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## Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 <under IFRS>



May 10, 2019

Company Name: Olympus Corporation  
 Code Number: 7733  
 (URL: <http://www.olympus.co.jp/>)  
 Stock Exchange Listing: First Section of Tokyo Stock Exchange  
 Representative: Yasuo Takeuchi, Representative Director, President and Chief Executive Officer  
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 Scheduled date of General Meeting of Shareholders: June 25, 2019  
 Scheduled date to submit the Securities Report: June 25, 2019  
 Scheduled date to commence dividend payments: June 26, 2019  
 Presentation of supplementary material on financial results: Yes  
 Holding of financial results presentation meeting: Yes (for analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

#### (1) Consolidated Results of Operations

(% indicate changes from the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal year ended March 31, 2019	793,862	0.9	28,281	(65.1)	20,117	(73.8)	8,049	(85.9)	8,147	(85.7)	7,997	(86.9)
March 31, 2018	786,497	6.2	81,029	13.8	76,665	22.7	57,092	33.4	57,064	33.4	61,266	74.8

	Basic earnings per share	Diluted earnings per share	Ratio of equity attributable to owners of parent to profit	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	(¥)	(¥)	%	%	%
Fiscal year ended March 31, 2019	5.97	5.96	1.8	2.1	3.6
March 31, 2018	41.71	41.69	13.6	7.9	10.3

Reference: Share of profit (loss) of investments accounted for using equity method:

Fiscal year ended March 31, 2019: ¥603 million

Fiscal year ended March 31, 2018: ¥(47) million

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The stock split is reflected in the amounts of "basic earnings per share" and "diluted earnings per share."

#### (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	(¥ million)	(¥ million)	(¥ million)	%	(¥)
As of March 31, 2019	932,030	442,387	441,193	47.3	323.06
March 31, 2018	978,663	444,259	442,793	45.2	324.25

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The stock split is reflected in the amounts of "equity attributable to owners of parent per share."

#### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Fiscal year ended March 31, 2019	66,943	(60,296)	(82,948)	114,563
March 31, 2018	95,146	(53,312)	(51,058)	191,239

## 2. Dividends

	Annual dividends per share					Total amount of cash dividends (Annual) (¥ million)	Payout ratio (Consolidated) %	Ratio of dividends to equity attributable to owners of parent (Consolidated) %
	First quarter (¥)	Second quarter (¥)	Third quarter (¥)	Year-end (¥)	Total (¥)			
Fiscal year ended March 31, 2018	–	0.00	–	28.00	28.00	9,559	16.8	2.3
Fiscal year ended March 31, 2019	–	0.00	–	30.00	30.00	10,243	125.7	2.3
Fiscal year ending March 31, 2020 (Forecast)	–	0.00	–	10.00	10.00		21.7	

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. For the fiscal year ended March 31, 2018 and the fiscal year ended March 31, 2019, the actual amounts of dividends prior to the stock split are presented. The stock split is reflected in the dividend for the fiscal year ending March 31, 2020 (forecast). (Reference) Without reflecting the stock split, the annual dividend per share for the year ending March 31, 2020 (forecast) would be ¥40.00.

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(% indicate changes from the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full year	800,000	0.8	90,000	218.2	86,000	327.5	63,000	673.3	46.13

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The stock split is reflected in the amount of “basic earnings per share.”

### \* Notes

- (1) Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in the changes in scope of consolidation): No
- (2) Changes in accounting policies and changes in accounting estimates
  - 1) Changes in accounting policies required by IFRS: No
  - 2) Changes in accounting policies due to other reasons: No
  - 3) Changes in accounting estimates: No
- (3) Total number of issued shares (common stock)

- 1) Total number of issued shares at the end of the period (including treasury stock)

As of March 31, 2019	1,370,853,396 shares
As of March 31, 2018	1,370,764,896 shares

- 2) Total number of treasury shares at the end of the period

As of March 31, 2019	5,170,080 shares
As of March 31, 2018	5,181,404 shares

- 3) Average number of shares during the period

Fiscal year ended March 31, 2019	1,365,659,152 shares
Fiscal year ended March 31, 2018	1,368,097,201 shares

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. “Total number of issued shares at the end of the period,” “total number of treasury shares at the end of the period” and “average number of shares during the period” have been calculated as if the stock split was conducted at the beginning of the previous fiscal year. The amounts for “total number of issued shares at the end of the period,” “total number of treasury shares at the end of the period” and “average number of shares during the period” without factoring in the stock split would be as follows.

Total number of issued shares at the end of the period (including treasury stock)

Fiscal year ended March 31, 2019: 342,713,349 shares      Fiscal year ended March 31, 2018: 342,691,224 shares

Total number of treasury shares at the end of the period

Fiscal year ended March 31, 2019: 1,292,520 shares      Fiscal year ended March 31, 2018: 1,295,351 shares

Average number of shares during the period

Fiscal year ended March 31, 2019: 341,414,788 shares      Fiscal year ended March 31, 2018: 342,024,300 shares

## Reference: Summary of Non-Consolidated Financial Results

Financial Results for the Fiscal Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

### (1) Non-Consolidated Results of Operations

(% indicate changes from the previous fiscal year)

	Revenue		Operating profit		Ordinary profit		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal year ended								
March 31, 2019	376,812	(0.2)	(6,495)	–	43,984	212.2	30,223	99.1
March 31, 2018	377,538	2.8	12,429	(62.3)	14,090	(82.1)	15,179	(84.7)

	Basic earnings per share	Diluted earnings per share
	(¥)	(¥)
Fiscal year ended		
March 31, 2019	22.13	22.12
March 31, 2018	11.10	11.09

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The stock split is reflected in the amounts of “basic earnings per share” and “diluted earnings per share.”

### (2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of				
March 31, 2019	745,793	471,411	63.1	344.80
March 31, 2018	786,533	455,372	57.8	333.07

Reference: Equity as of March 31, 2019: ¥470,887 million      March 31, 2018: ¥454,829 million

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The stock split is reflected in the amounts of “net assets per share.”

\* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

\* Proper use of the forecast of financial results, and other special matters

The forward-looking statements, including forecast of financial results, contained in these materials include predictions about the future based on assumptions, forecasts and plans as of the date of release of these materials. Actual business and other results may differ substantially from the forecasts provided in these materials as a result of risks and uncertainties associated with the global economy, the competitive environment, exchange rate trends and other factors. For information on the forecast of financial results, please refer to page 5.

## Attached Material

### Contents

1. Overview of Operating Results and Others .....	2
(1) Analysis of Business Results .....	2
(2) Analysis of Financial Position and Cash Flows .....	6
(3) Basic Strategy for Profit Sharing and Dividend for the Current Fiscal Year and Following Fiscal Year .....	8
(4) Business Risks .....	8
2. Basic Rationale for Selecting the Accounting Standards .....	12
3. Consolidated Financial Statements and Significant Notes Thereto .....	13
(1) Consolidated Statements of Financial Position .....	13
(2) Consolidated Statements of Profit or Loss .....	15
(3) Consolidated Statements of Comprehensive Income .....	16
(4) Consolidated Statements of Changes in Equity .....	17
(5) Consolidated Statements of Cash Flows .....	18
(6) Notes to Consolidated Financial Statements .....	20
(Notes on premise of going concern) .....	20
(Reporting entity) .....	20
(Basis of preparation) .....	20
(Significant accounting policies) .....	20
(Significant accounting estimates and associated judgments) .....	20
(Consolidated Statements of Profit or Loss) .....	21
(Segment information, etc.) .....	22
(Per-Share Data) .....	25
(Important Subsequent Event) .....	26

## 1. Overview of Operating Results and Others

### (1) Analysis of Business Results

(Review of Operations)

#### Analysis of the overall operations

(Millions of yen)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Fiscal year ended March 31, 2019	793,862	28,281	20,117	8,147	¥5.97
Fiscal year ended March 31, 2018	786,497	81,029	76,665	57,064	¥41.71
Increase (Decrease) ratio (%)	0.9	(65.1)	(73.8)	(85.7)	(85.7)

#### Comparison Table of Average Exchange Rate (Yen)

	Current fiscal year	Previous fiscal year
Against the U.S. dollar	110.91	110.85
Against the euro	128.41	129.70

In the global economy during the fiscal year under review, while an overall moderate recovery had been expected, the situation remained unclear due to trade friction between the U.S. and China and the U.K.'s actions regarding its withdrawal from the EU. The Japanese economy continued to recover gradually, mainly as employment conditions improved and personal consumption showed signs of picking up. Olympus Group continued to work to achieve sustainable growth by announcing its business transformation plan "Transform Olympus" in January 2019 to develop itself as a truly global medical technology company, in addition to having conducted business operations in accordance with the "Business to Specialist" Company and One Olympus basic policies of the five-year medium-term management plan, 2016 Corporate Strategic Plan ("16CSP"), which was launched in the fiscal year ended March 31, 2017.

The Olympus Group's overall consolidated revenue increased to ¥793,862 million (up 0.9% year on year) due to increased sales in the Medical Business and Scientific Solutions Business. Operating profit was ¥28,281 million (down 65.1% year on year), mainly due to a monetary settlement of ¥19,380 million following damages claim securities litigation settlements; ¥6,174 million in costs associated with the restructuring of the Imaging Business's manufacturing locations; a provision of ¥3,817 million for damages resulting from the judgment regarding a lawsuit involving a Chinese production subsidiary; and recording a provision for additional taxes of ¥5,328 million anticipated in relation to a voluntary inspection regarding indirect taxation conducted by the Company's overseas subsidiary. Operating profit's year-on-year decrease despite revenue growth in the Medical Business was due to one-time costs incurred in connection with ¥9,653 million in costs associated with the plea agreement with the U.S. Department of Justice (DOJ). Meanwhile, the Scientific Solutions Business saw an increase in operating profit year-on-year due to increased sales. Moreover, an increase in finance costs associated with exchange losses resulted in profit attributable to owners of parent of ¥8,147 million (down 85.7% year on year).

In the mainstay Medical Business, although the gastrointestinal endoscope field is reaching the second half of its product life cycle, steady sales were maintained, and in the surgical field, for which strong growth is expected in 16CSP, sales were strong for the "VISERA ELITE II," introduced in earnest in Japan and Europe in the previous fiscal year, as well as for the "THUNDERBEAT" energy device. In North America, through synergies with US company Image Stream Medical, which was acquired in the previous fiscal year, sales were steady for both 4K surgical endoscopes and system integration products, posting record-breaking revenue.

On the other hand, in the Imaging Business, sales and profits declined, mainly reflecting the impact of restrictions on the supply of certain existing products and the number of new products associated with the restructuring of manufacturing bases, as well as the impact of an increasingly competitive environment for mirrorless cameras.

During the fiscal year under review, the Olympus Group invested ¥93,968 million on research and development, and spent ¥66,830 million on capital investments.

Regarding foreign exchange, the yen remained level against the U.S. dollar and appreciated against the euro compared to the previous fiscal year. The average exchange rates during the period were ¥110.91 against the U.S. dollar (¥110.85 in the previous fiscal year) and ¥128.41 against the euro (¥129.70 in the previous fiscal year). Revenue was decreased by ¥3,473 million year on year due to the impact of strong yen against the euro, while operating profit increased by ¥758 million, mainly due to the depreciation of certain currencies against the euro.

### Analysis of the performance by segment

(Millions of yen)

	Revenue			Operating profit (loss)		
	Previous fiscal year	Current fiscal year	Increase (Decrease) ratio (%)	Previous fiscal year	Current fiscal year	Increase (Decrease) ratio (%)
Medical	616,331	634,301	2.9	121,784	111,934	(8.1)
Scientific Solutions	100,016	104,225	4.2	6,425	8,135	26.6
Imaging	60,298	48,679	(19.3)	(1,200)	(18,268)	–
Others	9,852	6,657	(32.4)	(4,966)	(3,521)	–
Subtotal	786,497	793,862	0.9	122,043	98,280	(19.5)
Elimination or Unallocation	–	–	–	(41,014)	(69,999)	–
Consolidated total	786,497	793,862	0.9	81,029	28,281	(65.1)

Note: Businesses are segmented by adding similarities of sales market to the business established based on line of products.

### **Medical Business**

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Increase (Decrease)	Increase (Decrease) ratio
Revenue	616,331	634,301	17,970	2.9%
Operating profit	121,784	111,934	(9,850)	(8.1)%

Consolidated revenue in the Medical Business amounted to ¥634,301 million (up 2.9% year on year), while operating profit amounted to ¥111,934 million (down 8.1% year on year).

In the gastrointestinal endoscope field, although the mainstay endoscopy platform systems are in the second half of their product life cycles, steady sales were maintained. In the surgical field, the new “VISERA ELITE II” surgical endoscopy systems performed strongly while sales of the “THUNDERBEAT” integrated energy device with both advanced bipolar and ultrasonic energy continued to grow. In the therapeutic devices field, sales of single-use products for use in endoscopic diagnosis and treatment of biliary and pancreatic ducts and others were strong.

Operating profit in the Medical Business decreased due to the recording of costs associated with the plea agreement with the DOJ.

**Scientific Solutions Business**

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Increase (Decrease)	Increase (Decrease) ratio
Revenue	100,016	104,225	4,209	4.2%
Operating profit	6,425	8,135	1,710	26.6%

Consolidated revenue in the Scientific Solutions Business amounted to ¥104,225 million (up 4.2% year on year), while operating profit amounted to ¥8,135 million (up 26.6% year on year).

Sales of biological microscopes for hospitals and life science research were strong in North America and China.

Moreover, in addition to strong sales of industrial microscopes for semiconductor and electrical component inspection, sales of non-destructive testing equipment mainly to the petroleum gas market increased in China and Asia, leading to higher revenue year on year.

Operating profit in the Scientific Solutions Business rose due to increased revenue and efficient cost control.

**Imaging Business**

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Increase (Decrease)	Increase (Decrease) ratio
Revenue	60,298	48,679	(11,619)	(19.3)%
Operating loss	(1,200)	(18,268)	(17,068)	—

Consolidated revenue in the Imaging Business amounted to ¥48,679 million (down 19.3% year on year), while operating loss amounted to ¥18,268 million (compared with an operating loss of ¥1,200 million in the previous fiscal year).

The Imaging Business's revenue declined due to the impact of intensifying competition for mirrorless cameras, in addition to constraints on supplies of certain existing products and on the number of new products in conjunction with restructuring of manufacturing locations.

As a result of a decrease in revenues and the recording of costs associated with the restructuring of manufacturing locations and impairment losses of ¥1,990 million, operating loss was recognized in the Imaging Business.

**Others**

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Increase (Decrease)	Increase (Decrease) ratio
Revenue	9,852	6,657	(3,195)	(32.4)%
Operating loss	(4,966)	(3,521)	1,445	—

Consolidated revenue for other businesses amounted to ¥6,657 million (down 32.4% year on year) and operating loss was ¥3,521 million (compared with an operating loss of ¥4,966 million in the previous fiscal year).

Other businesses' revenue declined due mainly to external sales being terminated for lens units for compact cameras. Operating loss for other businesses decreased due mainly to reorganization of our non-core business domains in order to allocate management resources to our business domains in a more concentrated manner, and business transfer of subsidiaries in the previous fiscal year.

(Forecast for the Fiscal Year Ending March 31, 2020)

Forecast for the overall business and analysis of its preconditions

Looking ahead, the global economy shows signs of slowing down overall, and a persistent downside risk remains due to the trade friction between the U.S. and China, the slowdown in the Chinese economy, and fluctuations in the financial and capital markets, among other factors. In the Japanese economy, despite the likelihood of ongoing recovery on the back of improved corporate earnings, prospects ahead remain uncertain amid negative factors that include growing uncertainties regarding the global economy and volatility in financial and capital markets.

Given this environment, the Olympus Group will steadily press forward with the 2016 Corporate Strategic Plan (“16CSP”), which is our medium-term management plan drawn up in March 2016, while continuing to work to achieve sustainable growth to realize our “Transform Olympus” business transformation plan announced in January 2019.

In the Medical Business, in accordance with “Transform Medical” announced together with “Transform Olympus,” we are restructuring our Medical Business, optimizing and streamlining our operational system, and pursuing enhanced competitiveness in the global medtech industry. In the Scientific Solutions Business, we will establish an earnings platform by promoting strategies oriented to customer groups and work to increase profitability. In the Imaging Business, we will complete the restructuring of manufacturing locations and increase business efficiency to establish a profitable business structure.

The forecast for consolidated financial results in the fiscal year ending March 31, 2020 is as follows.

	(Millions of yen)			
	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent
Fiscal year ending March 31, 2020	800,000	90,000	86,000	63,000

Revenue is forecasted to increase in every segment, with increases expected for the Medical Business in particular, due to growth in emerging countries such as China as well as steady performance in the surgical and therapeutic devices fields. On the profit front, both operating profit and profit before tax are forecasted to improve significantly, mainly reflecting the absence of one-time costs incurred in the fiscal year ended March 31, 2019, along with factors such as the effect of relocating production functions to the Vietnam plant in the Imaging Business, a contraction in losses due to the launch of new products, and a reduction in selling, general and administrative expenses as announced in Transform Olympus. In addition, profit attributable to owners of parent is expected to increase due to the improvement in profit before tax, despite increased in tax expenses.

Foreign exchange rates for the fiscal year ending March 31, 2020, which are a precondition for the forecast, are expected to be ¥105 per U.S. dollar and ¥120 per euro.



## (2) Analysis of Financial Position and Cash Flows

Analysis of assets, liabilities and equity

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019	Increase (Decrease)	Increase (Decrease) ratio (%)
Total assets	978,663	932,030	(46,633)	(4.8)
Total equity	444,259	442,387	(1,872)	(0.4)
Equity attributable to owners of parent to total assets	45.2%	47.3%	2.1%	—

As of the end of the fiscal year under review, total assets decreased ¥46,633 million compared to the end of the previous fiscal year to ¥932,030 million.

As for total assets, inventories increased ¥14,314 million, property, plant and equipment increased ¥8,665 million, and deferred tax assets increased ¥10,132 million. On the other hand, cash and cash equivalents decreased ¥76,813 million and intangible assets decreased ¥4,102 million.

As for total liabilities, bonds and borrowings in current liabilities decreased ¥29,084 million and bonds and borrowings in non-current liabilities decreased ¥37,555 million. As a result, liabilities decreased ¥44,761 million compared to the end of the previous fiscal year to ¥489,643 million.

Total equity decreased ¥1,872 million compared to the end of the previous fiscal year to ¥442,387 million, primarily due to an increase in retained earnings caused by profit attributable to owners of parent of ¥8,147 million, a decrease in retained earnings caused by dividends of ¥9,559 million, and a decrease in other components of equity of ¥2,424 million.

As a result of the foregoing, equity attributable to owners of parent to total assets increased from 45.2% as of the end of the previous fiscal year to 47.3%.

Analysis of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Increase (Decrease)
Cash flows from operating activities	95,146	66,943	(28,203)
Cash flows from investing activities	(53,312)	(60,296)	(6,984)
Cash flows from financing activities	(51,058)	(82,948)	(31,890)
Cash and cash equivalents at end of year	191,239	114,563	(76,676)

“Cash flows from operating activities” increased by ¥66,943 million. Increasing factors mainly included a recording of ¥20,117 million in profit before tax, an adjustment for noncash item of ¥58,669 million in depreciation and amortization. Decreasing factors mainly included an increase in inventories of ¥14,357 million and income taxes paid of ¥21,193 million.

“Cash flows from investing activities” decreased by ¥60,296 million. Decreasing factors mainly included ¥47,094 million in purchase of property, plant and equipment, and ¥14,372 million in purchase of intangible assets.

“Cash flows from financing activities” decreased by ¥82,948 million. Decreasing factors mainly included ¥64,302 million in repayments of long-term borrowings, ¥25,000 million in redemption of bonds, and ¥9,559 million in dividends paid. Increasing factors mainly included ¥9,425 million in proceeds from long-term borrowings and ¥9,947 million in proceeds from issuance of bonds.

As a result, cash and cash equivalents at the end of the current fiscal year reached ¥114,563 million, a decrease of ¥76,676 million compared to the end of the previous fiscal year.

## (Indicators)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Ratio of equity attributable to owners of parent to total assets (%)	38.2	41.1	45.2	47.3
Market value ratio of equity attributable to owners of parent to total assets (%)	149.6	151.0	140.9	176.1
Interest-bearing debt to cash flows ratio (years)	6.6	2.8	2.6	2.7
Interest coverage ratio (times)	6.1	12.9	14.9	14.5

Notes: Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent/Total assets  
Market value ratio of equity attributable to owners of parent to total assets: Total market capitalization/Total assets  
Interest-bearing debt to cash flows ratio: Interest-bearing debt/Cash flow  
Interest coverage ratio: Cash flow/Interest payment

1. Each index was calculated by financial index of consolidated basis.
2. Total market capitalization is calculated on the basis of the number of issued shares excluding treasury stock.
3. Cash flows from operating activities are used as “Cash flow” for calculation purposes.
4. Interest-bearing debts include all of those debts reported on the consolidated statements of financial position on which interest is paid.

(3) Basic Strategy for Profit Sharing and Dividend for the Current Fiscal Year and Following Fiscal Year

Aiming to boost corporate value, premised on securing a stable financial base, the Company places priority on investing in growth fields, particularly the Medical Business. Based on this, our basic strategy is to continuously implement stable dividend distribution to respond to the expectations of our shareholders.

In accordance with the above policy and in consideration of comprehensive factors that include our consolidated financial results for the fiscal year ended March 31, 2019, the Company's financial standing and future investment in operations, we intend to pay a year-end dividend of ¥30 per share for the fiscal year under review. The annual dividend will therefore amount to ¥30 per share.

We intend to pay a dividend of ¥10 per share for the fiscal year ending March 31, 2020 (year-end dividend of ¥10). Furthermore, when not considering the stock split with an effective date of April 1, 2019 (one share of common stock of the Company split into four shares), the dividend per share is ¥40 (year-end dividend of ¥40), a ¥10 increase in dividends from the current fiscal year.

(4) Business Risks

The business performances of the Olympus Group may be materially influenced by various factors which may occur in the future. Listed below are principal business risk factors, aside from managerial decisions made by the Olympus Group, which may give rise to changes in Olympus Group's business performances. The Olympus Group is aware of the possibilities of these risks, will strive to prevent them from occurring, and will deal conscientiously and diligently with any risk that may occur.

The future events described below are based on the judgment of the Olympus Group made as of the end of the fiscal year under review.

(Risks Associated with Selling Activities)

- (i) In the Medical Business, if healthcare policy is amended in an unforeseeable and material manner as a result of a healthcare system reform or another change occurs in relation to the medical sector, and the Olympus Group finds it difficult to adapt to such an environmental change, or if the Olympus Group is unable to obtain the licenses and approvals in various countries necessary for its business activities in a timely manner, the Olympus Group's ability to secure its earnings may be adversely affected.
- (ii) In the Scientific Solutions Business, system provision to research activities funded by national budgets of countries accounts for a high proportion of earnings of the Olympus Group. Therefore, if such national budgets are curtailed in the wake of unfavorable macroeconomic fluctuations, the Olympus Group's ability to secure its earnings may be adversely affected.
- (iii) In the digital camera field of the Imaging Business, market conditions are becoming harsher. If the market contracts more sharply than anticipated, the Olympus Group may be unable to adequately counter the resulting sales decline with the restructuring measures it is currently implementing, and this may adversely affect the Olympus Group's ability to secure its earnings.

(Risks Associated with Production/Development Activities)

- (i) Certain production bases of the Group are located in overseas countries. Therefore, depending upon exchange rate trends and other factors, operating costs may increase substantially, and the Olympus Group's ability to secure its earnings may be adversely affected.
- (ii) The Olympus Group relies on certain specific suppliers to consistently develop and produce those products and parts which it cannot develop or produce internally. Hence, if the Group is subjected to

constraints on procurement of such products and parts according to the said suppliers' convenience, the Olympus Group's ability to produce and supply them may be adversely affected.

- (iii) The Olympus Group and its manufacturing contractors manufacture their products in accordance with exacting quality standards. However, if any product deficiency occurs, not only substantial costs including those of a recall would be incurred but also the market's confidence in the Olympus Group would be undermined, and the Olympus Group's ability to secure its earnings may be adversely affected.
- (iv) The Olympus Group is continuing to advance development of products using cutting-edge technologies. However, if technological progress occurs so fast and market changes cannot be predicted adequately, that the Group is unable to develop new products adequately meeting customers' needs in a timely manner, the Olympus Group's ability to secure its earnings may be adversely affected.
- (v) The Olympus Group, in conducting R&D and production activities, uses various intellectual property rights, and believes that the Group lawfully owns or is licensed to use such rights. However, if any third party asserts that the Group has unknowingly infringed any of these intellectual property rights and if any litigation occurs, the Olympus Group's ability to secure its earnings may be adversely affected.

(Risks Associated with Business Collaborations and Corporate Acquisitions)

- (i) The Olympus Group has built long-term strategic partnerships with advanced enterprises in the industry on technologies and product development. If the Group can no longer maintain such partnerships due to occurrence of a financial or any other business-related problem or change of its goals, the business activities of the Group may be adversely affected.
- (ii) The Olympus Group may acquire a business enterprise in order to expand its business. If the Group is unable to integrate the acquired business in line with the Group's management strategy or utilize management resources in an efficient manner as to the existing business or the acquired business, the Group's business may be adversely affected or its business performances and financial position may be adversely affected due to impairment of goodwill, loss on business sale or liquidation resulting from business restructuring and the like, or other related expenses.
- (iii) The Olympus Group holds investment securities and other such instruments for policy investment purposes which include facilitating business alliances. As such, the Group's business performance and financial position could be adversely affected under a situation involving considerable volatility with respect to stock prices and valuations of such investments brought about by developments that include market fluctuations and changes in the financial position of entities targeted for investment.

(Risks Associated with Financing)

Since the Olympus Group carries out financing by borrowing from financial institutions, etc. and issuance of bonds, changes in the environment for the financial markets may have an impact on the Group's financing. Furthermore, if the Group's financing costs rise as a result of such factors as deterioration in its business performances, this may also have an adverse impact on the Group's financing.

(Risks Associated with Leakage of Information)

The Olympus Group possesses important confidential information regarding such matters as technology, as well as the personal information of its customers and other related parties. In order to prevent external leakages of this information, the Group takes various countermeasures including the establishment of

internal regulations, the thorough promotion of employee training, and the strengthening of security systems. Even so, in the case that such information is leaked due to unanticipated circumstances, the Group's business performances and financial position may be adversely affected by such factors as damage to the Group's corporate value, loss of social credibility, and payment of compensation to customers and related parties affected by such information leakage.

(Risks Associated with Internal Control System)

The Olympus Group has developed a system for ensuring appropriate and reliable financial reporting and valid and efficient work processes, which it operates and continuously improves. However, it is possible that no matter how effective the internal control system constructed by the Group, actions arising from malicious intent or gross negligence on the part of employees, changes in the business and social environment that were not envisaged at the time of the internal control system's construction, invalidation of the system due to these changes, or various other factors, could cause the system to fail. If unable to properly address such a situation, there is the potential for an issue arises in the future with regard to violation of laws and regulations. If such an issue were to arise, the Company may be obliged to pay fines due to administrative action, penalties due to criminal proceedings, or damages and so forth due to civil lawsuits. Moreover, the Company may suffer an adverse impact on its business from a loss of social trust. Such events could have an adverse impact on the Company's operating results.

(Risks Relating to Laws and Regulations)

We operate our businesses globally, including our medical business, which is a regulated business. We are subject to various laws, including the Antimonopoly Act of Japan and the laws on medical care of Japan and similar laws in other countries and jurisdictions, as well as the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act of 1977 (FCPA), the U.K. Anti-Bribery Act and other anti-bribery laws in other countries and jurisdictions. We are also subject to various laws targeting fraud and abuse in the healthcare industry, including the Act Against Unjustifiable Premiums and Misleading Representations in Japan and the Anti-Kickback Statute and the False Claims Act in the United States.

With respect to the medical business, because government-sponsored healthcare systems have developed around the world, our group companies and many of their distributors and suppliers do business with government affiliated entities, healthcare providers and officials. Our group companies and their distributors and suppliers operate in countries or jurisdictions where there has been governmental corruption in the past, and in certain circumstances strict compliance with anti-bribery laws may conflict with local customs and practices. In addition, the various laws and regulations targeting fraud and abuse in the healthcare industry are wide-ranging and subject to changing interpretation and application, which could restrict our sales or marketing practices.

Violations of these laws may be punishable by criminal or civil fines, imprisonment and/or exclusion from participation in certain national healthcare programs. Furthermore, since many of our customers rely on reimbursement from public health insurance and other government programs to subsidize their medical expenditures, if our participation in such programs would be restricted as a result of a violation of these laws, that could adversely affect the demand for our products and the number of procedures performed using our devices.

We strive to fully comply with these laws, but if we engaged in conduct that violated them, regardless of whether we intentionally violated them or not, that may affect our business, financial condition, results of operations and cash flows as well as the price of shares of our common stock.

(Risks Relating to Duodenoscopes)

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

Although we have since proceeded with post-marketing surveillance research in collaboration with the FDA, further regulatory actions by the FDA may be taken depending on the future progress.

The plea agreement, executed on December 3, 2018, with the U.S. Department of Justice required our subsidiary, Olympus Medical Systems, Inc., to "strengthen the process of compliance with laws and regulations and periodically implement confirmations that the Company has reached the level expected under the agreement."

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

(Other Comprehensive Risks)

Through its domestic and overseas subsidiaries and affiliates, etc., the Company operates its various businesses globally. These may be the subject of various investigations, as needed, by domestic and overseas authorities, and may have consultations with or report to authorities with respect to compliance with laws and regulations (for example in response to the examination regarding compliance with antimonopoly acts and acts related to pharmaceutical and medical device or in voluntary disclosure to the U.S. Department of Justice regarding compliance with the Foreign Corrupt Practices Act). As such, the Company's ability to secure its earnings may be adversely affected depending upon the results of such investigations and consultations. In addition, if any natural disaster, disease, war, or terrorist attack occurs, or if interest rates rise or exchange rates fluctuate beyond its expectations, the Olympus Group's ability to secure its earnings may be adversely affected.

## **2. Basic Rationale for Selecting the Accounting Standards**

The Olympus Group has voluntarily applied the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended March 31, 2018, with the aim of improving the international comparability of financial information in the capital market, improving the effectiveness of corporate management by applying one unified accounting rule in the Group, and reinforcing governance.

**3. Consolidated Financial Statements and Significant Notes Thereto**

## (1) Consolidated Statements of Financial Position

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	191,239	114,426
Trade and other receivables	157,339	155,321
Other financial assets	7,442	2,155
Inventories	139,309	153,623
Income taxes receivable	4,127	7,931
Other current assets	14,487	16,867
Subtotal	513,943	450,323
Assets held for sale	348	5,709
Total current assets	514,291	456,032
Non-current assets		
Property, plant and equipment	168,243	176,908
Goodwill	97,208	101,188
Intangible assets	73,371	69,269
Retirement benefit asset	29,514	30,239
Investments accounted for using equity method	44	2,440
Trade and other receivables	17,971	14,618
Other financial assets	39,683	32,808
Deferred tax assets	37,135	47,267
Other non-current assets	1,203	1,261
Total non-current assets	464,372	475,998
Total assets	978,663	932,030



(Millions of yen)

As of March 31, 2018 As of March 31, 2019

**LIABILITIES AND EQUITY**

## Liabilities

## Current liabilities

Trade and other payables	57,559	61,724
Bonds and borrowings	88,791	59,707
Other financial liabilities	8,793	9,391
Income taxes payable	9,467	8,043
Provisions	6,814	10,803
Other current liabilities	134,496	133,311
Subtotal	305,920	282,979
Liabilities directly associated with assets held for sale	–	4,532
Total current liabilities	305,920	287,511

## Non-current liabilities

Bonds and borrowings	159,183	121,628
Other financial liabilities	7,379	7,799
Retirement benefit liability	39,145	43,116
Provisions	785	6,468
Deferred tax liabilities	10,004	12,101
Other non-current liabilities	11,988	11,020
Total non-current liabilities	228,484	202,132

## Total liabilities

534,404 489,643

## Equity

Share capital	124,560	124,606
Capital surplus	91,502	91,310
Treasury shares	(4,775)	(4,764)
Other components of equity	(5,810)	(8,234)
Retained earnings	237,316	238,275
Total equity attributable to owners of parent	442,793	441,193
Non-controlling interests	1,466	1,194
Total equity	444,259	442,387
Total liabilities and equity	978,663	932,030

## (2) Consolidated Statements of Profit or Loss

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Revenue	786,497	793,862
Cost of sales	276,013	284,297
Gross profit	510,484	509,565
Selling, general and administrative expenses	426,596	437,510
Share of profit (loss) of investments accounted for using equity method	(47)	603
Other income	7,905	6,234
Other expenses	10,717	50,611
Operating profit	81,029	28,281
Finance income	2,685	2,183
Finance costs	7,049	10,347
Profit before tax	76,665	20,117
Income taxes	19,573	12,068
Profit	57,092	8,049
Profit attributable to:		
Owners of parent	57,064	8,147
Non-controlling interests	28	(98)
Profit	57,092	8,049
Earnings per share		
Basic earnings per share	¥41.71	¥5.97
Diluted earnings per share	¥41.69	¥5.96

## (3) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	57,092	8,049
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3,562	(3,254)
Remeasurements of defined benefit plans	3,240	858
Total of items that will not be reclassified to profit or loss	6,802	(2,396)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3,568)	1,855
Cash flow hedges	952	491
Share of other comprehensive income of associates accounted for using equity method	(12)	(2)
Total of items that may be reclassified to profit or loss	(2,628)	2,344
Total other comprehensive income	4,174	(52)
Comprehensive income	61,266	7,997
Comprehensive income attributable to:		
Owners of parent	61,234	8,094
Non-controlling interests	32	(97)
Comprehensive income	61,266	7,997

## (4) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2018

(Millions of yen)

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

Fiscal year ended March 31, 2019

(Millions of yen)

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

## (5) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before tax	76,665	20,117
Depreciation and amortization	52,913	58,669
Interest and dividend income	(1,774)	(1,901)
Interest expenses	6,669	4,617
Loss (gain) on sales of investments in subsidiaries	(3,048)	-
Loss related to securities litigation	592	19,380
Loss related to duodenoscope investigation	-	9,653
Share of loss (profit) of investments accounted for using equity method	47	(603)
Decrease (increase) in trade and other receivables	1,730	5,584
Decrease (increase) in inventories	(13,249)	(14,357)
Increase (decrease) in trade and other payables	(13,709)	3,114
Increase (decrease) in retirement benefit liability	1,167	1,632
Decrease (increase) in retirement benefit asset	980	(2,391)
Increase (decrease) in provisions	983	9,866
Other	9,871	6,510
Subtotal	119,837	119,890
Interest received	1,132	1,299
Dividends received	642	602
Interest paid	(6,375)	(4,622)
Loss on litigation paid	(809)	(19,380)
Loss related to duodenoscope investigation	-	(9,653)
Income taxes paid	(19,281)	(21,193)
Net cash provided by operating activities	95,146	66,943
Cash flows from investing activities		
Purchase of property, plant and equipment	(48,855)	(47,094)
Proceeds from sales of property, plant and equipment	5,646	4,300
Purchase of intangible assets	(14,554)	(14,372)
Purchase of investments in associates	-	(2,440)
Payments for loans receivable	(1,134)	(1,564)
Collection of loans receivable	1,485	1,193
Proceeds from sales of investments	7,047	5,031
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(8,636)	-
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	2,400	-
Payments for acquisition of business	-	(3,743)
Proceeds from government subsidies	4,162	-
Other	(873)	(1,607)
Net cash used in investing activities	(53,312)	(60,296)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	(2,608)	647
Proceeds from long-term borrowings	23,551	9,425
Repayments of long-term borrowings	(66,307)	(64,302)
Dividends paid	(9,583)	(9,559)
Dividends paid to non-controlling interests	(79)	(368)
Proceeds from issuance of bonds	9,946	9,947
Redemption of bonds	–	(25,000)
Payments for purchase of treasury shares	(3,663)	(8)
Other	(2,315)	(3,730)
Net cash used in financing activities	(51,058)	(82,948)
Effect of exchange rate changes on cash and cash equivalents	998	(375)
Net increase (decrease) in cash and cash equivalents	(8,226)	(76,676)
Cash and cash equivalents at beginning of period	199,465	191,239
Cash and cash equivalents at end of period	191,239	114,563

## (6) Notes to Consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Reporting entity)

Olympus Corporation (hereinafter, the “Company”) is a joint stock company located in Japan. The address of its registered head office is Hachioji-shi, Tokyo. The Company’s consolidated financial statements comprise the Company and its subsidiaries (hereinafter, the “Olympus Group”) and interests in the Company’s associates.

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

(Basis of preparation)

### (1) Statement of the consolidated financial statements’ compliance with IFRS

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

### (2) Basis of measurement

The Olympus Group’s consolidated financial statements have been prepared on an acquisition cost basis, except for specific financial instruments.

### (3) Functional currency and presentation currency

The Olympus Group’s consolidated financial statements are presented in Japanese yen, which is also the Company’s functional currency, and figures are rounded off to the nearest million yen.

(Significant accounting policies)

The significant accounting policies adopted for the consolidated financial statements of the Olympus Group for the fiscal year ended March 31, 2019 are the same as those applied for the fiscal year ended March 31, 2018.

(Significant accounting estimates and associated judgments)

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

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

Significant accounting estimates and associated judgments in the consolidated financial statements are consistent with the consolidated financial statements for the previous fiscal year.

## (Consolidated Statements of Profit or Loss)

## (1) Selling, general and administrative expenses

Major items of selling, general and administrative expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)	Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)
Personnel expenses	220,349	224,087
Depreciation	29,373	29,866
Advertising and promotion expenses	26,021	27,745

Personnel expenses mainly include wages, bonuses, legal welfare expenses, expenses related to post-employment benefits, and personnel expenses incurred by the development division.

## (2) Other income and other expenses

## 1) Other income

Major items of other income are as follows.

Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(Gain on sale of investments in subsidiaries)

The Company recorded gain on sale of investments in subsidiaries of ¥3,048 million in “Other income” in conjunction with sales of shares of the former subsidiary.

(Gain on sale of fixed assets)

The Company recorded gain on sale of land of ¥1,345 million in “Other income.”

Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(Gain on revision of retirement benefit plan)

The Company recorded a gain on the revisions of the retirement benefit plan in Europe of ¥1,883 million in “Other income.”

(Gain on sale of fixed assets)

The Company recorded gain on sale of fixed assets of ¥1,059 million in “Other income.”

## 2) Other expenses

Major items of other expenses are as follows.

Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(Business restructuring expenses)

The Company recorded ¥1,351 million for the business restructuring expenses in Europe in “Other expenses.”

Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(Loss related to securities litigation)

The Company received claims for compensation for damages from several individual and institutional investors for losses sustained as a result of the Company’s false statements for the purpose of postponing recognition of losses in the Annual Securities Reports, Semi-Annual Securities Reports and Quarterly Securities Reports for the period from the fiscal year ended March 31, 2001 through the first quarter of the fiscal year ended March 31, 2012. The Company recorded a monetary settlement of ¥19,380 million, which is the amount of settlements paid for the claims for damages, in “Other expenses.”



(Restructuring costs for Imaging Business's manufacturing locations)

In May 2018, the Company resolved to restructure manufacturing locations of Imaging Business, and decided to discontinue operations of Olympus (Shenzhen) Industrial Ltd., a consolidated subsidiary of the Company, and to concentrate this production at Olympus Vietnam Co., Ltd.

The Company recorded ¥6,174 million in "Other expenses" as restructuring expenses for manufacturing locations in the Imaging Business, including economic compensation incurred with a series of restructuring.

(Loss related to litigation of consolidated subsidiary)

Regarding the lawsuit filed by Shenzhen Anping Tai Investment and Development Co., Ltd. against the Company's consolidated subsidiary Olympus (Shenzhen) Industrial Ltd. (OSZ), the Shenzhen Intermediate People's Court issued a verdict on July 30, 2018, which was sent to OSZ on August 3, 2018. While the verdict recognized some of the claims of the Company's consolidated subsidiary, it was ordered to pay damages. To prepare for losses associated with the lawsuit, the Company recorded ¥3,817 million in "Other expenses" as a reasonable estimate of the required sum.

(Costs related to litigation of consolidated subsidiary)

Regarding costs associated with a lawsuit between the Company's consolidated subsidiary KeyMed (Medical & Industrial Equipment) Ltd. and the former officers, the Company recorded ¥1,197 million in "Other expenses" as a reasonable estimate of the required sum.

(Investigation on duodenoscopes in the U.S.)

In March and August 2015, subpoenas were issued to Olympus Medical Systems Corp. (OMSC), a subsidiary of ours, by the U.S. Department of Justice (DOJ), seeking information relating to duodenoscopes that the Olympus Group manufactures and sells, and the DOJ had continued an investigation relating to the U.S. Federal Food, Drug and Cosmetic Act (FDCA). On December 3, 2018, OMSC entered into a plea agreement with the DOJ regarding this matter, and the agreement was approved by a U.S. federal court and thus became final on December 10, 2018. OMSC paid a criminal fine and criminal forfeiture in the amount of ¥9,653 million.

(Impairment losses)

Regarding business assets in the Imaging Business and development assets in the Medical Business, as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, values have been written down to the collectable amount, and impairment losses of ¥1,990 million and ¥1,332 million have been recognized, respectively, as "Other expenses."

(Additional taxes at consolidated subsidiaries)

The Company recorded a loss as a provision for expected additional taxes of ¥5,328 million anticipated in relation to a voluntary inspection regarding indirect taxation conducted by the Company's overseas subsidiary. Of this amount, ¥3,882 million was recorded as "Other expenses."

(Segment information, etc.)

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

Accordingly, the Olympus Group has the abovementioned four businesses as reportable segments.

The principal products and services of each reportable segment are as follows.

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

(2) Revenue and business results for reportable segments

Revenue and other performance of each reportable segment of the Olympus Group are as follows.

Fiscal year ended March 31, 2018

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

Notes:

1. Revenue among segments is based on actual market prices.
2. Adjustment for operating profit (loss) is corporate expenses that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses etc. that are not attributable to reportable segments.
3. Adjustment for segment assets is corporate expenses that are not attributable to reportable segments.

Fiscal year ended March 31, 2019

(Millions of yen)

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

## Notes:

1. Revenue among segments is based on actual market prices.
2. Adjustment for operating profit (loss) is corporate expenses that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses etc. that are not attributable to reportable segments.
3. Adjustment for segment assets is corporate expenses that are not attributable to reportable segments.

## (3) Information by region

Information by region of revenue of the Group is as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)	Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)
Japan	153,764	146,344
North America	262,454	267,411
Europe	191,143	191,965
Asia and Oceania	160,475	168,513
Others	18,661	19,629
Total	786,497	793,862

Notes: 1. Revenue is based on the location of the customer, and are classified by country or region.

2. Major countries and regions other than Japan are as follows:

- |                      |   |
|----------------------|---|
| (1) North America    | USA, Canada   |
| (2) Europe           | Germany, UK, France, etc.                           |
| (3) Asia and Oceania | Singapore, Hong Kong, China, Korea, Australia, etc. |
| (4) Others           | Central and South America, Africa, etc.             |

## (Per-share data)

## (1) Basic earnings per share and diluted earnings per share

	Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)	Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)
Basic earnings per share	¥41.71	¥5.97
Diluted earnings per share	¥41.69	¥5.96

## (2) The basis for calculating basic earnings per share and diluted earnings per share

	(Millions of yen)	
	Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)	Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)
Profit used to calculate basic earnings per share and diluted earnings per share		
Profit attributable to owners of parent	57,064	8,147
Profit not attributable to common shareholders of parent	–	–
Profit used to calculate basic earnings per share	57,064	8,147
Adjustment to profit	–	–
Profit used to calculate diluted earnings per share	57,064	8,147

The weighted average number of shares of common stock used to calculate basic earnings per share and diluted earnings per share

The weighted average number of shares of common stock	1,368,097 thousand shares	1,365,659 thousand shares
Increase in number of shares of common stock		
Subscription rights to shares relating to stock options	601 thousand shares	578 thousand shares
Common stock relating to performance-linked share-based remuneration	70 thousand shares	73 thousand shares
Average number of shares of diluted common stock during the period	1,368,768 thousand shares	1,366,310 thousand shares

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The stock split is reflected in the amounts of “basic earnings per share” and “diluted earnings per share” as if the stock split were conducted at the beginning of the previous fiscal year.

**(Important subsequent event)****(Share split and partial amendments to the Articles of Incorporation in relation to share split)**

The Company, at its meeting of the Board of Directors held on February 8, 2019, resolved to implement a share split and partially amend the Articles of Incorporation in relation to the share split.

**(1) Purpose of Share Split**

The purpose of the share split is to lower the unit investment amount and increase the liquidity of the Company's stock, thereby enabling a wider range of shareholders to hold the Company's stock.

**(2) Overview of Share Split****(i) Method of share split**

With a record date of March 31, 2019 (provided, however, that since this day fell on a non-business day of the share registration agent, the practical record date was March 29, 2019), a four-for-one share split was instituted to the shares of common share held by shareholders registered in the final List of Shareholders or in other registers on that date.

**(ii) Number of shares to be increased by share split**

Total number of issued shares as of March 31, 2019:	342,713,349 shares
Number of shares to be increased by share split:	1,028,140,047 shares
Total number of issued shares after share split:	1,370,853,396 shares
Number of shares authorized to be issued after share split	4,000,000,000 shares

**(iii) Schedule of the share split**

Public notice of record date:	March 14, 2019
Record date:	March 31, 2019
Effective date:	April 1, 2019

**(3) Partial Amendments to the Articles of Incorporation****(i) Reason for the amendments**

In connection with this share split, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act, the total number of shares authorized to be issued stipulated in Article 6 of the Company's Articles of Incorporation was amended effective April 1, 2019.

**(ii) Details of the amendment**

The details of the amendment are as follows.

(Underlined portions represent amendment)

Before the amendment	After the amendment
Article 6. <i>(Total Number of Shares Authorized to be Issued)</i> The total number of shares authorized to be issued by the Company shall be <u>one</u> billion ( <u>1,000,000,000</u> ) shares.	Article 6. <i>(Total Number of Shares Authorized to be Issued)</i> The total number of shares authorized to be issued by the Company shall be <u>four</u> billion ( <u>4,000,000,000</u> ) shares.

**(iii) Schedule**

Effective date for the amendments to the Articles of Incorporation: April 1, 2019

(4) Others

(i) Change in amount of share capital

The amount of the Company's share capital will not change as a result of the share split.

(ii) Dividends

As the share split will be conducted with an effective date of April 1, 2019, year-end dividend for the fiscal year ended March 31, 2019 will be commenced based on the number of shares held prior to the share split.

“Per share data” has been calculated as if the Company's stock split was conducted at the beginning of the previous fiscal year.