

# Risk Information

The following are the main factors, other than management decisions, and risks inherent 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 Scientific Solutions Business, the supply of systems for research funded by the national budgets of countries accounts for a high proportion of earnings. The curtailment of these 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. Certain production bases of the Group are located in overseas countries. Therefore, depending upon exchange rate trends and other factors, operating costs may increase substantially, and the Olympus Group's ability to secure earnings may be adversely affected.
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 increasingly 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 are 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. The 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. The 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 the goodwill, loss on sales of businesses associated with business reorganizations, or expenses for business liquidation.
3. The Olympus Group holds investment securities for the purpose of facilitating business alliances and other non-investment purposes. It is possible that the stock prices or the estimated values of these securities could fluctuate significantly due to changes in market trends or the financial position of the companies in question, and the Group's performance and 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 issuing bonds, and changes in conditions in 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.

## Risk Information

**(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. Furthermore, shareholders of the Company have filed legal complaints against the Company as a result of the Company's inappropriate financial reporting and are filing lawsuits against the Company, which may affect the Group's business performance or financial position. As of June 26, 2018, the following major lawsuits have been filed against the Company with pending claims totaling ¥28,288 million.

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

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

The Olympus Group has developed systems for ensuring appropriate and reliable financial reporting and effective and efficient work processes, which it operates and continuously improves. However, it cannot be ignored that, regardless of the effectiveness of the internal control systems constructed by the Group, these systems could fail to function effectively due to actions arising from malicious intent or gross negligence on the part of employees, changes in the business environment that were not envisaged at the time of the internal control

systems' construction, or other factors. Accordingly, it is possible that a violation of laws or regulations or some other incident could occur in the future. If such an incident were to occur, the Company may be obliged to pay fines resulting from government sanctions, penalties for criminal proceedings, or damages in civil lawsuits, or other expenses. Moreover, the Company may suffer an adverse impact on its business from a loss of social trust. Such events could have an adverse impact on the Company's operating results.

**(8) Risks Relating to Laws and Regulations**

The Company is developing its operations on a global scale in its various businesses, including the Medical Business, which is conducted in a regulated industry. The Company is subject to various laws and regulations, including medical industry-related and antimonopoly laws in Japan as well as other countries and regions. In addition, the Company is subject to the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act of 1977 (FCPA), the U.K. Anti-Bribery Act, and other anti-bribery laws in other countries and regions. We are also subject to various laws targeting fraud and abuse in the healthcare industry, including the Act against Unjustifiable Premiums and Misleading Representations of Japan and the Anti-kickback Act and the False Claims Act of the United States.

In the Medical Business, government-sponsored healthcare systems are being developed around the world. Accordingly, Group companies and their distributors and suppliers often do business with government-affiliated entities, healthcare providers, and officials. In addition, some Group companies as well as their distributors and suppliers operate in countries or regions in which there has been governmental corruption in the past, and in certain circumstances strict compliance with anti-bribery laws, such as those mentioned above, may conflict with local business customs and practices. Furthermore, the various laws and regulations targeting fraud and abuse in the healthcare industry are wide-ranging and subject to changing interpretation and application, which could restrict the sales or marketing practices of Group companies.

Violations of these laws and regulations may be punishable by criminal or civil fines, imprisonment, or exclusion from participation in certain national healthcare programs. Many of the Group's customers rely on reimbursement from public health insurance and other government programs to subsidize their medical expenditures. For this reason, if the Company's ability to participate in such programs were to be restricted as a result of legal violations, it could adversely affect the demand for Olympus products or the number of procedures performed using these products.

The Company strives to fully comply with these laws and regulations. However, if a legal violation were to occur, regardless of whether or not the violation was intentional, the Company's business activities, financial position, performance, cash flows, and stock price could be affected.

Furthermore, in February 2016 an overseas subsidiary of the Company agreed to enter into a deferred prosecution

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agreement with the U.S. Department of Justice in relation to alleged violations of the Anti-kickback Act, the False Claims Act, and the FCPA concerning past activities related to the Medical Business. If, in the future, the Company were to engage in conduct that violates these laws, it would not only receive sanctions related to said violations, but prosecution would also be carried out in relation to the alleged violation for which the deferred prosecution agreement was concluded. Such an occurrence may affect the Company's business, financial position, performance, cash flows, or stock price.

**(9) Risks Relating to Duodenoscopes**

In March and August 2015, the U.S. Department of Justice issued legal requests to the subsidiary Olympus Medical Systems Corp. seeking information related to duodenoscopes manufactured and sold by the Group. The Department of Justice has since been engaged in an ongoing investigation of the situation surrounding these duodenoscopes. As of June 26, 2018, civil lawsuits have been filed in the United States against the Group on the charge that the plaintiffs had been harmed as a result of Olympus Group duodenoscopes. Depending on the developments in these matters, the Group's performance and financial position may be affected.

**(10) Other General Risks**

Through its domestic and overseas subsidiaries and affiliates, etc., the Company operates its various businesses around the world. These businesses may from time to time be subject to various investigations by domestic and overseas authorities, which may 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 laws related to pharmaceuticals or medical devices or voluntary disclosure to the U.S. Department of Justice regarding compliance with the 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.