

# Consolidated Financial Results for the 1<sup>st</sup> Quarter of Fiscal 2020 and Full-Year Forecasts

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# 1Q Consolidated Financial Results

- Both revenue and profit up, in line with full-year forecasts
- SG&A ratio to revenue 55.6% (2.6 point YoY improvement) as SG&A streamlining is going as planned

# Full-Year Performance Forecasts

- No change to previously released forecasts

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# **Consolidated Financial Results and Business Overview for the 1Q of Fiscal 2020 (FY Ending March 31, 2020)**

# 1Q of Fiscal 2020 (1) Consolidated Financial Results

- Revenue was up, driven by the solid performance in the Endoscopic Solutions, Therapeutic Solutions and Scientific Solutions Division
- A significant improvement in all profit figures was due to a reduction in one-time expenses compared with the previous 1Q and efficiency in SG&A expenses

(Billions of yen)	1Q (Apr.-Jun.)		YoY	After foreign exchange adjustment
	FY2019	FY2020		
Revenue	180.6	181.9	+1%	+3%
Gross profit (% of revenue)	118.3 (65.5%)	116.7 (64.2%)	-1%	0%
Selling, general and administrative expenses (% of revenue)	105.0 (58.2%)	101.1 (55.6%)	-4%	-2%
Other income and expenses etc.	-25.0	-0.9	-	-
Operating profit (loss) (% of revenue)	-11.6 (-)	14.7 (8.1%)	-	-
Profit (Loss) before tax (% of revenue)	-14.7 (-)	13.6 (7.5%)	-	-
Profit (Loss) attributable to owners of parent (% of revenue)	-16.7 (-)	8.6 (4.7%)	-	-
EPS	-¥12	¥6		
¥/US\$	¥109	¥110		
¥/Euro	¥130	¥123		
¥/CYN	¥17	¥16		

# 1Q of Fiscal 2020 (2) Progress in SG&A efficiency

	FY2018 1Q	FY2019 1Q	<u>FY2020 1Q</u>	YoY
SG&A	¥99.5 billion	¥105.0 billion	<b>¥101.1 billion</b>	<b>-4%</b>
SG&A ratio	57.9%	58.2%	<b>55.6%</b>	<b>-2.6pt</b>

**Progress in line with cost streamlining measures under Transform Olympus**

# 1Q of Fiscal 2020 (3) Results by Business Segment

- The Medical Business has been reorganized into two divisions from this fiscal year: Endoscopic Solutions Division and Therapeutic Solutions Division

## Endoscopic Solutions Division



GI endoscopy system



Respiratory endoscopy system



Endoscopic reprocessing



IT system



OR systems integration



Surgical endoscopy system



Surgical microscope



Maintenance / Service

## Therapeutic Solutions Division



Endotherapy devices



Energy devices,  
Surgical single-use devices



Urology / Gynecology  
products



ENT products

# 1Q of Fiscal 2020 (3) Results by Business Segment

- 1 Endoscopic Solutions: Steady sales growth in GI and surgical endoscopy system incl. maintenance services drove up company-wide performance
- 2 Scientific Solutions: High sales growth in biological microscopes and industrial products led to record-high 1Q operating profit
- 3 Imaging: Loss decreased due to absence of production system reform expenses this FY despite sales decline in mirrorless cameras

(Billions of yen)		1Q (Apr.-Jun.)				
		FY2019	FY2020	YoY	After foreign exchange adjustment	
Endoscopic Solutions	Revenue	92.9	95.4	+3%	+5%	
	Operating profit	21.5	21.9	+2%	+4%	
Therapeutic Solutions	Revenue	51.0	52.1	+2%	+5%	
	Operating profit	5.9	5.7	-3%	-1%	
Scientific Solutions	Revenue	21.1	22.6	+7%	+9%	
	Operating profit	-0.4	1.6	+2.0 billion	+1.9 billion	
Imaging	Revenue	13.9	10.2	-27%	-25%	
	Operating profit	-5.8	-2.3	+3.4 billion	+3.7 billion	
Others	Revenue	1.7	1.6	-2%	-2%	
	Operating profit	-0.7	-0.6	0 billion	0 billion	
Elimination and Corporate	Operating profit	-32.2	-11.5	+20.7 billion	+20.7 billion	
Consolidated Total	Revenue	180.6	181.9	+1%	+3%	
	Operating profit	-11.6	14.7	+26.4 billion	+27.1 billion	



# 1Q of Fiscal 2020 (4) Endoscopic Solutions Division

1Q (Apr.-Jun.)

■ Revenue □ Operating profit  
(Billions of yen)

(Billions of yen)

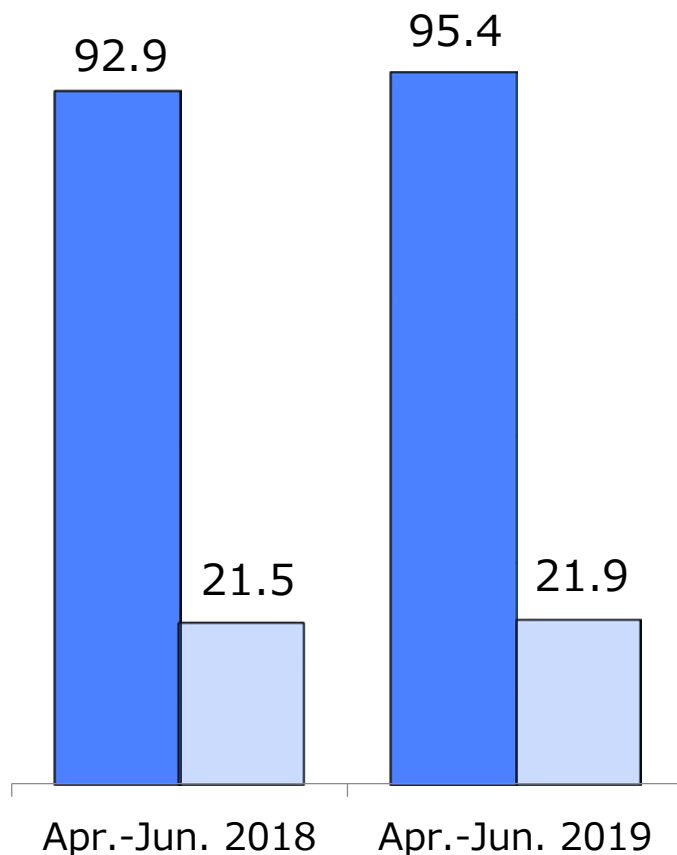
FY2019

FY2020

YoY

After foreign  
exchange  
adjustment

Revenue	92.9	95.4	+3%	+5%
Operating profit	21.5	21.9	+2%	+4%
Other income / expenses	1.0	0.2	-	-
Operating margin	23.2%	23.0%		22.9%



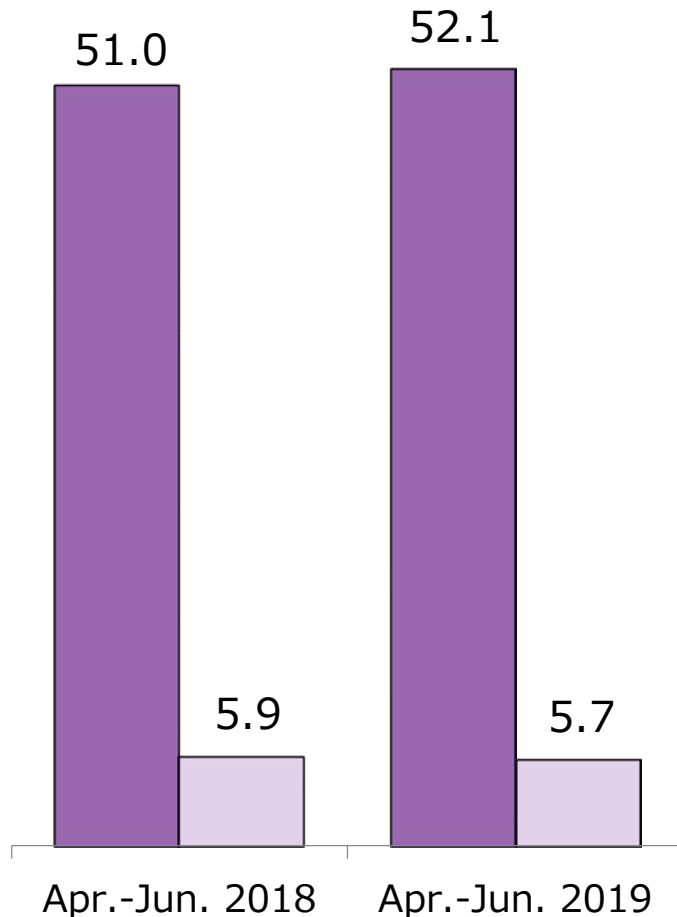
Revenue

Operating profit

- ✓ Revenue was up 3% YoY due to solid GI endoscopy system sales in emerging countries, centered on China and increased maintenance services revenue in North America
- ✓ Profit was up due to revenue growth and appropriate control of SG&A expenses

# 1Q of Fiscal 2020 (4) Therapeutic Solutions Division

■ Revenue □ Operating profit  
(Billions of yen)



(Billions of yen)

	1Q (Apr.-Jun.)			
	FY2019	FY2020	YoY	After foreign exchange adjustment
Revenue	51.0	52.1	+2%	+5%
Operating profit	5.9	5.7	-3%	-1%
Other income / expenses	0	0	-	-
Operating margin	11.5%	10.9%		10.9%

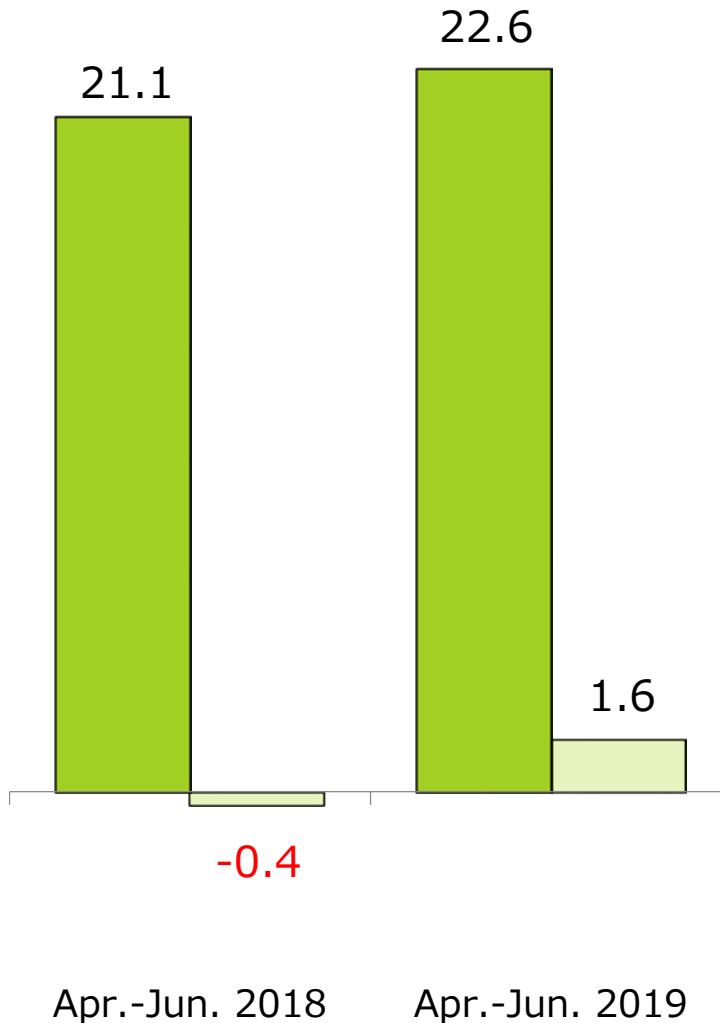
Revenue

Operating profit

- ✓ Revenue was up in all business areas: endotherapy devices, energy devices, urology / gynecology, and ENT
- ✓ Profit was flat due to upfront investments associated with functional enhancement of Transform Medical, while streamlining sales promotion costs

# 1Q of Fiscal 2020 (4) Scientific Solutions Division

■ Revenue ■ Operating profit  
(Billions of yen)



## 1Q (Apr.-Jun.)

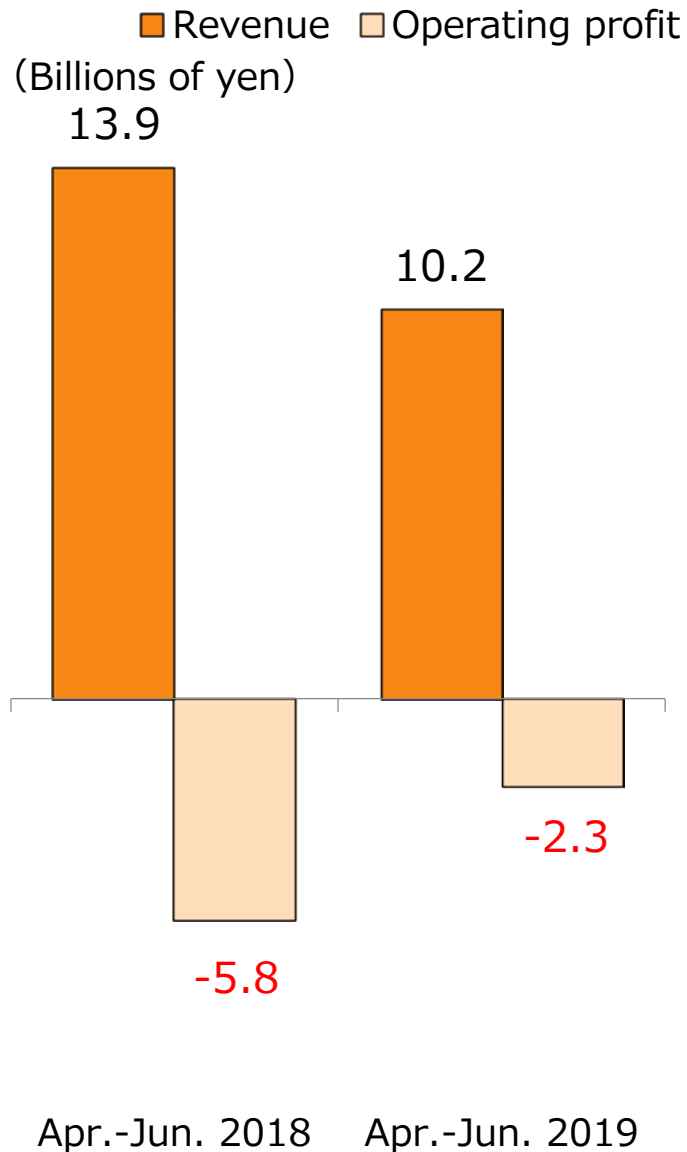
(Billions of yen)	FY2019	FY2020	YoY	After foreign exchange adjustment
Revenue	21.1	22.6	+7%	+9%
Operating profit	-0.4	1.6	+¥2.0 billion	+¥1.9 billion
Other income / expenses	-0.1	-0.2	-	-
Operating margin	-	7.3%		6.8%

Revenue

Operating profit

- ✓ Revenue increased by 7% overall due mainly to solid performance in biological microscopes in North America and China, the effect of new industrial videoscopes and large shipments of non-destructive testing equipment.
- ✓ Increased revenue coupled with the control of SG&A expenses led to record-high 1Q operating profit

# 1Q of Fiscal 2020 (4) Imaging Division



## 1Q (Apr.-Jun.)

(Billions of yen)	FY2019	FY2020	YoY	After foreign exchange adjustment
Revenue	13.9	10.2	-27%	-25%
Mirrorless	10.3	7.7	-25%	-23%
Compact	2.0	1.2	-40%	-38%
Others	1.5	1.3	-17%	-16%
Operating profit	-5.8	-2.3	-	-
<i>Other income / expenses</i>	-4.9	-0.5	-	-
Operating margin	-	-	-	-

Revenue

Operating profit

- ✓ Revenue declined due to no new mirrorless products this quarter following the reorganization of production bases, in addition to severe business environment
- ✓ Loss decreased due to absence of expenses associated with the reorganization of production bases, as recorded in the previous 1Q and efforts to contain SG&A

# Statement of Financial Position

- Property, plant and equipment increased due to the impact of adopting new lease standards under IFRS
- Equity down due to dividends and yen appreciation, equity ratio of 45.8%
- Improve asset efficiency towards the end of the fiscal year and strengthen financial position

(Billions of yen)	End Mar. 2019	End June 2019	Change		End Mar. 2019	End June 2019	Change
Current assets	456.0	441.9	-14.1	Current liabilities	287.5	285.7	-1.8
Inventories	153.6	162.4	+8.8	Bonds/long-term loans payable	59.7	60.8	+1.1
Non-current assets	476.0	496.4	+20.4	Non-current liabilities	202.1	221.4	+19.3
Property, plant and equipment	176.9	205.9	+29.0	Bonds/long-term loans payable	121.6	120.7	-0.9
Intangible assets and others	197.9	192.5	-5.4	Total equity	442.4	431.2	-11.2
Goodwill	101.2	98.0	-3.2	(Equity ratio)	47.3%	45.8%	-1.5pt
Total assets	932.0	938.3	+6.3	Total liabilities and equity	932.0	938.3	+6.3

Interest-bearing debt: ¥181.5 billion (+¥0.2 billion from March 31,2019)

# Consolidated Cash Flows

- ¥12.9 billion of free cash flow driven by positive profit generated mainly in Medical segment despite expenditures for tangible fixed assets such as demo/loaner products

(Billions of yen)	1Q (Apr.-Jun.)		Change
	FY2019	FY2020	
Revenue	180.6	181.9	+ 1.3
Operating profit	-11.6	14.7	+26.4
(% of revenue)	-	8.1%	-
CF from operating activities	25.0	28.4	+3.4
CF from investing activities	-17.4	-15.5	+1.9
Free cash flow	7.7	12.9	+5.2
CF from financing activities	-9.1	-11.3	-2.2
Cash and cash equivalents at end of period	189.9	113.7	-76.2
Depreciation and amortization	14.3	17.4	+3.1
Capital expenditures	16.2	14.6	-1.6

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# Forecasts for Fiscal 2020

# Fiscal 2020 Consolidated Forecasts

## ■ No change to previously released forecast

(Billions of yen)	FY2019	<b>FY2020 (Forecasts)</b>	Change	After foreign exchange adjustment
Revenue	793.9	800.0	+1%	+5%
Gross profit (% of revenue)	509.6 (64.2%)	508.0 (63.5%)	0%	+5% (64.2%)
Selling, general and administrative expenses (% of revenue)	437.5 (55.1%)	414.0 (51.8%)	-5%	-3% (51.3%)
Other income and expenses etc.	-43.8	-4.0	-	-
Operating profit (% of revenue)	28.3 (3.6%)	90.0 (11.3%)	+218%	+269% (12.5%)
Profit before tax (% of revenue)	20.1 (2.5%)	86.0 (10.8%)		
Profit attributable to owners of parent (% of revenue)	8.1 (1.0%)	63.0 (7.9%)		
EPS	¥6	¥46		
¥/US\$	¥111	¥106		
¥/€	¥128	¥121		
¥/CNY	¥17	¥16		

### Dividend forecast in FY2020

Year-end dividend of ¥10 per share (no change)



# Fiscal 2020 Forecasts by Business Segment

- No change to previously released forecasts as all business lines are in line with our plans

(Billions of yen)		FY2019	FY2020 (Forecasts)	YoY	YoY(After foreign exchange adjustment)
Endoscopic Solutions	Revenue	418.8	420.0	0%	+4%
	Operating profit	89.8	105.0	+17%	+27%
Therapeutic Solutions	Revenue	215.5	217.0	+1%	+5%
	Operating profit	22.2	30.0	+35%	+50%
Scientific Solutions	Revenue	104.2	106.0	+2%	+6%
	Operating profit	8.1	9.0	+11%	+34%
Imaging	Revenue	48.7	50.0	+3%	+7%
	Operating profit	-18.3	-7.0	+11.3 billion	+11.6 billion
Others	Revenue	6.7	7.0	+5%	+5%
	Operating profit	-3.5	-4.0	-0.5 billion	-0.5 billion
Elimination and Corporate	Operating profit	-70.0	-43.0	+27.0 billion	+26.4 billion
Consolidated Total	Revenue	793.9	800.0	+1%	+5%
	Operating profit	28.3	90.0	+218%	+269%

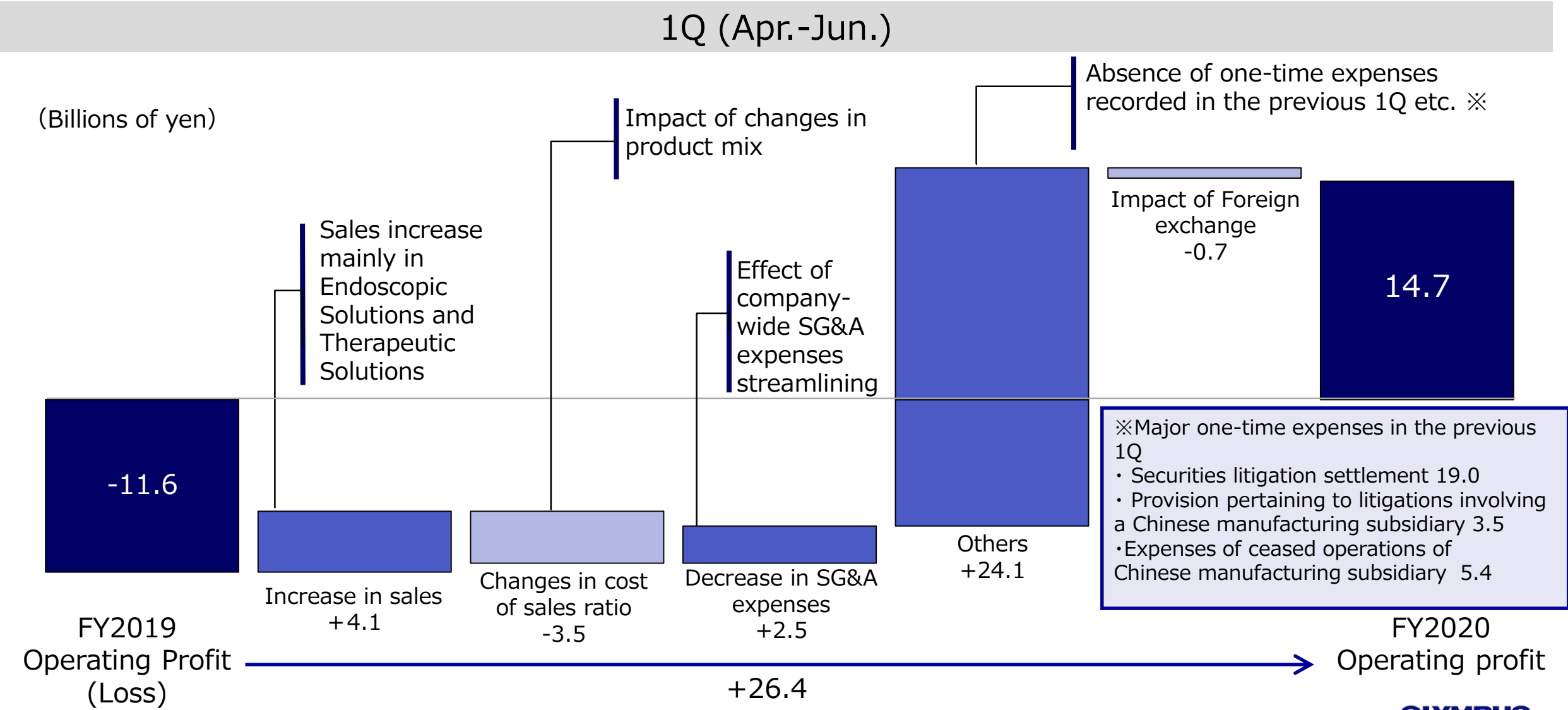
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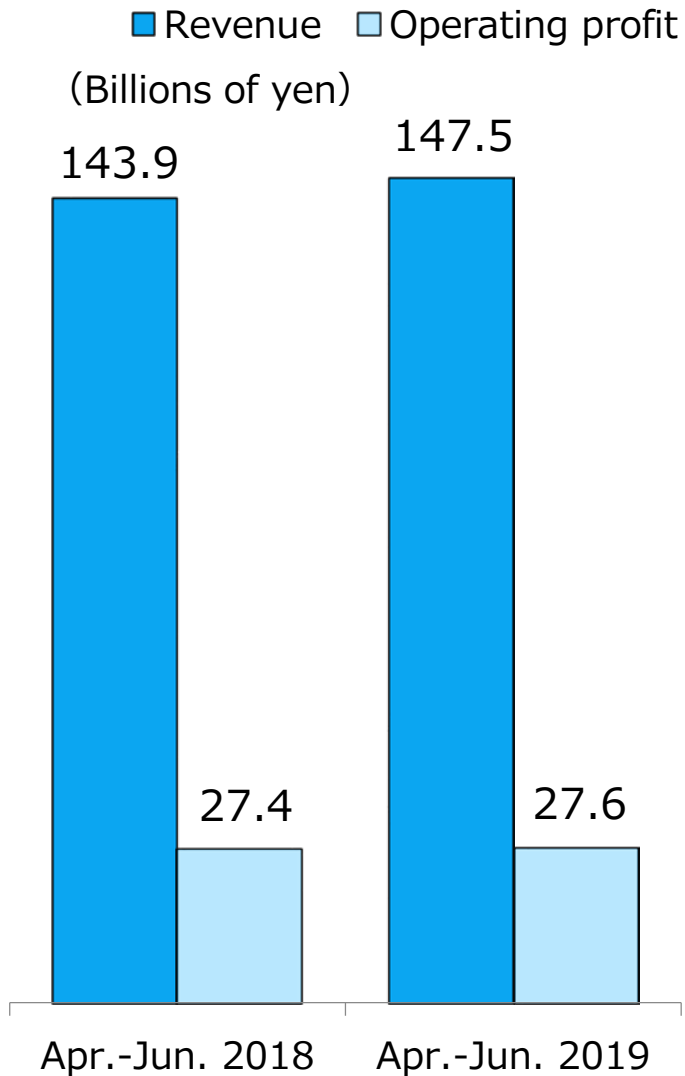
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# Appendix

# [Supplementary Materials] 1Q of Fiscal 2020 Factors that Affected Consolidated Operating Profit



# [Supplementary Materials] 1Q of Fiscal 2020 Medical Business



(Billions of yen)

## 1Q (Apr.-Jun.)

	FY2019	FY2020	YoY	After foreign exchange adjustment
Revenue	143.9	147.5	+2%	+5%
Gastrointestinal Endoscopes (GI)	76.3	78.0	+2%	+5%
Surgical Devices	47.4	48.4	+2%	+4%
Endotherapy Devices	20.2	21.0	+4%	+7%
Operating profit	27.4	27.6	+1%	+3%
<i>Other income / expenses</i>	1.0	0.1	-	-
<i>Operating margin</i>	19.0%	18.7%		18.7%

Revenue

- ✓ Revenue up due to solid momentum in emerging countries centered on China

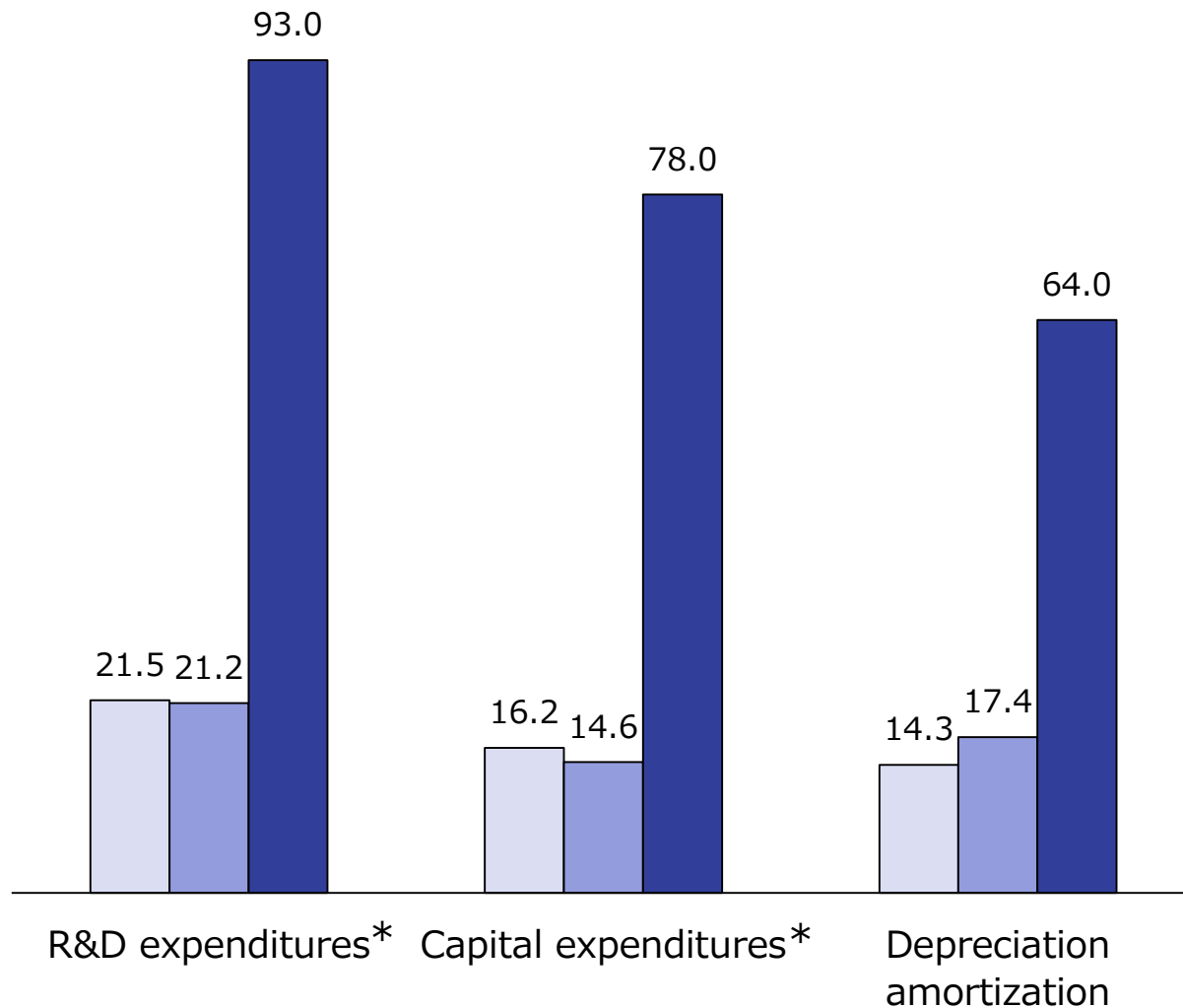
Operating profit

- ✓ Profit up by increased revenue in GI and proper control of SG&A expenses

# [Supplementary Materials] Investments, etc.

## 1Q and Full-Year Forecasts

(Billions of yen) □ FY2019 1Q □ FY2020 1Q ■ FY2020(Forecast)



(Billions of yen)

	FY2019	FY2020	
	1Q	1Q	Full-Year Forecasts
R&D expenditures* (a)	21.5	21.2	93.0
Capitalization of R&D expenditures (b)	2.4	3.3	23.0
R&D expenses in P/L (a-b)	19.1	17.9	70.0

(Billions of yen)

	FY2019	FY2020
	1Q	1Q
Amortization	1.7	1.7
	End Mar. 2019	End Jun. 2019
R&D assets	33.3	34.8

\*Capitalization of R&D expenditures (b) are included in R&D expenditures and capital expenditures