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Consolidated Financial Results for the 1st Quarter of Fiscal 2018 and Full-Year Forecasts

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August 8, 2017

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Voluntary Adoption of IFRS

- The Company has chosen to voluntarily adopt International Financial Reporting Standards (IFRS). The first document to which these standards were applied was the consolidated financial statements for the three months ended June 30, 2017.
- Figures for the first quarter of fiscal 2017 and as well as those for the fiscal year ended March 31, 2017 have been restated based on IFRS for the purpose of comparisons.

1Q Financial Results

- Consolidated: Revenue up and profit attributable to owners of parent increased 12%, despite a slight decrease in operating profit
- Medical: Revenue up and operating profit down, but performance in line with initial forecasts
- Scientific Solutions & Imaging: Reduced operating loss recorded, with operating profit realized in the Imaging Business

Full-Year Performance Forecasts

- No change from initial forecasts

Consolidated Financial Results and Business Overview for the 1Q of Fiscal 2018 (FY Ending March 31, 2018)

1Q of Fiscal 2018 (1) Consolidated Financial Results

- ① Revenue up 2% and operating profit down 5%, but performance in line with initial forecasts
- ② Profit attributable to owners of parent up 12% due to decreases in financial costs and income taxes

(Billions of yen)	1Q (Apr.-Jun.)		YoY (%)	After foreign exchange adjustment
	FY2017	FY2018		
Revenue	168.6	171.8	+2%	+1%
Gross profit (% of revenue)	111.3 (66.0%)	112.9 (65.7%)	+1%	0%
Selling, general and administrative expenses (% of revenue)	96.0 (57.0%)	99.5 (57.9%)	+4%	+3%
Other income and expenses etc.	-1.9	-0.7	-	-
Operating profit (% of revenue)	13.4 (7.9%)	12.7 (7.4%)	-5%	-13%
Profit before tax (% of revenue)	11.3 (6.7%)	11.9 (6.9%)	+5%	
Profit attributable to owners of parent (% of revenue)	9.0 (5.3%)	10.1 (5.9%)	+12%	
¥/US\$	¥108	¥111		
¥/Euro	¥122	¥122		

1Q of Fiscal 2018 (2) Results by Business Segment

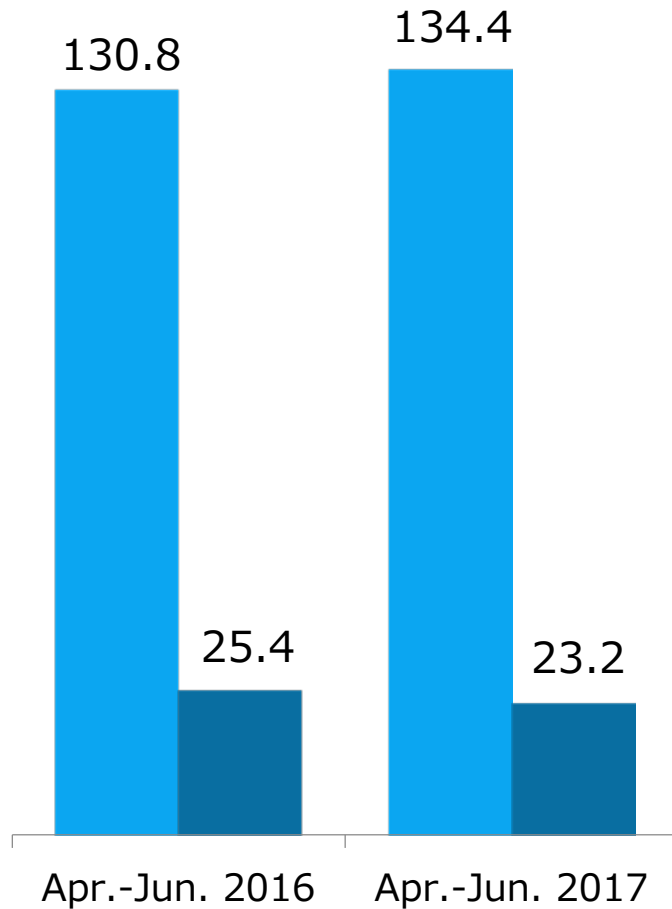
- ① Medical Business revenue up 3%, driving consolidated performance
- ② Operating loss reduced in the Scientific Solutions Business and operating profit recorded in Imaging Business

(Billions of yen)		1Q (Apr.-Jun.)			
		FY2017 1Q	FY2018 1Q	YoY (%)	After foreign exchange adjustment
Medical	Revenue	130.8	134.4	+ 3%	+ 2%
	Operating profit	25.4	23.2	-9%	-13%
Scientific Solutions	Revenue	18.6	20.0	+ 7%	+ 6%
	Operating profit	-1.1	-0.6	+ ¥0.5 billion	+ ¥0.3 billion
Imaging	Revenue	15.3	15.1	-1%	-2%
	Operating profit	-0.3	0.9	+ ¥1.2 billion	+ ¥1.3 billion
Others	Revenue	4.0	2.3	-42%	-42%
	Operating profit	-1.0	-0.5	+ ¥0.5 billion	+ ¥0.5 billion
Elimination and corporate	Revenue	—	—	—	—
	Operating profit	-9.7	-10.3	—	—
Consolidated Total	Revenue	168.6	171.8	+ 2%	+ 1%
	Operating profit	13.4	12.7	-5%	-13%

1Q of Fiscal 2018 (2) Medical Business

■ Revenue ■ Operating profit

(Billions of yen)



(Billions of yen)	1Q (Apr.-Jun.)			
	FY2017	FY2018	YoY (%)	After foreign Exchange adjustment
Revenue	130.8	134.4	+3%	+2%
Gastrointestinal Endoscopes	72.7	72.8	0%	0%
Surgical Devices	40.9	42.8	+5%	+4%
Endotherapy Devices	17.1	18.8	+10%	+7%
Operating profit	25.4	23.2	-9%	-13%
Operating profit margin	19%	17%		17%

■ Revenue up 3%, but operating profit down 9% due to the influence of product mix and higher SG&A expenses

Gastrointestinal endoscopes	Growth slow due to mainstay systems being in the latter stage of their product cycles
Surgical devices	Favorable sales for THUNDERBEAT energy device in all regions owing to benefits of expanded lineup
Endotherapy devices	Rapid growth continued thanks to strong sales of ERCP and respiratory area products

1Q of Fiscal 2018 (2) Medical Business (Growth Rates on Local Currency Basis)

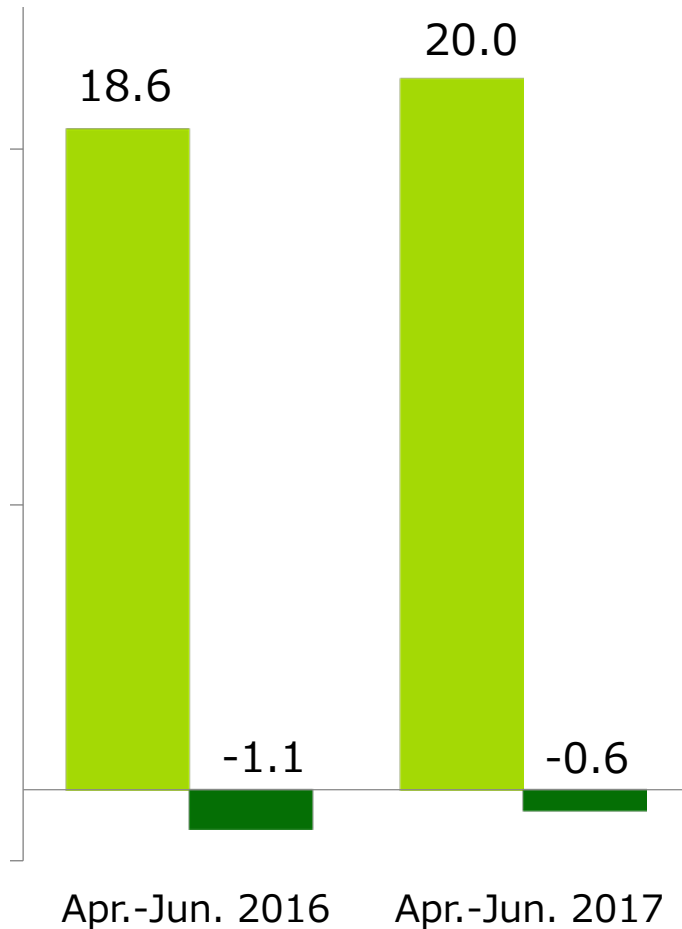
- Japan : Progress in line with forecasts despite slow budget execution
- N. America : Revenue relatively unchanged YoY as anticipated
- Europe : Revenue relatively unchanged YoY due to rebound from strong growth in 4Q of previous fiscal year
- Asia/Oceania : Impressive growth with double-digit revenue growth achieved once again

Region	FY2016				FY2017				FY2018
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Japan	-3%	6%	4%	5%	3%	0%	-1%	-1%	-1%
N. America	5%	9%	4%	3%	-4%	6%	3%	0%	-1%
Europe	8%	11%	6%	5%	7%	1%	5%	16%	-1%
Asia/Oceania	20%	8%	4%	11%	23%	9%	18%	11%	16%
Consolidated	7%	9%	4%	5%	3%	4%	5%	5%	2%

1Q of Fiscal 2018 (3) Scientific Solutions Business

■ Revenue ■ Operating profit (loss)

(Billions of yen)



1Q (Apr.-Jun.)

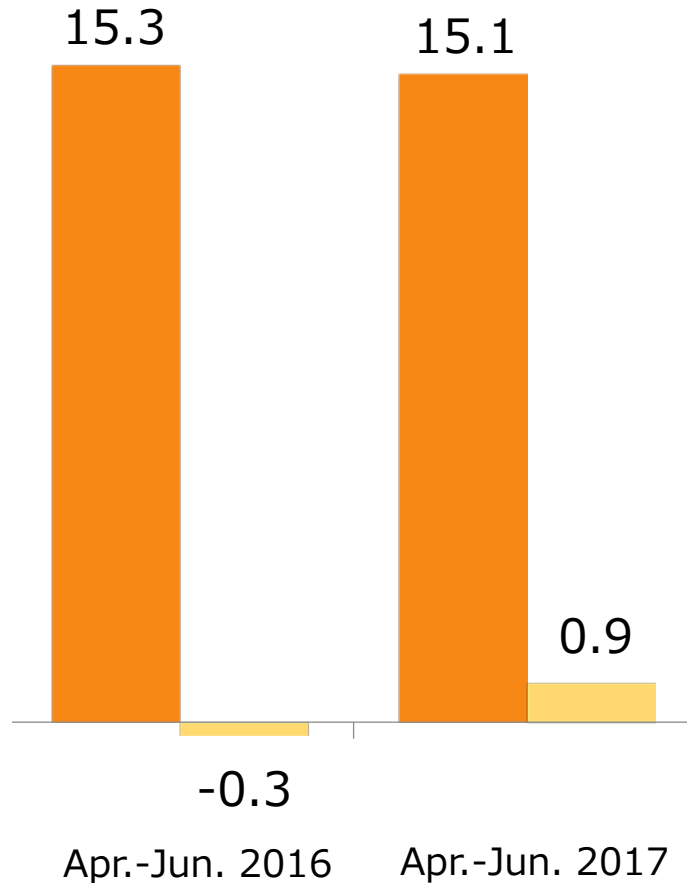
(Billions of yen)	FY2017	FY2018	YoY (%)	After foreign Exchange adjustment
Revenue	18.6	20.0	+7%	+6%
Operating profit (loss)	-1.1	-0.6	+¥0.5 billion	+¥0.3 billion
Operating profit margin	-	-		-

- Revenue up 7% following strong sales of non-destructive testing equipment due in part to bottoming out of resource prices
- Operating loss reduced thanks to higher revenue

1Q of Fiscal 2018 (4) Imaging Business

■ Revenue ■ Operating profit (loss)

(Billions of yen)



1Q (Apr.-Jun.)

(Billions of yen)	FY2017	FY2018	YoY (%)	After foreign Exchange adjustment
Revenue	15.3	15.1	-1%	-2%
Mirrorless	10.2	11.6	+14%	+13%
Compact	3.6	2.3	-37%	-38%
Others	1.4	1.2	-13%	-14%
Operating profit (loss)	-0.3	0.9	+¥1.2 billion	+¥1.3 billion
Operating profit margin	-	6%		7%

- Overall Imaging Business revenue down, but mirrorless camera revenue up 14% resulting from steady sales
- Profitability improved and operating profit achieved on the back of increased sales of high-margin mirrorless cameras coupled with benefits of effective inventory and cost control

Statement of Financial Position

- Total equity: Higher retained earnings due to recording profit attributable to owners of parent of ¥10.1 billion
- Equity ratio: Rose to 41.5% as a result of reduced interest-bearing debt and higher retained earnings

(Billions of yen)	End Mar. 2017	End Jun. 2017	Change		End Mar. 2017	End Jun. 2017	Change
Current assets	505.7	501.3	-4.5	Current liabilities	286.5	282.1	-4.4
Non-current assets	454.3	465.6	+ 11.3	Non-current liabilities	277.4	281.9	+ 4.5
(Incl. Property, plant and equipment)	(159.7)	(162.2)	(+ 2.5)	(Incl. bonds/long-term loans payable)	(217.2)	(217.2)	(0)
(Incl. Intangible assets)	(75.9)	(79.0)	(+ 3.1)	Total equity	396.2	402.9	+ 6.7
(Incl. Goodwill)	(95.6)	(101.9)	(+ 6.4)	(Equity ratio)	(41.1%)	(41.5%)	(+0.4pt)
Total assets	960.0	966.9	+ 6.8	Total liabilities and equity	960.0	966.9	+ 6.8

Interest-bearing debt: ¥284.0 billion (-¥2.0 billion from March 31, 2017)

Consolidated Cash Flows

- Free cash flow: Came to a negative ¥0.7 billion due primarily to outflow of ¥8.7 billion related to acquisition of ISM*

(Billions of yen)	FY2017 1Q	FY2018 1Q	Change
Revenue	168.6	171.8	+3.2
Operating profit	13.4	12.7	-0.7
(% of revenue)	7.9%	7.4%	-0.5pt
CF from operating activities	24.9	20.1	-4.7
CF from investing activities	-12.6	-20.8	-8.3
CF from financing activities	1.2	-10.1	-11.3
Free cash flow	12.3	-0.7	-13.0
Cash and cash equivalents at end of period	169.4	190.1	+20.7
Depreciation and amortization	12.7	12.7	0
Capital expenditures	17.4	15.8	-1.6

Forecast for Fiscal 2018

Forecasts of Consolidated Financial Results for Fiscal 2018

- No change to full-year forecasts for fiscal 2018 released in May 2017
- Revenue to increase 3% and operating profit to rise 11%

(Billions of yen)	FY2017 (Results)	FY2018 (New forecasts)	Change	YoY (%)
Revenue	740.6	766.0	+25.4	+3%
Gross profit (% of revenue)	478.5 (64.6%)	505.0 (65.9%)	+26.5	+6%
Selling, general and administrative expenses (% of revenue)	397.7 (53.7%)	421.0 (55.0%)	+23.3	+6%
Other income and expenses etc.	-9.6	-5.0	+4.6	—
Operating profit (% of revenue)	71.2 (9.6%)	79.0 (10.3%)	+7.8	+11%
Profit before tax (% of revenue)	62.5 (8.4%)	72.0 (9.4%)	+9.5	+15%
Profit attributable to owners of parent (% of revenue)	42.8 (5.8%)	55.0 (7.2%)	+12.2	+29%
EPS	¥125	¥161		
¥/US\$	¥108	¥110		
¥/Euro	¥119	¥115		

Dividend Payments in Fiscal 2018

Year-end dividend of ¥28 per share
(no change)

Segment Forecasts for fiscal 2018

- No change to full-year segment forecasts for fiscal 2018 released in May 2017

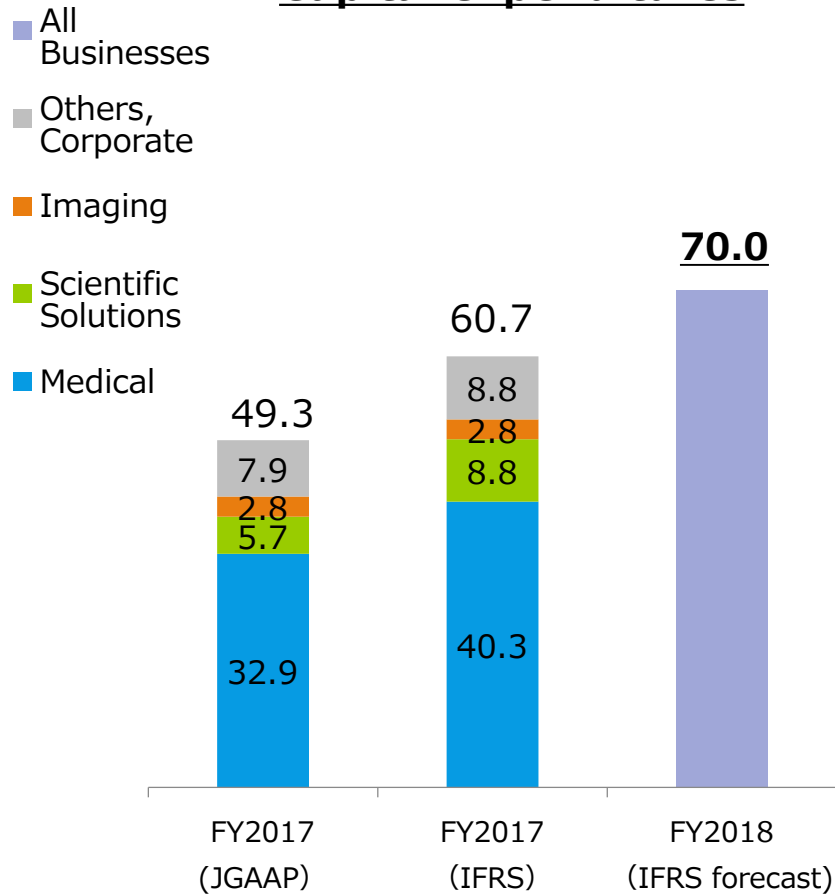
(Billions of yen)		FY2017 (Results)	FY2018 (New forecasts)	Change	YoY (%)
Medical	Revenue	570.4	598.0	+27.6	+5%
	Operating profit	114.7	123.0	+8.3	+7%
Scientific Solutions	Revenue	93.4	95.0	+1.6	+2%
	Operating profit	5.9	6.0	+0.1	+1%
Imaging	Revenue	62.8	64.0	+1.2	+2%
	Operating profit	0.2	1.0	+0.8	+553%
Others	Revenue	14.0	9.0	-5.0	-36%
	Operating profit	-1.1	-6.0	-4.9	—
Elimination and corporate	Revenue	—	—	—	—
	Operating profit	-48.5	-45.0	+3.5	—
Consolidated Total	Revenue	740.6	766.0	+25.4	+3%
	Operating profit	71.2	79.0	+7.8	+11%

Capital Expenditures and R&D Expenditures

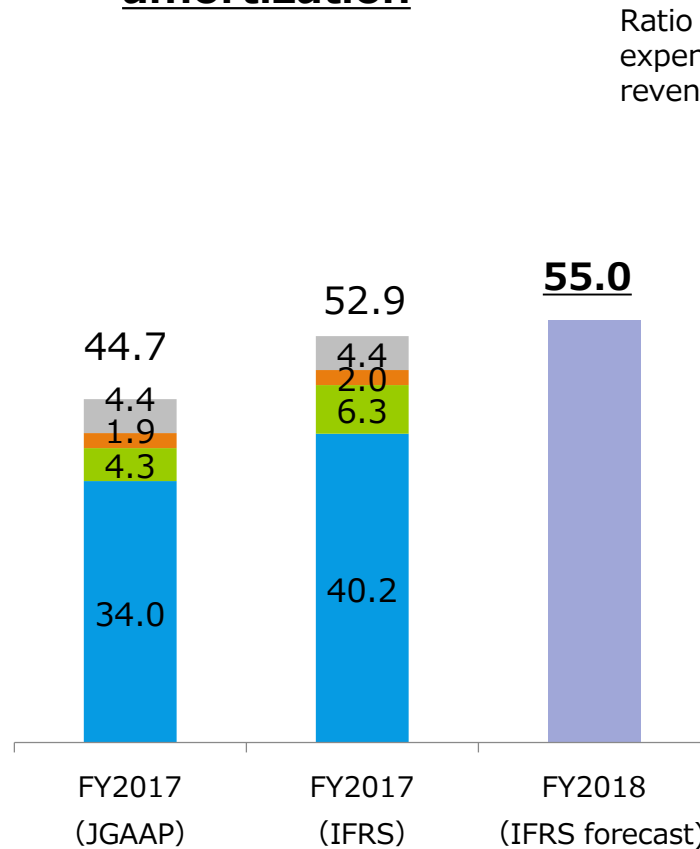
- Higher capital expenditures to result from enhancement of development, production, and repair sites in North America, Europe, and Vietnam
- Ratio of R&D expenditures to revenue to be lower despite higher expenditures for development of next-generation successors to mainstay gastrointestinal endoscopy systems

(Billions of yen)

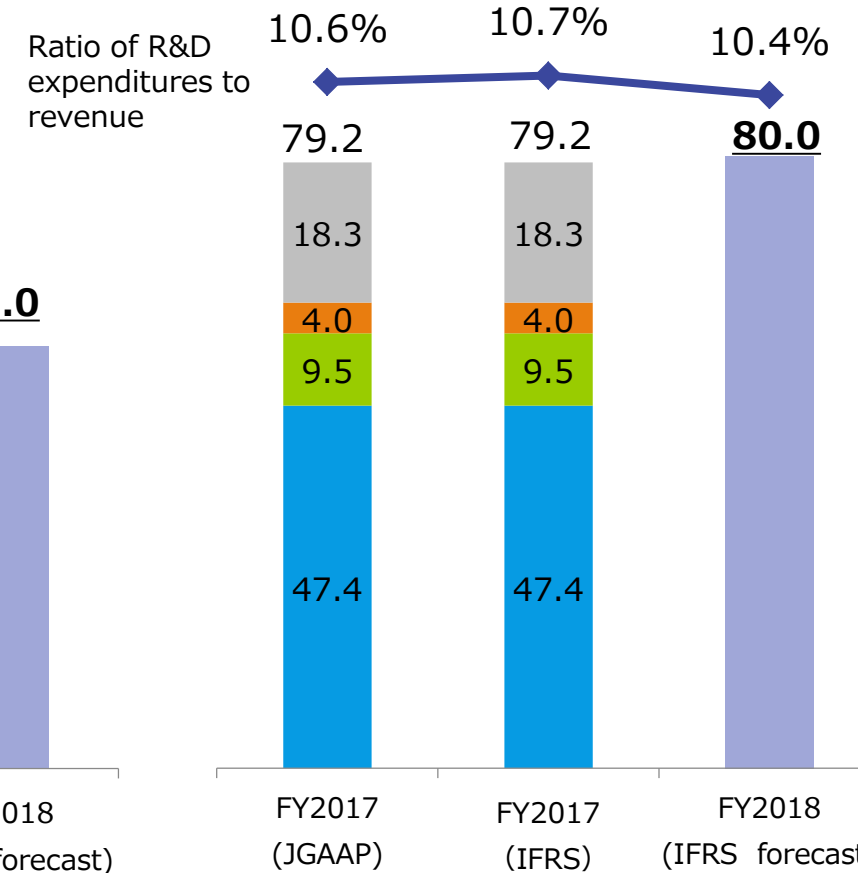
Capital expenditures



Depreciation and amortization



R&D Expenditures



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Appendix

【Supplementary Materials (JGAAP/IFRS)】 FY2017 Results

(Billions of yen)	FY2017 (Results)	FY2017 (Results)	Change
	(JGAAP)	(IFRS)	
Revenue (IFRS) / Net sales (JGAAP)	748.1	740.6	-7.5
Operating Profit (IFRS) / Operating income (JGAAP)	76.5	71.2	-5.3
Profit before tax (IFRS) / Income before provision for income taxes (JGAAP)	81.7	62.5	-19.2
Profit attributable to owners of parent (IFRS) / Net income attributable to owners of the parent (JGAAP)	78.2	42.8	-35.4

【Supplementary Materials (JGAAP/IFRS)】 Segment Results for Fiscal 2017

(Billions of yen)		FY2017 (Results)	FY2017 (Results)	Change
		(JGAAP)	(IFRS)	
Medical	Revenue (IFRS) / Net sales (JGAAP)	575.3	570.4	-4.9
	Operating Profit (IFRS) / Operating income (JGAAP)	115.5	114.7	-0.8
Scientific Solutions	Revenue (IFRS) / Net sales (JGAAP)	93.2	93.4	+0.2
	Operating Profit (IFRS) / Operating income (JGAAP)	5.3	5.9	+0.6
Imaging	Revenue (IFRS) / Net sales (JGAAP)	65.6	62.8	-2.8
	Operating Profit (IFRS) / Operating income (JGAAP)	0.5	0.2	-0.3
Others	Revenue (IFRS) / Net sales (JGAAP)	14.0	14.0	0
	Operating Profit (IFRS) / Operating income (JGAAP)	-4.6	-1.1	+3.5
Elimination and corporate	Revenue (IFRS) / Net sales (JGAAP)	—	—	—
	Operating Profit (IFRS) / Operating income (JGAAP)	-40.2	-48.5	-8.3
Consolidated Total	Revenue (IFRS) / Net sales (JGAAP)	748.1	740.6	-7.5
	Operating Profit (IFRS) / Operating income (JGAAP)	76.5	71.2	-5.3

【Supplementary Materials】 Performance Indicators for FY2017

Indicator	FY2017 (JGAAP)	FY2017 (IFRS)
ROE	19.3%	11.3%
Operating profit margin	10.2%	9.6%
EBITDA	¥129.8 billion	¥124.0 billion
Equity ratio	43.3%	41.1%

【Supplementary Materials】 Forecasts for FY2018 (1H and 2H)

(Billions of yen)	FY2017 (Results)		FY2018 (Forecast)		YoY (%)	
	1H	2H	1H	2H	1H	2H
Revenue	348.7	391.8	366.0	400.0	+5%	+2%
Operating profit (% of revenue)	35.2 (10.1%)	36.0 (9.2%)	35.0 (9.6%)	44.0 (11.0%)	-1%	+22%
Profit before tax (% of revenue)	30.9 (8.9%)	31.6 (8.1%)	32.0 (8.1%)	40.0 (10.0%)	+4%	+27%
Profit attributable to owners of parent (% of revenue)	23.4 (6.7%)	19.4 (5.0%)	27.0 (7.4%)	28.0 (7.0%)	+16%	+44%

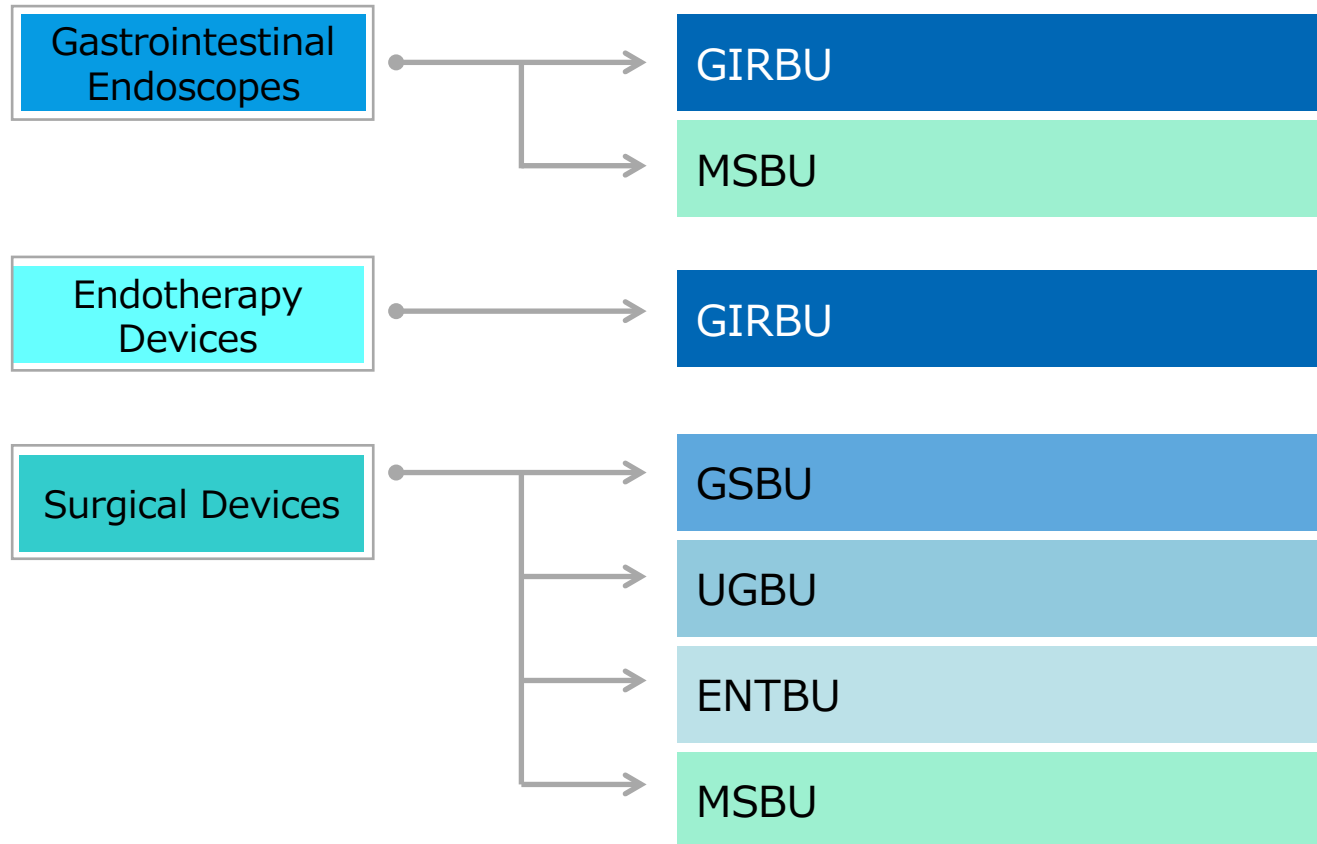
【Supplementary Materials】Segment Forecasts for FY2018(1H and 2H)

(Billions of yen)		FY2017 (Results)		FY2018 (Forecast)		YoY (%)	
		1H	2H	1H	2H	1H	2H
Medical	Revenue	271.8	298.6	284.0	314.0	+ 5%	+ 5%
	Operating Profit	59.6	55.1	55.0	68.0	-8%	+23%
Scientific Solutions	Revenue	40.4	53.0	46.0	49.0	+14%	-8%
	Operating Profit	0.2	6.1	3.0	3.0	—	-51%
Imaging	Revenue	28.5	34.3	31.0	33.0	+9%	-4%
	Operating Profit	-1.4	1.5	1.0	0	—	—
Others	Revenue	8.1	5.9	5.0	4.0	-38%	-32%
	Operating Profit	-2.2	1.1	-2.0	-4.0	—	—
Elimination and corporate	Revenue	—	—	—	—	—	—
	Operating Profit	-20.6	-27.8	-22.0	-23.0	—	—
Consolidated Total	Revenue	348.7	391.8	366.0	400.0	+ 5%	+2%
	Operating Profit	35.2	36.0	35.0	44.0	-1%	+22%

【Supplementary Materials】 Disclosure of Growth Rates on Local Currency Basis by Medical Business BU

- Growth rates on local currency basis by Medical Business BU to be disclosed in supplementary financial data from 1Q of fiscal 2018

【Overview of BU Reorganization】



【Growth Rates on Local Currency Basis by BU】

BU	1Q
GIR	0%
GS	5%
UG	2%
ENT	2%
MS	6%
Total	2%

Note: Disclosed figures for revenue and growth rates by BU are calculated through the aggregation of revenue by BU based on established internal guidelines. These guidelines were adjusted in conjunction with a revision to accounting systems undertaken in fiscal 2017 with the aim of improving management capabilities. As a result, aggregation methods differ between fiscal 2017 and fiscal 2018.