81,986
	Operating income	6,990	4,760	8,754	8,553	5,439	3,527
Imaging	Net sales	320,589	224,460	174,924	131,417	128,561	107,638
	Operating expenses	287,503	229,591	171,610	146,436	139,321	130,711
	Operating income (loss)	33,086	(5,131)	3,314	(15,019)	(10,760)	(23,073)
Information & Communication	Net sales	254,312	152,946	189,354	209,520	229,399	114,243
	Operating expenses	251,311	151,292	184,490	204,278	224,122	112,539
	Operating income	3,001	1,654	4,864	5,242	5,277	1,704
Others	Net sales	69,259	100,750	53,997	50,038	48,910	41,733
	Operating expenses	68,139	107,716	59,000	53,644	56,902	46,603
	Operating income (loss)	1,120	(6,966)	(5,003)	(3,606)	(7,992)	(4,870)
Elimination or Corporate	Net sales	—	—	—	—	—	—
	Operating expenses	29,791	27,029	25,978	28,472	24,634	29,280
	Operating income (loss)	(29,791)	(27,029)	(25,978)	(28,472)	(24,634)	(29,280)
Consolidated	Net sales	1,128,875	980,803	883,086	847,105	848,548	743,851
	Operating expenses	1,016,049	938,081	821,926	808,726	813,030	708,774
	Operating income	112,826	42,722	61,160	38,379	35,518	35,077

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 Life Science & Industrial Business segment.

Net Sales by Region

(Millions of yen)

Fiscal years ended March 31		2008	2009	2010	2011	2012	2013
Medical	Japan	75,257	76,214	75,064	79,430	80,418	89,512
	North America	116,056	140,898	125,912	129,766	121,020	137,715
	Europe	119,220	125,130	103,725	93,925	91,933	102,850
	Asia and Oceania	32,193	32,781	34,481	40,182	45,489	54,300
	Others	10,543	8,805	11,534	12,019	10,386	10,347
	Total	353,269	383,828	350,716	355,322	349,246	394,724
Life Science & Industrial	Japan	29,590	22,740	34,186	31,114	18,954	17,841
	North America	32,488	29,734	27,889	23,011	23,288	20,941
	Europe	44,803	41,389	26,879	19,654	20,250	19,119
	Asia and Oceania	21,093	21,122	21,049	21,222	23,675	20,907
	Others	3,472	3,834	4,092	5,807	6,265	6,705
	Total	131,446	118,819	114,095	100,808	92,432	85,513
Imaging	Japan	38,410	31,383	27,598	26,087	31,351	31,360
	North America	72,234	52,440	41,178	26,280	19,001	16,847
	Europe	123,648	78,585	55,003	38,565	40,863	31,944
	Asia and Oceania	75,611	53,342	42,120	31,849	32,787	24,704
	Others	10,686	8,710	9,025	8,636	4,559	2,783
	Total	320,589	224,460	174,924	131,417	128,561	107,638
Information & Communication	Japan	241,062	152,946	189,354	209,520	229,399	114,243
	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	114,243
Others	Japan	35,908	63,978	46,961	40,351	38,115	34,069
	North America	16,025	14,584	1,097	2,952	1,954	1,730
	Europe	10,301	12,790	2,920	2,219	3,103	3,266
	Asia and Oceania	5,322	6,907	2,395	4,040	5,353	2,484
	Others	1,703	2,491	624	476	385	184
	Total	69,259	100,750	53,997	50,038	48,910	41,733
Total	Japan	420,227	347,261	373,163	386,502	398,237	287,025
	North America	240,254	237,656	196,076	182,009	165,263	177,233
	Europe	303,110	257,894	188,527	154,363	156,149	157,179
	Asia and Oceania	138,873	114,152	100,045	97,293	107,304	102,395
	Others	26,411	23,840	25,275	26,938	21,595	20,019
	Total	1,128,875	980,803	883,086	847,105	848,548	743,851

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 Life Science & Industrial Business segment.

Sales by Product

(Millions of yen)

Fiscal years ended March 31		2008	2009	2010	2011	2012	2013
Endoscopes	Domestic	47,209	44,567	40,904	43,848	43,803	47,335
	Overseas	190,157	168,329	151,044	151,611	147,995	171,339
	Total	237,366	212,896	191,948	195,459	191,798	218,674
Surgical & Endotherapy	Domestic	28,048	31,647	34,160	35,582	36,615	42,177
	Overseas	87,855	139,285	124,608	124,281	120,833	133,873
	Total	115,903	170,932	158,768	159,863	157,448	176,050
Total (Medical)	Domestic	75,257	76,214	75,064	79,430	80,418	89,512
	Overseas	278,012	307,614	275,652	275,892	268,828	305,212
	Total	353,269	383,828	350,716	355,322	349,246	394,724
Life Science	Domestic	22,814	16,331	12,743	10,550	10,560	10,315
	Overseas	55,910	50,877	35,903	33,914	32,090	28,595
	Total	78,724	67,208	48,646	44,464	42,650	38,910
Industrial	Domestic	—	—	19,493	20,564	8,394	7,526
	Overseas	—	—	29,664	35,780	41,388	39,077
	Total	—	—	49,157	56,344	49,782	46,603
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	17,841
	Overseas	101,856	96,079	79,909	69,694	73,478	67,672
	Total	131,446	118,819	114,095	100,808	92,432	85,513
Digital Cameras	Domestic	33,843	27,276	24,215	22,330	27,333	27,234
	Overseas	259,723	177,639	134,662	94,534	87,904	67,867
	Total	293,566	204,915	158,877	116,864	115,237	95,101
Others	Domestic	4,567	4,107	3,383	3,757	4,018	4,126
	Overseas	22,456	15,438	12,664	10,796	9,306	8,411
	Total	27,023	19,545	16,047	14,553	13,324	12,537
Total (Imaging)	Domestic	38,410	31,383	27,598	26,087	31,351	31,360
	Overseas	282,179	193,077	147,326	105,330	97,210	76,278
	Total	320,589	224,460	174,924	131,417	128,561	107,638
Information & Communication	Domestic	241,062	152,946	189,354	209,520	229,399	114,243
	Overseas	13,250	—	—	—	—	—
	Total	254,312	152,946	189,354	209,520	229,399	114,243
Others	Domestic	35,908	63,978	46,961	40,351	38,115	34,069
	Overseas	33,351	36,772	7,036	9,687	10,795	7,664
	Total	69,259	100,750	53,997	50,038	48,910	41,733
Total	Domestic	420,227	347,261	373,163	386,502	398,237	287,025
	Overseas	708,648	633,542	509,923	460,603	450,311	456,826
	Total	1,128,875	980,803	883,086	847,105	848,548	743,851

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 Life Science & Industrial 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 June 30, 2013)

Total number of companies: 173 (168 subsidiaries and 5 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-global.com/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, manufacture, and repair of products related to industrial videoscopes
Manufacture of products related to images, such as camera interchangeable lenses, and medical treatment devices, such as endoscopes

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

Aomori Olympus Co., Ltd.
(Aomori)
Manufacture of medical endoscope related products

Shirakawa Olympus Co., Ltd.
(Fukushima)
Development and manufacture of medical endoscopy 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 manufacture in Life Science & Industrial equipment segments

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

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

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

Olympus Terumo Biomaterials Corp.
(Tokyo)
Research and development and manufacture 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)
Provision of cleaning services
Promotion of employment in the Olympus Group companies for the disabled

Olympus Memory Works Corp.
(Tokyo)
Planning, manufacture, and sale of network-related products and services

Sony Olympus Medical Solutions Inc.
(Tokyo)
Manufacture and sale of medical products

(12 others)

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.)
Sale and service of medical endoscopes and microscopes in Latin America

Gyrus ACMI, Inc.
(Massachusetts, U.S.A.)
Development, manufacture, and sale 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 instruments

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

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

Olympus Soft Imaging Solution GmbH
(Münster, Germany)
Development, manufacture, and sale 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 sale of medical rigid endoscopes and peripheral instruments

KeyMed (Medical & Industrial Equipment) Ltd.
(Essex, U.K.)
Sales of all product lines, and development and manufacture of endoscopes and related equipment

Olympus France S.A.S.
(Rungis Cedex, France)
Sales of all product lines in France

Olympus Moscow Limited Liability Company
(Moscow, Russia)
Sales of all product lines and service of digital cameras and medical endoscopes in Russia and CIS

Olympus Corporation of Asia Pacific Limited
(Hong Kong)
Regional business center in Asia and Oceania

Olympus Hong Kong and China Limited
(Hong Kong)
Marketing 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 operations in China, Micro-Imaging System Division, Industrial Endoscope Dept.

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

Olympus (Guangzhou) Industrial Co., Ltd.
(Guangzhou, China)
Manufacture of imaging products

Olympus (Beijing) Sales & Service Co., Ltd.
(Beijing, China)
Sale and service of medical equipment in China

Olympus Trading (Shanghai) Limited
(Shanghai, China)
International trading; distribution center in China; Distribution after sales service of medical equipment

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

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

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

Olympus Soft Imaging Solutions Pte. Ltd.
(Singapore)
Sale of complete microscope system solutions in South East Asia

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

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

Olympus Medical Systems Vietnam Co., Ltd.
(Hanoi, Vietnam)
Service of medical endoscope related products in Vietnam

Olympus Medical Systems India Private Limited
(Haryana, India)
Marketing, sale, 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)
Sale 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)
Sale and service of imaging products in Australia, New Zealand, Papua New Guinea, Tahiti, and the South Pacific region

Olympus New Zealand Limited
(Auckland, New Zealand)
Sale and service of endoscopes and microscopes in New Zealand

(107 others)

Corporate Information

Company Outline

(As of March 31, 2013)

Company Name:	Olympus Corporation
Established:	October 12, 1919
President / Representative Director:	Hiroyuki Sasa
Head Office:	Shinjuku Monolith, 3-1 Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-0914, Japan
Capital:	¥73,332 million
Consolidated Headcount:	30,697 (Excludes temporary employees, average of 2,240 for fiscal 2013)
Non-Consolidated Headcount:	2,819
Website:	http://www.olympus-global.com/en/

Board of Directors, Audit & Supervisory Board Members, and Executive Officers

(As of June 26, 2013)

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
Keiko Unotoro
Kenichiro Yoshida

Standing Audit & Supervisory Board Members

Takashi Saito
Masashi Shimizu

Outside Audit & Supervisory Board Members

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
Hisao Yabe
Masamichi Handa
Nobuhiro Abe
Ken Yoshimasu
Masahito Kitamura
Tetsuo Kobayashi

Stock Information

(As of March 31, 2013)

Securities Identification Code:	7733
Stock Exchange Listing:	Tokyo Stock Exchange
Fiscal Year:	From April 1 to March 31
General Meeting of Shareholders:	June
Share Trading Unit:	100
Number of Shares Issued:	305,671,508
Number of Shareholders:	35,221
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

Principal Shareholders

	Number of shares held (thousands)	Percentage of shares outstanding (%)
Sony Corporation	34,487,900	11.45
State Street Bank and Trust Company 505223	17,132,345	5.69
The Master Trust Bank of Japan, Ltd. (trust accounts)	14,865,700	4.93
Nippon Life Insurance Company	13,286,618	4.41
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,286,586	4.41
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust and Banking Company Retrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust)	11,404,000	3.79
Japan Trustee Services Bank, Ltd. (trust accounts)	9,613,800	3.19
Sumitomo Mitsui Banking Corporation	8,350,648	2.77
Terumo Corporation	5,581,000	1.85
State Street Bank and Trust Company	4,929,684	1.64

Shareholder Distribution

This report uses environment-friendly ink and paper.

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