To Shareholders

Internet Disclosure for Notice Regarding the Convocation of the General Meeting of Shareholders For the 145th Term

I. Basic Policy on Control of Company
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June 4, 2013

OLYMPUS CORPORATION

Pursuant to applicable laws and regulations, and the provisions of the Articles of Incorporation of Olympus Corporation (the "Company"), the items listed above are deemed to have been provided to shareholders because they have been posted on the Company's website (http://www.olympus.co.jp).

I. Basic Policy on Control of Company

1. Summary of basic policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The Company will not indiscriminately reject a large-scale acquisition of the Company's shares if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders. The Company also believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a transfer of corporate control of a joint stock company.

Nonetheless, there are some forms of corporate acquisition that benefit neither the corporate value of the target company nor, in turn, the common interests of its shareholders, including those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares, those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of acquisition or for the target company's board of directors to make an alternative proposal, and those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

Above all, in order for the Company to ensure and enhance its corporate value and, in turn, the common interests of its shareholders, it is essential that the Company has a management function that emphasizes on maintaining technologies and personnel that have been cultivated over the years and protecting and improving technologies and personnel from a medium-to-long term perspective and on maintaining, strengthening and expanding its network with clients.

Unless the acquirer of a proposed large-scale acquisition of the Company's shares understands the source of the corporate value of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed. The Company believes that persons who would make a large-scale acquisition of the Company's shares in a manner that does not contribute to the corporate value of the Company and, in turn, the common interests of its shareholders would be inappropriate to become persons who would control decisions on the Company's financial and business policies. The Company also believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition of the Company's shares by such persons.

2. Measures for realization of basic policies

(1) Summary of special measures for the realization of basic policies

As a company that is in the manufacturing business, the Company has introduced a framework for research and development that allows us to thoroughly carry out basic research into cutting-edge technology and manufacturing technology. By continuing to take on the successive generations of technology, knowledge and know-how that the Company has accumulated over many years, the Company has established a core pool of technology that is focused on the medium-to-long term perspective. The underlying technology deeply cultivated and expanded has borne fruit in the form of unique products and business, such as the Company's endoscope business, and these have led to the Company being able to contribute new value to society.

With this goal in mind, the Company, through its new management formed on April 20, 2012, announced on June 8, 2012 its new medium-term vision (the "Medium-Term Vision") for the five years from fiscal year ended March 2013. This vision is based on the three management policies under the new management: "Return to Basics", "One Olympus", and "Profitable Growth". Expressing regret for our past misconduct, we aim to achieve "Profitable Growth" by adopting "Back to Basics" as the principle behind all our actions and strategies, and 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."

Based on the above management policies, we are implementing the following four basic strategies to rebuild Olympus and create new corporate value: (i) rebuilding of the business portfolio and optimal allocation of management resources, (ii) review of cost structures, (iii) restoration of financial health, and (iv) restructuring of governance. Also, through the business and capital alliance with Sony Corporation announced on September 28, 2012, we aim to improve our financial base and enhance our corporate value by integrating the strengths of both companies and through joint operation in medical business and digital camera business.

Due to occurrence of series of problems involving deferral of posting of losses at the Company, in order to prevent recurrence of misconducts, the Company, based on the problems indicated and recommendations given to prevent recurrence as stated in the investigation report dated December 6, 2011 from a third party committee which is independent from the Company, has been working to build corporate governance, construct internal control system, and review compliance. Specifically, under the supervision of the new management formed on April 20, 2012, we are solidly implementing measures to prevent recurrence compiled by the working team with advice from the Management Reform Committee comprised of outside experts, and are continuously working to strengthen corporate governance, organize internal control system and review compliance.

(2) Summary of measures to prevent control of financial and business policy decisions by inappropriate parties from the perspective of basic policies

(i) The Company, revised and renewed the former plan for countermeasures to large-scale acquisitions of the shares in the Company (takeover defense measures)(the renewed plan will be referred to as the "Plan") by resolution of the 144th Ordinary General Meeting of Shareholders held on June 28, 2012.

(ii) Details of the Plan

The purpose of the Plan is to prevent decisions on the Company's financial and business policies from being controlled by persons who would propose a large-scale acquisition of the Company's shares in a manner that does not contribute to the corporate value of the Company and, in turn, the common interests of its shareholders, to deter large-scale acquisitions of the Company's shares that are detrimental to the corporate value of the Company and, in turn, the common interests of its shareholders, and on the occasion that it receives a proposal from an acquirer for large-scale acquisition of the Company's shares, to ensure the necessary time and information for shareholders to decide whether or not to accept the large-scale acquisition proposal or for the Company's Board of Directors to present an alternative proposal to the shareholders, or to enable the Board of Directors to negotiate for the benefit of the shareholders.

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under (i) a purchase or other acquisition that would result in the holding ratio of share certificates, etc. *(kabuken tou hoyuu wariai)* of a holder (*hoyuusha*) totaling at least 20% of the share certificates, etc. (*kabuken tou*) issued by the Company; or (ii) a tender offer (*koukai kaitsuke*) that would result in the party conducting the tender offer's ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariai*) and the ownership ratio of share certificates, etc. of a person having a special relationship (*tokubetsu kankei-sha*) totaling at least 20% of the share certificates, etc. (*kabuken tou*) issued by the Company, or any similar action, or a proposal for such action (except for such action as the Company's Board of Directors separately determines not to be subject to the Plan; the "Acquisition") will take place. The party effecting the Acquisition (the "Acquirer") shall follow the procedures prescribed in the Plan, and the Acquirer must not effect an Acquisition until and unless the Company's Board of Directors passes a resolution not to implement the gratis allotment of stock acquisition rights in accordance with the Plan.

The Company will request an Acquirer to submit to the Company a document which includes an undertaking that the Acquirer will comply with the procedures set out in the Plan in the form separately prescribed by the Company before commencing or effecting the Acquisition. In addition, the Acquirer is required to provide the Board of Directors with a document containing specific information necessary for shareholders to make decisions (the "Acquisition Document") in a form designated by the Company. Upon receiving the Acquisition Document, the Board of Directors will send the document to the Special Committee composed of members including Outside Directors.

The Special Committee will consider the acquisition terms including information provided by the Acquirer and the Board of Directors, collect information on materials such as the management plans and business plans of the Acquirer and the Board of Directors for comparison, and consider any alternative plans presented by the Company's Board of Directors. Further, it will discuss with the Acquirer or conduct any similar action. The Special Committee may, at the Company's expense, obtain the advice of an independent third party. If the Special Committee determines that one of the trigger events set out below in Item (A) arises with respect to the Acquisition, the Special Committee will recommend the implementation of the gratis allotment of stock acquisition rights to the Board of Directors as triggering the Plan, except in any specific case.

If it is considered that an Acquisition may fall under the second trigger event set out below in Item (A), the Special Committee may recommend implementation of the gratis allotment of stock acquisition rights subject to obtaining approval at the general meeting of shareholders in advance, and the Board of Directors may convene a general meeting of shareholders and confirm the intent of the Company's shareholders regarding this issue.

The Board of Directors will make a resolution relating to the implementation or non-implementation of a gratis allotment of stock acquisition rights respecting to the maximum extent any recommendation by the Special Committee described above. If the general meeting of shareholders described above is convened, the Board of Directors will comply with any resolution passed by shareholders.

(A) Requirements for the gratis allotment of stock acquisition rights

The requirements for triggering the Plan to implement a gratis allotment of stock acquisition rights are as follows.

Trigger event (1)

The Acquisition is not in compliance with the procedures prescribed in the Plan (including cases where reasonable time and information necessary to consider the details of the Acquisition is not offered) and it is reasonable to implement the gratis allotment of stock acquisition rights. (In determining whether the Acquirer complied with the procedures stipulated by the Plan, the Acquirer's situation shall be fully considered to a reasonable extent such as when the Acquirer does not have detailed information concerning the Company, and the Acquirer shall not be deemed non-compliant with the procedures stipulated by the Plan based only on the reason that the Acquirer did not submit part of the necessary information requested by the Company's Board of Directors.)

Trigger event (2)

The Acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of stock acquisition rights. (The decision on whether it is fair to implement gratis allotment of stock acquisition rights should be made only when such Acquisition threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders, and a decision to implement gratis allotment of stock acquisition rights shall not be made based only on the reasons such as when the intent of the Acquirer applies to any of the below in formality or that the interests of stakeholders besides shareholders would be adversely affected.)

(a) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through any of the following actions:

  (i) A buyout of share certificates, etc. to require such share certificates, etc. to be compulsorily purchased by the Company's affiliates at a high price.

  (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.

  (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.

  (iv) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's business and paying temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity from the sudden rise in share prices created by the temporarily high dividends.

(b) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares, including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are set that are unfavorable or unclear).

(c) Acquisitions whose terms (including amount and type of consideration, the timeframe, the legality of the Acquisition method, the feasibility of the Acquisition being effected, and post-Acquisition policies dealing with the Company's other shareholders, employees, customers, business partners and any other stakeholders in the Company) are seriously inadequate or inappropriate in light of the corporate value of the Company and, in turn, the common interests of its shareholders.

(d) Acquisitions that materially threaten to seriously oppose the corporate value of the Company and, in turn, the common interests of shareholders, by seriously destroying relationships with the Company's other shareholders, employees, customers, business partners and any other stakeholders in the Company, which are indispensable to generate the Company's corporate value.

(B) Other

The stock acquisition rights to be allotted to our shareholders under the Plan are exercised to obtain one share of common stock per stock acquisition right, as a basic rule, by paying the amount decided by the Board of Directors within the range of a minimum of one (1) yen and the maximum of the amount equivalent to one-half of the market value of one share in the Company. Furthermore, exercise conditions whereby the non-qualified party may not exercise stock acquisition rights (except if an exceptional event occurs), and provisions for acquisition whereby the Company will acquire one stock acquisition right that has not been exercised from parties other than the non-qualified party in exchange for one share in the Company have been provided.

The effective period of the Plan is until the conclusion of the ordinary general meeting of shareholders relating to the last fiscal year ending within one year of the conclusion of the 144th Ordinary General Meeting of Shareholders held on June 28, 2012. However, if, before the expiration of the effective period, a resolution is passed at the Company's general meeting of shareholders to revoke its resolution to assign to the Company's Board of Directors the authority relating to gratis allotment of stock acquisition rights with respect to the Plan or the Company's Board of Directors passes a resolution to abolish the Plan, the Plan will be abolished at that time.

Even after introducing the Plan, assuming gratis allotment of stock acquisition rights has not been implemented, there is no direct or specific impact on shareholders. If the gratis allotment of stock acquisition rights has been implemented in accordance with the Plan, and the Company's shareholders do not exercise their stock acquisition rights or pay the amount equivalent to the exercise price, the share value may be diluted. (However, if the Company acquires stock acquisition rights in exchange for shares in the Company, a dilution of share value will not basically affect shareholders other than non-qualified parties.)

In addition, even after the Company's Board of Directors passes a resolution for gratis allotment of stock acquisition rights, the Company may, by respecting any recommendation of the Special Committee to the maximum extent, (i) (on or before the second business day prior to the ex-rights date with respect to the gratis allotment of stock acquisition rights), cancel the gratis allotment of stock acquisition rights, or (ii) (from the effective date of the gratis allotment of stock acquisition rights and until the day immediately prior to the exercise period commencement date) acquire the stock acquisition rights for no consideration. In such cases, no dilution of the value per share in the Company held by the shareholders will result, and it is likely that any investors who have sold or bought the shares in the Company expecting to see such a dilution will be commensurately adversely affected as a result of a fluctuation in the share price.

3. Board of Directors' views on measure in (2) above and reasons thereof

The Plan was introduced to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders in accordance with the basic policy. The Company primarily introduced the Plan to assure fairness and objectivity on the condition that: (i) it is subject to approval at a general meeting of shareholders; (ii) it is based on a system to confirm the intent of the Company's shareholders regarding the triggering of the Plan in some cases; (iii) the effective period thereof is to be one year and the Plan may be abolished at anytime by a resolution at a general meeting of shareholders or by the Board of Directors; (iv) the Special Committee composed of members including Outside Directors has been established as an organization independent of the management of the Company and the Plan must never be triggered without a decision of the Special Committee; (v) the Special Committee may, at the Company's expense, obtain the advice of an independent third party; and, (vi) reasonable and objective requirements regarding the triggering thereof are established. Accordingly, the purpose of the Plan is not to maintain the position of the Company's Directors and Audit & Supervisory Board Members, but to contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

II. Notes to Consolidated Financial Statements

Important Items That Form the Basis for Preparing the Consolidated Financial Statements

1. Scope of consolidation
   (1) Number of consolidated subsidiaries and names of principal consolidated subsidiaries
   Number of consolidated subsidiaries: 167
   Principal consolidated subsidiaries:
   Olympus Medical Systems Corp., Olympus Imaging Corp., Olympus Business Creation Corp., Olympus Corporation of the Americas, Olympus Europa Holding SE and Olympus Corporation of Asia Pacific Limited

   Newly added consolidated subsidiaries: 8
   Olympus Europa Holding SE, Camic Co., Ltd. and 6 other companies

   Olympus Europa Holding SE and 2 other companies are newly established subsidiaries during the current fiscal year.
   Olympus New Co GmbH has been included into consolidation through equity participation carried out during the current fiscal year.
   Camic Co., Ltd. and 3 other companies have been switched from non-consolidated subsidiaries not accounted for under the equity method to consolidated subsidiaries due to increase in materiality during the current fiscal year.

   Excluded companies: 33
   ITX Corporation, Net Protections, Inc., NEWS CHEF Inc., Celon AG Medical Instruments, Algram Engineering Company Ltd. and 28 other companies

   ITX Corporation, Net Protections, Inc. and 11 other companies have been excluded from consolidated subsidiaries due to sale of shares during the current fiscal year.
   NEWS CHEF Inc. and 2 other companies have been excluded from consolidated subsidiaries due to decrease in materiality.
   Celon AG Medical Instruments and 6 other companies have been excluded from consolidated subsidiaries due to merger with other consolidated subsidiaries during the current fiscal year.
   Algram Engineering Company Ltd. and 9 other companies have been excluded from consolidated subsidiaries due to liquidation during the current fiscal year.

(2) Names and other information of principal non-consolidated subsidiaries

Principal non-consolidated subsidiaries:

Olympus Supportmate Corporation, NEWS CHEF Inc. and 5 other companies

The 7 non-consolidated subsidiaries are all small and not material when measured by the impact of total amounts of assets, net sales, net income, and retained earnings (based on the Company's ownership percentage) of those companies on consolidated financial statements. They have therefore been excluded from the scope of consolidation.

2. Application of the equity method

(1) Number of affiliated companies accounted for under the equity method and names of principal companies, etc.

Affiliated companies accounted for under the equity method: 3

Principal affiliated companies:

Adachi Co., Ltd., Olympus Opto Systems India Private Limited and Olympus Cytori Inc.

Newly added company: 1

Olympus Opto Systems India Private Limited

Olympus Opto Systems India Private Limited has been included into affiliated companies accounted for under the equity method due to increase in materiality during the current fiscal year.

Excluded companies: 2

Artefactory Inc. and another company

Artefactory Inc. and another company have been excluded from affiliated companies accounted for under the equity method due to sale of shares during the current fiscal year.

(2) Olympus Supportmate Corporation and 6 other non-consolidated subsidiaries and 2 affiliated companies have not been accounted for under the equity method because the impact of all those companies on consolidated net income and retained earnings is not material.

3. Items concerning accounting principles

(1) Important asset valuation principles and methods

(a) Securities

Held-to-maturity securities	Amortized cost method
Other securities	
Items with market value	Market value method based on fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)

Items without market value — Cost method based on the moving-average method

Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

(b) Claims and liabilities from derivatives transactions

Market value method

(c) Inventories Mainly reported using the First-in First-out cost method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

(2) Depreciation and amortization method for important depreciated and amortized assets

(a) Property, plant and equipment (excluding lease assets)

Mainly by the declining balance method

Vehicles, tools and fixtures — Mainly based on useful lives as per the Corporate Tax Law

Other property, plant and equipment — Mainly based on useful lives prescribed by the Company, determined in accordance with estimated functional useful years

(b) Intangible fixed assets (excluding lease assets)

Straight-line method

Mainly based on estimated useful lives

Software for internal use is reported using the usable period within the Company (3 to 5 years).

(c) Lease assets

Finance lease assets not involving the transfer of ownership

Lease assets are calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.

The accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008 follows the same method as for ordinary operating lease transactions.

(3) Accounting method for important allowances and reserves

(a) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(b) Provision for product warranties

Due to the accounting of after service cost expected within the guarantee period with respect to products sold, the provision for product warranties is accounted using prescribed standards based on actually incurred past after service cost.

(c) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the severance and retirement benefit liabilities and pension assets as of the end of the current fiscal year.

Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

(d) Severance and retirement allowance for directors and audit & supervisory board members

To provide for outlays for severance and retirement benefit payments for directors and audit & supervisory board members, the necessary payment amount at the end of the fiscal year is accounted by domestic consolidated subsidiaries based on their respective internal regulations.

(e) Provision for loss on business liquidation

To provide for losses arising from the business liquidation to be carried out by the Group, the expected amount of these losses is accounted.

(4) Other important items that form the basis for preparing consolidated financial statements

(a) Treatment method for important deferred assets

Stock issuance expense and bond issuance expense

Total expense recorded at the time of occurrence

(b) Accounting principles for income and costs

Accounting principles for income involving finance lease transactions

Income involving finance lease transactions mainly follows a method of accounting net sales and cost of sales on the commencement date of the lease transaction

(c) Important hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated monetary claims and liabilities under foreign exchange forward contracts are accounted by translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, a special treatment is used for those whose requirements for special treatment are satisfied.

Hedging instruments and hedged items

Hedging instruments	Foreign exchange forward contracts, currency option contracts, currency swap contracts, interest rate swap contracts
Hedged items	Forecasted transactions for foreign currency-denominated monetary claims and liabilities, borrowings

Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(d) Amortization of goodwill and amortization period

Goodwill is amortized equally mainly over a period of 5 to 20 years.

(e) Treatment of consumption taxes

Treated using the tax exclusive method.

(f) Application of the consolidated tax payment system

The consolidated tax payment system designating Olympus Corporation as the parent company is adopted at the Company and some of its consolidated subsidiaries.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral and obligations secured by such collateral

(1) Assets pledged as collateral

Cash and time deposits	¥2,000 million
Lease receivables and lease investment assets	¥8,257 million
Buildings and structures	¥980 million
Machinery and equipment	¥443 million
Other assets under Investments and other assets	¥4,808 million
Total	¥16,488 million

(2) Obligations secured by such collateral

Short-term borrowings	¥8,350 million
Long-term borrowings, less current maturities	¥4,109 million
Total	¥12,459 million

2. Accumulated depreciation for property, plant and equipment

¥256,482 million

3. Liabilities for guarantees

(Guaranteed party)	(Description of guarantee)	(Amount)
Noel Company Limited	Bank loans	¥2,000 million
Employees	Housing fund loans, etc.	¥93 million
Total		¥2,093 million

4. Notes receivable discounted ¥195 million
   (including discounted bills of exchange for export) ¥195 million

5. Accounting treatment of notes at maturity on final day of fiscal year
   Regarding the accounting treatment of notes at maturity on the final day of the fiscal year, although the final day of the current fiscal year was a holiday for financial institutions, the notes were treated as though settlement occurred on the day of maturity. The amounts of notes at maturity on the final day of the current fiscal year are as follows:
   Notes receivable ¥363 million
   Notes payable ¥793 million

6. Allowance for doubtful accounts
   ¥7,211 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥7,211 million of long-term accounts receivable-other that is commission fees related to Receiver Funds, and included as an excess amount in "other assets" under investments and other assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company plans to request payment from these external partners of Receiver Funds because the fees were not agreed.

Notes to Consolidated Statement of Changes in Net Assets

Class and total number of issued shares at the end of the current fiscal year
Common stock 305,671,508 shares
The number of issued shares of common stock increased by 34,387,900 during the current fiscal year as a result of the issuance of shares through third-party allotment.

Notes to Financial Instruments

1. Items concerning status of financial instruments
   With regard to fund management, the Olympus Group primarily uses short-term deposits. For financing, it uses loans from bank and other financial institutions and bond issuances.
   Notes and accounts receivable, which are exposed to customer credit risks, are hedged based on internal regulations. Further, market prices of investment securities are checked on a quarterly basis.
   We use loans to fund working capital (mainly, short-term) and business investments (long-term). We hedge interest rate fluctuation risks using interest rate swaps for some long-term borrowings. Our policy for derivatives is to use them based only on actual demand, in accordance with internal regulations.

2. Items concerning fair value of financial instruments

Consolidated balance sheet amounts and fair value as of March 31, 2013 (consolidated balance sheet date for the current fiscal year), and their variances, of financial instruments are as follows. However, financial instruments that have low materiality and whose fair value is deemed to be extremely difficult to compute are not included (please refer to Note 2).

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Variance
(1) Cash and time deposits	229,610	229,610	–
(2) Notes and accounts receivable	125,231	125,231	–
(3) Investment securities	43,904	43,904	–
Total assets	398,745	398,745	–
(4) Notes and accounts payable	42,272	42,272	–
(5) Short-term borrowings	39,637	39,637	–
(6) Bonds (including current maturities of bonds)	90,000	90,424	424
(7) Long-term borrowings, less current maturities (including current maturities of long-term borrowings)	430,753	442,623	11,870
Total liabilities	602,662	614,956	12,294
(8) Derivatives	(185)	(185)	–

* Net receivables and payables arising from derivative transactions are shown in net amounts. Figures in parentheses are posted to liabilities.

Note 1: Items concerning the method of computing the fair value of financial instruments

(1) Cash and time deposits, and (2) Notes and accounts receivable

Because these accounts are settled in a short period, their fair value is nearly equal to their book value. Therefore, book value is taken to be fair value.

(3) Investment securities

The fair value of stocks is the price on the relevant stock exchange, while that of bonds and investment trusts is the price on the relevant stock exchange or price presented by financial institutions with which the Company does business.

(4) Notes and accounts payable, and (5) Short-term borrowings

Because these accounts are settled in a short period, their fair values are nearly equal to their book values. Therefore, book value is taken to be fair value.

(6) Bonds

The fair value of bonds issued by the Company is its present value at which the sum of principals is calculated at the rate obtained in consideration of the remaining periods of bonds and credit risks.

(7) Long-term borrowings, less current maturities

The fair value is the value at which the sum of principal and interest is discounted at the rate obtained assuming that a similar loan is newly provided. Long-term borrowings with variable interest rates are subject to special treatment of interest rate swaps (refer to Item (8)). The fair value of such borrowings is the value at which the sum of principal and interest, which are treated in combination with the said interest rate swap, is discounted at a reasonable rate estimated for a similar new loan.

(8) Derivatives

The fair value of a derivative is the price presented by financial institutions with which the Company does business and entered into an agreement.

Derivatives that are subject to special treatment of interest rate swaps and are translated at a foreign exchange rate to foreign currency-denominated accounts receivable are treated together with hedged items, and the fair value of such derivatives is therefore included in the fair value of the hedged items.

Note 2: Financial instruments whose fair values are deemed to be extremely difficult to compute

(Millions of yen)

Classification	Consolidated balance sheet amount
(1) Unlisted shares	737
(2) Other	1,847
Total	2,584

These items do not have market prices and a considerable cost is likely to be incurred to estimate future cash flow. They are not therefore included in "(3) Investment securities" because it is deemed to be extremely difficult to compute their fair value.

Notes to Per-Share Information

1. Net assets per share ¥494.96
2. Net income per share ¥28.96

Notes to Significant Subsequent Events

Establishment of significant joint venture

Based on a business partnership agreement concluded with Sony Corporation ("Sony") on September 28, 2012, the Company established Sony Olympus Medical Solutions Inc. as a joint medical business venture with Sony on April 16, 2013, after obtaining all necessary authorizations from government and supervisory authorities in Japan and various other countries.

1. Purpose of establishment

The purpose of Sony Olympus Medical Solutions Inc. is to align Sony's cutting-edge electronics technologies in areas such as digital imaging with the Company's manufacturing and R&D expertise in the area of medical products including lenses and optical products in order to provide high-quality medical care, thus contributing to medical advancement worldwide.

2. Outline of established company

(1) Trade name	Sony Olympus Medical Solutions Inc.
(2) Location	Hachioji, Tokyo
(3) Business lines	Manufacture and sale of medical and other instruments
(4) Stated Capital	50 million yen
(5) Acquisition price	24.5 million yen
(6) Ratio of shares held following acquisition	Sony: 51.0%; the Company: 49.0%

Other Notes

1. Future conditions

Following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have been launched and remain underway. The consolidated financial statements may be corrected if any further important information comes to light in 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 should be imposed. Also as a result of inappropriate financial reporting by the Company, holders of its shares, etc. have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company in the future.

The effect of these events on the financial results of the Company is not clear since it is difficult to estimate its financial impact at this stage.

2. Filing of lawsuit against the Company

The Company had a lawsuit filed against it. The overview of the lawsuit is as follows.

(1) Date of filing

July 23, 2012

(2) Name, address and representative of plaintiff

1) Name: Terumo Corporation

2) Address: 44-1, Hatagaya 2-chome, Shibuya-ku, Tokyo

3) Representative: Yutaro Shintaku, Representative Director

(3) Details of the lawsuit and amount of claim

The Company issued 6,811,000 shares, amounting to a total of ¥14,998 million, 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 postponing 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 damage of ¥6,612 million, 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 damage claimed consists 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.

(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 not clear since it is difficult to estimate its financial impact at this stage.

3. Business divestiture

Outline of business divestiture

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

(a) Name of company which succeeded a divested business through company split

ITX Corporation

(b) Name of company to which shares were transferred

IJ Holdings Inc.

(2) Contents of divested business

Information & Communication Business

(3) Primary reason for business divestiture

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.

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 areas of management know-how and funding, would lead to further growth of the business and maximization of the shareholder value of the Company.

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

Accounting treatment carried out

(1) Amount of profit and loss transferred

¥17,600 million

(2) Appropriate book values of assets and liabilities of transferred business and main contents thereof

Current assets	¥57,427 million
Fixed assets	¥26,317 million
Total assets	¥83,744 million
Current liabilities	¥48,208 million
Non-current liabilities	¥1,832 million
Total liabilities	¥50,040 million

Estimated profit and loss in divested business in consolidated statements of income for the current fiscal year.

Net sales	¥114,243 million
Operating income	¥1,704 million

4. Impairment losses

Impairment losses are accounted for the following asset groups.

(Millions of yen)

Application	Type	Impairment loss
Imaging systems business assets	Land	200
	Buildings and structures	1,236
	Tools, furniture and fixtures	713
	Machinery and equipment	573
	Construction in progress	66
	Right of using facilities	47
	Patent right	102
	Software, etc.	364
	Long-term prepaid expenses	432
Other business assets	Land	10
	Buildings and structures	579
	Tools, furniture and fixtures	8
	Machinery and equipment	328
	Construction in progress	3
	Lease assets	24
	Goodwill	16
	Patent right	19
	Software, etc.	11
	Technology-related assets	1,031
	Marketing right	348
Assets scheduled for disposal	Software	1,490
Total		7,600

Business assets are grouped mainly by segment according to business type, assets scheduled for disposal are grouped as assets to be disposed of by abandonment, sale etc., and idle assets are presented individually.

Pertaining to business assets, because recoverability is not recognized over the estimated future cash flow period due to changes in the business environment, their book value is reduced to the recoverable amount. The recoverable amount is measured according to the value in use or the realizable value (fair value less costs to sell), whichever is the higher amount. Assessment of the realizable value is based on valuations by real estate appraisers and assessment of the value in use is based on future cash flows.

Within assets scheduled for disposal, a decision has been made to discontinue an in-house system for operational efficiency improvement. As a result, the book value of these assets is considered to be zero (0).

III. Notes to Non-Consolidated Financial Statements

Notes Concerning Items Related to Important Accounting Policies

1. Asset valuation principles and methods
   (1) Securities
      (a) Held-to-maturity securities — Amortized cost method
      (b) Investment securities in subsidiaries and affiliates — Cost method based on the moving-average method
      (c) Other securities
         Items with market value — Market value method based on fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)
         Items without market value — Cost method based on the moving-average method
         Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

   (2) Claims and liabilities from derivatives transactions — Market value method

   (3) Inventories — Reported using the First-in First-out cost method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

2. Depreciation and amortization method for fixed assets
   (1) Property, plant and equipment (excluding lease assets) — Declining balance method
      (a) Vehicles, tools and fixtures — Based on useful lives as per the Corporate Tax Law
      (b) Other property, plant and equipment — Based on useful lives prescribed by the Company determined in accordance with estimated functional useful years

(2) Intangible fixed assets (excluding lease assets)

Straight-line method

Based on useful lives as per the Corporate Tax Law

Software for internal use is reported using the usable period within the Company (3 years).

(3) Lease assets

Finance lease assets not involving the transfer of ownership

Calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.

The accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008 follows the same method as for ordinary operating lease transactions.

3. Accounting principles for allowances and reserves

(1) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(2) Provision for product warranties

Due to the accounting of after service cost expected within the Company's guarantee period with respect to products sold, the provision for product warranties is accounted using the prescribed Company's standards based on actually incurred past after service cost.

(3) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the severance and retirement benefit liabilities and pension assets as of the end of the current fiscal year.

Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

(4) Provision for loss on business liquidation

To provide for losses arising from the business liquidation to be carried out by certain subsidiaries of the Company, the expected amount of these losses is accounted.

4. Other important items that form the basis for preparing non-consolidated financial statements

(1) Treatment method for important deferred assets

Stock issuance expense and bond issuance expense

Total expense recorded at the time of occurrence

(2) Hedge accounting methods

(a) Hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated accounts receivable under foreign exchange forward contracts are accounted for upon translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, requirements for special treatment are satisfied, therefore a special treatment is used.

(b) Hedging instruments and hedged items

- Hedging instruments — Foreign exchange forward contracts, interest rate swap contracts
- Hedged items — Forecasted transactions for foreign currency-denominated accounts receivable, borrowings

(c) Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

(d) Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(3) Treatment of consumption taxes

Treated using the tax exclusive method.

(4) Application of the consolidated tax payment system

The consolidated tax payment system is adopted.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation for property, plant and equipment ¥69,633 million
2. Liabilities for guarantees ¥3,829 million

   The above amount includes ¥3,594 million in contracted guarantees to subsidiaries and affiliates.
3. Short-term monetary claims to subsidiaries and affiliates ¥43,004 million
4. Long-term monetary claims to subsidiaries and affiliates ¥28,569 million
5. Short-term monetary liabilities to subsidiaries and affiliates ¥30,452 million
6. Discounted bills of exchange for export ¥2,150 million

7. Accounting treatment of notes at maturity on final day of fiscal year

Regarding the accounting treatment of notes at maturity on the final day of the fiscal year, although the final day of the current fiscal year was a holiday for financial institutions, the notes were treated as though settlement occurred on the day of maturity. The amounts of notes at maturity on the final day of the current fiscal year are as follows:

Notes receivable	¥22 million
Notes payable	¥15 million

8. Allowance for doubtful accounts

¥7,211 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥7,211 million of long-term accounts receivable-other that is commission fees related to Receiver Funds, and included as an excess amount in “other assets” under investments and other assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company plans to request payment from these external partners of Receiver Funds because the fees were not agreed.

Notes to Non-Consolidated Statement of Income

Total transactions with subsidiaries and affiliates	
Amounts resulting from business transactions	
Net sales	¥56,933 million
Net purchases	¥22,861 million
Other business transactions	¥9,794 million
Amount resulting from non-business transactions	¥31,582 million

Notes to Non-Consolidated Statement of Changes in Net Assets

1. Class and total number of issued shares at the end of the current fiscal year

   Common stock 305,671,508 shares

   The issued shares of common stock at the end of the current fiscal year has increased by 34,387,900 as a result of the issuance of shares through third-party allotment.

2. Class and total number of treasury shares at the end of the current fiscal year

   Common stock 4,425,782 shares

   Treasury share of common stock at the end of the current fiscal year has increased by 3,904 as a result of the purchase of shares constituting less than one unit.

Notes to Tax Effect Accounting

Breakdown of deferred tax assets and liabilities by main cause

Deferred tax assets	
Inventories	¥1,175 million
Prepaid expenses	¥2,723 million
Accrued bonuses	¥1,187 million
Property, plant and equipment	¥3,340 million
Intangible fixed assets	¥2,473 million
Investment securities	¥5,096 million
Investment securities in subsidiaries and affiliates	¥26,334 million
Provision of allowance for doubtful accounts	¥8,934 million
Other	¥2,864 million
Loss brought forward	¥43,767 million
Subtotal of deferred tax assets	¥97,893 million
Valuation allowance	¥(92,919) million
Total deferred tax assets	¥ 4,974 million
Deferred tax liabilities	
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	¥(1,587) million
Reserve for advanced depreciation	¥(1,056) million
Prepaid pension expenses	¥(1,539) million
Other	¥(270) million
Total deferred tax liabilities	¥(4,452) million
Net deferred tax assets	¥522 million

Notes to Leased Fixed Assets

In addition to the fixed assets accounted in the Non-Consolidated Balance Sheet, a portion of the microscope manufacturing equipment and computers are used under leasing agreements.

Notes on transactions with related parties

Type	Name	Voting rights ownership ratio (%)	Relation	Details of transaction	Amount (Millions of yen)	Item	Ending balance (Millions of yen)
Subsidiary	Altis Co., Ltd.	Direct Ownership 95.9	Financial support, Interlocking of officers	Loan (Note 1) Collection of moneys	500 92	Claims provable in bankruptcy, claims provable in rehabilitation and other (Note 2)	4,518
	Humalabo Co., Ltd.	Direct Ownership 87.3	Financial support, Interlocking of officers	Loan (Note 1)	150	Claims provable in bankruptcy, claims provable in rehabilitation and other (Note 2)	5,550
	Impress Development K.K.	Direct Ownership 100.0	Financial support, Interlocking of officers	Attributed portion of consolidated taxes (Note 3)	7,749	Claims provable in bankruptcy, claims provable in rehabilitation and other (Note 2)	7,749
	NEWS CHEF Inc.	Direct Ownership 95.4	Financial support, Interlocking of officers	Collection of moneys Waiver of claims (Note 4)	118 6,362	—	—

Terms of transactions and method for determining them

Notes:

1. The interest rates on loans are determined by considering market interest rates. The Company has not obtained any collateral in relation to this loan.
2. With regard to claims provable in bankruptcy, claims provable in rehabilitation and other provided to the subsidiaries, the Company recognized an allowance for doubtful accounts of ¥17,817 million and provision of allowance for doubtful accounts of ¥7,749 million for the current fiscal year.
3. Of the individually attributed amounts relating to consolidated tax subsidiaries, this is the portion that is recognized as unrecoverable.
4. The waiver of claims was made based on a special settlement.

Notes to Per-Share Information

1. Net assets per share ¥308.82
2. Net income per share ¥60.62

Significant Subsequent Events

Establishment of significant joint venture

Based on a business partnership agreement concluded with Sony Corporation ("Sony") on September 28, 2012, the Company established Sony Olympus Medical Solutions Inc. as a joint medical business venture with Sony on April 16, 2013, after obtaining all necessary authorizations from government and supervisory authorities in Japan and various other countries.

1. Purpose of establishment

The purpose of Sony Olympus Medical Solutions Inc. is to align Sony's cutting-edge electronics technologies in areas such as digital imaging with the Company's manufacturing and R&D expertise in the area of medical products including lenses and optical products in order to provide high-quality medical care, thus contributing to medical advancement worldwide.

2. Outline of established company

(1) Trade name	Sony Olympus Medical Solutions Inc.
(2) Location	Hachioji, Tokyo
(3) Business lines	Manufacture and sale of medical and other instruments
(4) Stated Capital	50 million yen
(5) Acquisition price	24.5 million yen
(6) Ratio of shares held following acquisition	Sony: 51.0%; the Company: 49.0%

Other Notes

1. Future conditions

Following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have been launched and remain underway. The financial statements and the related supplementary schedules may be corrected if any further important information comes to light in 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 should be imposed. Also as a result of inappropriate financial reporting by the Company, holders of its shares, etc. have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company in the future.

The effect of these events on the financial results of the Company is not clear since it is difficult to estimate its financial impact at this stage.

2. Filing of lawsuit against the Company

The Company had a lawsuit filed against it. The overview of the lawsuit is as follows.

(1) Date of filing

July 23, 2012

(2) Name, address and representative of plaintiff

1) Name: Terumo Corporation

2) Address: 44-1, Hatagaya 2-chome, Shibuya-ku, Tokyo

3) Representative: Yutaro Shintaku, Representative Director

(3) Details of the lawsuit and amount of claim

The Company issued 6,811,000 shares, amounting to a total of ¥14,998 million, 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 postponing 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 damage of ¥6,612 million, 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 damage claimed consists 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.

(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 not clear since it is difficult to estimate its financial impact at this stage.

3. Impairment losses are accounted for the following asset groups.

(Millions of yen)

Application	Type	Impairment loss
Assets scheduled for disposal	Software	1,490
Total		1,490

Business assets are grouped mainly by segment according to business type, assets scheduled for disposal are grouped as assets to be disposed of by abandonment, sale etc., and idle assets are presented individually.

Within assets scheduled for disposal, a decision has been made to discontinue an in-house system for operational efficiency improvement. As a result, the book value of these assets is considered to be zero (0).