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Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2019 <under IFRS>



November 6, 2018

Company Name: Olympus Corporation
Code Number: 7733
(URL: <http://www.olympus.co.jp/>)
Stock Exchange Listing: First Section of Tokyo Stock Exchange
Representative: Hiroyuki Sasa, Representative Director, President
Contact: Takayuki Aoyagi, General Manager, Accounting Department
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Scheduled date to submit the Quarterly Securities Report: November 6, 2018
Scheduled date to commence dividend payments: –
Presentation of supplementary material on quarterly financial results: Yes
Holding of quarterly 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 Six Months of the Fiscal Year Ending March 31, 2019 (From April 1, 2018 to September 30, 2018)

(1) Consolidated Results of Operations (cumulative) (% indicate changes from the same period of the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended September 30, 2018	381,849	3.4	2,985	(92.0)	(2,781)	–	(5,555)	–
September 30, 2017	369,431	5.9	37,393	5.6	35,160	13.0	29,830	26.1

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	(¥ million)	%	(¥ million)	%	(¥)	(¥)
Six months ended September 30, 2018	(5,494)	–	8,045	(81.7)	(16.09)	(16.09)
September 30, 2017	29,838	26.4	44,016	–	87.18	87.14

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets
	(¥ million)	(¥ million)	(¥ million)	%
As of September 30, 2018	939,372	442,447	441,216	47.0
March 31, 2018	978,663	444,259	442,793	45.2

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2018	–	0.00	–	28.00	28.00
Fiscal year ending March 31, 2019	–	0.00			
Fiscal year ending March 31, 2019 (Forecast)			–	30.00	30.00

Note: Revisions of the forecast most recently announced: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

(% indicate changes from the same period of 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	790,000	0.4	44,000	(45.7)	39,000	(49.1)	26,000	(54.4)	76.15

Note: Revisions of the forecast most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the six months 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 shares)

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

As of September 30, 2018	342,713,349 shares
As of March 31, 2018	342,691,224 shares

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

As of September 30, 2018	1,293,001 shares
As of March 31, 2018	1,295,351 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2018	341,409,370 shares
Six months ended September 30, 2017	342,242,675 shares

* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.

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

(Caution concerning forward-looking statements)

The forward-looking statements, including forecast of financial results, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable.

Accordingly, the Company cannot make promises to achieve such forecasts. Actual business and other results may differ substantially due to various factors. Please refer to the section of “Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements” on page 4 of the attached material for the conditions that form the assumptions for the forecast and cautions concerning the use thereof.

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1. Qualitative Information Regarding Settlement of Accounts for the Six Months

(1) Explanation of Results of Operations

Overall

	(Millions of yen)			
	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	369,431	381,849	12,418	3.4
Operating profit	37,393	2,985	(34,408)	(92.0)
Profit (loss) attributable to owners of parent	29,838	(5,494)	(35,332)	–
Exchange rate (Yen/U.S. dollar)	111.06	110.26	(0.80)	–
Exchange rate (Yen/Euro)	126.29	129.85	3.56	–

In the global economy during the six months ended September 30, 2018, the U.S. economy continued to steadily recover against a backdrop of robust personal consumption. Europe is in a mild economic recovery amid improvement in the employment environment. In China, a move toward recovery has been seen due to expansion of personal consumption. In the Japanese economy, employment conditions continued to improve and capital investment remained in a growth trend amid strong corporate earnings, with the trend of moderate recovery continuing.

Amid this business environment, the Olympus Group's overall consolidated revenue increased for the six months ended September 30, 2018 to ¥381,849 million (up 3.4% year on year), due to increased sales in the Medical Business and Scientific Solutions Business. Operating profit amounted to ¥2,985 million (down 92.0% year on year). Operating profit's year-on-year decrease despite revenue growth in the Medical and Scientific Solutions Businesses was due to a monetary settlement of ¥19,226 million following damages claim securities litigation settlements; ¥5,898 million in costs associated with the restructuring of the Imaging Business's manufacturing locations; a ¥3,793 million provision for damages resulting from the judgment regarding a lawsuit involving a Chinese production subsidiary; and a ¥9,653 million provision for the estimated loss in relation to an investigation by the U.S. Department of Justice (DOJ). Moreover, an increase in finance costs associated with exchange losses resulted in loss attributable to owners of parent of ¥5,494 million (compared with profit attributable to owners of parent of ¥29,838 million in the same period of the previous fiscal year).

Regarding foreign exchange, the yen appreciated against the U.S. dollar, on the other hand, it depreciated against the euro compared to the previous fiscal year. The average exchange rate during the period was ¥110.26 against the U.S. dollar (¥111.06 in the same period of the previous fiscal year) and ¥129.85 against the euro (¥126.29 in the same period of the previous fiscal year), which caused revenue and operating profit to rise by ¥887 million and ¥247 million, respectively, year on year.

Medical Business

	(Millions of yen)			
	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	289,254	305,638	16,384	5.7
Operating profit	55,384	54,690	(694)	(1.3)

Consolidated revenue in the Medical Business amounted to ¥305,638 million (up 5.7% year on year), while operating profit amounted to ¥54,690 million (down 1.3% year on year).

In the gastrointestinal endoscope field, although the mainstay endoscopy platform systems are reaching 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 an estimated loss in relation to an investigation by the DOJ in Provisions.

Scientific Solutions Business

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	44,619	47,304	2,685	6.0
Operating profit	1,257	2,800	1,543	122.8

Consolidated revenue in the Scientific Solutions Business amounted to ¥47,304 million (up 6.0% year on year), while operating profit amounted to ¥2,800 million (up 122.8% year on year).

Sales of products for hospitals and life science research were steady 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 and power generation markets increased overseas, leading to higher revenue year on year in the Scientific Solutions Business.

Operating profit in the Scientific Solutions Business increased due to the increase in revenue.

Imaging Business

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	30,569	25,678	(4,891)	(16.0)
Operating profit (loss)	1,618	(9,226)	(10,844)	-

Consolidated revenue in the Imaging Business amounted to ¥25,678 million (down 16.0% year on year), while operating loss amounted to ¥9,226 million (compared with an operating profit of ¥1,618 million in the same period of the previous fiscal year).

The Imaging Business's revenue declined due partly to the impact of constraints on supplies of certain 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, operating loss was recognized in the Imaging Business.

Others

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	4,989	3,229	(1,760)	(35.3)
Operating loss	(1,213)	(1,404)	(191)	-

Consolidated revenue in other businesses amounted to ¥3,229 million (down 35.3% year on year) and operating loss was ¥1,404 million (compared with an operating loss of ¥1,213 million in the same period of 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 increased due to the decrease in revenue.

(2) Financial Position

As of the end of the second quarter under review, total assets decreased by ¥39,291 million compared to the end of the previous fiscal year to ¥939,372 million.

Their decrease was primarily the net result of a ¥12,838 million increase in inventories, a ¥9,050 million increase in income taxes receivable, a ¥7,989 million increase in property, plant and equipment, a ¥2,298 million increase in intangible assets, a ¥6,351 million increase in goodwill, a ¥60,389 million decrease in cash and cash equivalents, and a ¥16,329 million decrease in trade and other receivables classified as current assets.

Total liabilities decreased in comparison to the end of the previous fiscal year by ¥37,479 million to ¥496,925

million, mainly as a net result of a ¥15,399 million increase in provisions classified as current liabilities, a ¥7,086 million decrease in bonds and borrowings classified as current liabilities, a ¥35,462 million decrease in bonds and borrowings classified as non-current liabilities.

Total equity decreased in comparison to the end of the previous fiscal year by ¥1,812 million to ¥442,447 million. Its decrease was primarily the net result of a ¥15,111 million increase in other components of equity due largely to exchange rate movements, a decrease in retained earnings reflecting ¥5,494 million in loss attributable to owners of parent, and ¥9,559 million of dividends.

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 47.0%.

(3) Cash Flows

Cash and cash equivalents at the end of the second quarter under review reached ¥130,850 million, a decrease of ¥60,389 million compared to the end of the previous fiscal year. The following are the cash flows for the six months ended September 30, 2018.

Cash flows from operating activities

Net cash provided by operating activities for the six months ended September 30, 2018 was ¥27,444 million (compared with ¥42,612 million provided for the six months ended September 30, 2017). The main sources of cash included a ¥25,708 million decrease in trade and other receivables and an adjustment for noncash item of ¥28,372 million in depreciation and amortization. The main uses of cash included ¥14,821 million of income taxes paid and a ¥10,408 million increase in inventories.

Cash flows from investing activities

Net cash used in investing activities for the six months ended September 30, 2018 was ¥31,433 million (compared with ¥29,718 million used for the six months ended September 30, 2017). The main uses of cash included ¥23,518 million in purchase of property, plant and equipment and ¥6,785 million in purchase of intangible assets.

Cash flows from financing activities

Net cash used in financing activities for the six months ended September 30, 2018 was ¥58,198 million (compared with ¥34,713 million used for the six months ended September 30, 2017). The main sources of cash included ¥25,818 million in net increase (decrease) in short-term borrowings and commercial papers and ¥9,425 million in proceeds from long-term borrowings. The main uses of cash included ¥56,518 million in repayments of long-term borrowings, ¥25,000 million in redemption of bonds and ¥9,559 million in dividends paid.

(4) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements

Regarding the forecasts of consolidated financial results for the fiscal year ending March 31, 2019, the forecasts have been revised from the forecasts announced in the “Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2019,” which was released on August 7, 2018.

The full-year forecasts for revenue, operating profit, and following profit items have been downwardly revised as a result of the recording in the six months ended September 30, 2018, of an estimated loss in Other Expenses in relation to an investigation by the DOJ, in addition to revisions to the year-end plan in response to the intensified competitive environment in the Imaging Business. The average exchange rates for the third quarter and onward of the fiscal year ending March 31, 2019, which are a precondition for the forecast, are expected to be ¥105 against the U.S. dollar and ¥130 against the euro.

(Millions of yen)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Previous Forecast (A)	800,000	58,000	53,000	40,000	¥117.17
Revised Forecast (B)	790,000	44,000	39,000	26,000	¥76.15
Increase (Decrease) (B-A)	(10,000)	(14,000)	(14,000)	(14,000)	–
Increase (Decrease) ratio (%)	(1.3)	(24.1)	(26.4)	(35.0)	–

2. Condensed Consolidated Financial Statements and Significant Notes Thereto**(1) Condensed Consolidated Statements of Financial Position**

	(Millions of yen)	
	As of March 31, 2018	As of September 30, 2018
ASSETS		
Current assets		
Cash and cash equivalents	191,239	130,850
Trade and other receivables	157,339	141,010
Other financial assets	7,442	6,658
Inventories	139,309	152,147
Income taxes receivable	4,127	13,177
Other current assets	14,487	15,789
Subtotal	513,943	459,631
Non-current assets held for sale	348	-
Total current assets	514,291	459,631
Non-current assets		
Property, plant and equipment	168,243	176,232
Goodwill	97,208	103,559
Intangible assets	73,371	75,669
Retirement benefit asset	29,514	29,869
Investments accounted for using equity method	44	40
Trade and other receivables	17,971	12,913
Other financial assets	39,683	43,121
Deferred tax assets	37,135	36,993
Other non-current assets	1,203	1,345
Total non-current assets	464,372	479,741
Total assets	978,663	939,372

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	57,559	53,846
Bonds and borrowings	88,791	81,705
Other financial liabilities	8,793	11,072
Income taxes payable	9,467	5,910
Provisions	6,814	22,213
Other current liabilities	134,496	125,920
Total current liabilities	305,920	300,666
Non-current liabilities		
Bonds and borrowings	159,183	123,721
Other financial liabilities	7,379	7,132
Retirement benefit liability	39,145	41,746
Provisions	785	1,088
Deferred tax liabilities	10,004	11,268
Other non-current liabilities	11,988	11,304
Total non-current liabilities	228,484	196,259
Total liabilities	534,404	496,925
Equity		
Share capital	124,560	124,606
Capital surplus	91,502	91,323
Treasury shares	(4,775)	(4,765)
Other components of equity	(5,810)	9,301
Retained earnings	237,316	220,751
Total equity attributable to owners of parent	442,793	441,216
Non-controlling interests	1,466	1,231
Total equity	444,259	442,447
Total liabilities and equity	978,663	939,372

(2) Condensed Consolidated Statements of Profit or Loss

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Revenue	369,431	381,849
Cost of sales	127,675	133,002
Gross profit	241,756	248,847
Selling, general and administrative expenses	203,544	212,387
Share of profit (loss) of investments accounted for using equity method	(207)	215
Other income	3,005	4,630
Other expenses	3,617	38,320
Operating profit	37,393	2,985
Finance income	1,578	1,208
Finance costs	3,811	6,974
Profit (loss) before tax	35,160	(2,781)
Income taxes	5,330	2,774
Profit (loss)	29,830	(5,555)
Profit (loss) attributable to:		
Owners of parent	29,838	(5,494)
Non-controlling interests	(8)	(61)
Profit (loss)	29,830	(5,555)
Earnings per share		
Basic earnings (loss) per share	¥87.18	¥(16.09)
Diluted earnings (loss) per share	¥87.14	¥(16.09)

(3) Condensed Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit (loss)	29,830	(5,555)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	2,479	1,904
Remeasurements of defined benefit plans	(936)	(1,594)
Total of items that will not be reclassified to profit or loss	1,543	310
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	12,049	12,908
Cash flow hedges	607	387
Share of other comprehensive income of associates accounted for using equity method	(13)	(5)
Total of items that may be reclassified to profit or loss	12,643	13,290
Total other comprehensive income	14,186	13,600
Comprehensive income	44,016	8,045
Comprehensive income attributable to:		
Owners of parent	44,021	8,105
Non-controlling interests	(5)	(60)
Comprehensive income	44,016	8,045

(4) Condensed Consolidated Statements of Changes in Equity

Six months ended September 30, 2017

(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					29,838	29,838	(8)	29,830
Other comprehensive income				14,183		14,183	3	14,186
Comprehensive income	-	-	-	14,183	29,838	44,021	(5)	44,016
Purchase of treasury shares			(3)			(3)		(3)
Disposal of treasury shares		(2)	2			0		0
Dividends from surplus					(9,583)	(9,583)	(79)	(9,662)
Transfer from other components of equity to retained earnings				353	(353)	-		-
Share-based payment transactions	40	(5)				35		35
Total transactions with owners	40	(7)	(1)	353	(9,936)	(9,551)	(79)	(9,630)
Balance at September 30, 2017	124,560	91,772	(1,123)	8,884	205,128	429,221	1,393	430,614

Six months ended September 30, 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, 2018	124,560	91,502	(4,775)	(5,810)	237,316	442,793	1,466	444,259
Profit (loss)					(5,494)	(5,494)	(61)	(5,555)
Other comprehensive income				13,599		13,599	1	13,600
Comprehensive income	-	-	-	13,599	(5,494)	8,105	(60)	8,045
Purchase of treasury shares			(4)			(4)		(4)
Disposal of treasury shares		(14)	14			0		0
Dividends from surplus					(9,559)	(9,559)	(368)	(9,927)
Transfer from other components of equity to retained earnings				1,512	(1,512)	-		-
Share-based payment transactions	46	28				74		74
Equity transactions with non-controlling interests		(193)				(193)	193	-
Total transactions with owners	46	(179)	10	1,512	(11,071)	(9,682)	(175)	(9,857)
Balance at September 30, 2018	124,606	91,323	(4,765)	9,301	220,751	441,216	1,231	442,447

(5) Condensed Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit (loss) before tax	35,160	(2,781)
Depreciation and amortization	25,521	28,372
Interest and dividend income	(748)	(1,050)
Interest expenses	3,576	2,704
Loss related to securities litigation	588	19,226
Provision related to duodenoscopy investigation	-	9,653
Share of loss (profit) of investments accounted for using equity method	207	(215)
Decrease (increase) in trade and other receivables	18,333	25,708
Decrease (increase) in inventories	(14,175)	(10,408)
Increase (decrease) in trade and other payables	(3,470)	(3,271)
Increase (decrease) in retirement benefit liability	875	1,063
Decrease (increase) in retirement benefit asset	1,328	(1,657)
Other	(11,497)	(4,319)
Subtotal	55,698	63,025
Interest received	396	741
Dividends received	352	309
Interest paid	(3,439)	(2,782)
Loss on litigation paid	(217)	(19,028)
Income taxes paid	(10,178)	(14,821)
Net cash provided by operating activities	42,612	27,444
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,365)	(23,518)
Proceeds from sale of property, plant and equipment	4,238	3,305
Purchase of intangible assets	(7,212)	(6,785)
Payments for loans receivable	(811)	(1,162)
Collection of loans receivable	485	0
Proceeds from sale of investments	2,550	274
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(8,653)	-
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	2,336	-
Payments for acquisition of business	-	(3,473)
Other	(286)	(74)
Net cash used in investing activities	(29,718)	(31,433)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	(2,427)	25,818
Proceeds from long-term borrowings	23,550	9,425
Repayments of long-term borrowings	(55,111)	(56,518)
Dividends paid	(9,583)	(9,559)
Dividends paid to non-controlling interests	(79)	(368)
Proceeds from issuance of bonds	9,946	-
Redemption of bonds	-	(25,000)
Other	(1,009)	(1,996)
Net cash used in financing activities	(34,713)	(58,198)
Effect of exchange rate changes on cash and cash equivalents	3,653	1,798
Net increase (decrease) in cash and cash equivalents	(18,166)	(60,389)
Cash and cash equivalents at beginning of period	199,465	191,239
Cash and cash equivalents at end of period	181,299	130,850

(6) Notes to Condensed 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 condensed 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.”

(Basis of preparation)

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

The condensed consolidated financial statements of the Olympus Group have been prepared in accordance with IAS 34. 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 Quarterly Consolidated Financial Statements” are satisfied, the Olympus Group adopts the provisions of Article 93 of the same Ordinance.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be used in conjunction with the Olympus Group’s annual consolidated financial statements as of March 31, 2017.

These condensed consolidated financial statements were approved by the Board of Directors meeting on November 6, 2018.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

The Olympus Group’s condensed 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 condensed consolidated financial statements of the Olympus Group for the three months ended June 30, 2018 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 condensed consolidated financial statements are consistent with the consolidated financial statements for the previous fiscal year.

(Segment information)

(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. The accounting method used for reportable segments is the same as that applied for its consolidated financial statements for the fiscal year ended March 31, 2018.

Six months ended September 30, 2017

	Reportable Segment					Adjustment (Note 2)	Amount on condensed consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Revenue							
Revenue from outside customers	289,254	44,619	30,569	4,989	369,431	–	369,431
Revenue among segments (Note 1)	–	41	6	257	304	(304)	–
Total revenue	289,254	44,660	30,575	5,246	369,735	(304)	369,431
Operating profit (loss)	55,384	1,257	1,618	(1,213)	57,046	(19,653)	37,393
Finance income							1,578
Finance costs							3,811
Profit before tax							35,160
Other items							
Share of profit (loss) of investments accounted for using equity method	(200)	(7)	–	–	(207)	–	(207)
Depreciation and amortization	19,744	2,690	1,099	301	23,834	1,687	25,521
Impairment losses (non-financial assets)	5	55	–	–	60	–	60

Notes:

- Revenue among segments is based on actual market prices.
- 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.

Six months ended September 30, 2018

	Reportable Segment					Adjustment (Note 2)	(Millions of yen) Amount on condensed consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Revenue							
Revenue from outside customers	305,638	47,304	25,678	3,229	381,849	–	381,849
Revenue among segments (Note 1)	–	20	–	262	282	(282)	–
Total revenue	305,638	47,324	25,678	3,491	382,131	(282)	381,849
Operating profit (loss)	54,690	2,800	(9,226)	(1,404)	46,860	(43,875)	2,985
Finance income							1,208
Finance costs							6,974
Profit before tax							(2,781)
Other items							
Share of profit (loss) of investments accounted for using equity method	215	0	–	–	215	–	215
Depreciation and amortization	21,991	3,457	794	241	26,483	1,889	28,372
Impairment losses (non-financial assets)	–	–	–	–	–	105	105

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.