

Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2018 <under IFRS>



November 8, 2017

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
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Scheduled date to submit the Quarterly Securities Report: November 8, 2017
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, 2018 (From April 1, 2017 to September 30, 2017)

(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, 2017	369,431	5.9	37,393	5.6	35,160	13.0	29,830	26.1
September 30, 2016	348,719	–	35,422	–	31,125	–	23,660	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	(¥ million)	%	(¥ million)	%	(¥)	(¥)
Six months ended						
September 30, 2017	29,838	26.4	44,016	–	87.18	87.14
September 30, 2016	23,608	–	(21,345)	–	68.98	68.96

(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, 2017	971,882	430,614	429,221	44.2
March 31, 2017	960,032	396,228	394,751	41.1

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2017	–	0.00	–	28.00	28.00
Fiscal year ending March 31, 2018	–	0.00			
Fiscal year ending March 31, 2018 (Forecast)			–	28.00	28.00

Note: Revisions of the forecast most recently announced: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(% 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	784,000	5.9	86,000	20.8	79,000	26.4	60,000	40.2	175.31

- Notes: 1. The percentage changes from the same period of the previous fiscal year are calculated using the figures for the results of the fiscal year ended March 31, 2017 that conform to the International Financial Reporting Standards (IFRS).
2. 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, 2017	342,691,244 shares
As of March 31, 2017	342,671,508 shares

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

As of September 30, 2017	435,371 shares
As of March 31, 2017	435,289 shares

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

Six months ended September 30, 2017	342,242,675 shares
Six months ended September 30, 2016	342,235,813 shares

* Quarterly financial results reports are not required to be subjected to quarterly reviews.

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

(Adoption of IFRS)

The Olympus Group has adopted IFRS starting from the first quarter of the fiscal year ending March 31, 2018. Figures for the same period of the previous fiscal year and the fiscal year ended March 31, 2017 are also presented in accordance with IFRS. For details about the differences between IFRS and Japanese GAAP with respect to financial figures, please refer to the section of “First-time adoption” on page 14 of the attached material.

(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.

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

(1) Explanation of Results of Operations

From the fiscal year ending March 31, 2018, the Olympus Group has adopted IFRS. In addition, figures for the six months ended September 30, 2016, as well as those for the fiscal year ended March 31, 2017 have been restated according to IFRS for comparative analysis.

Overall

(Millions of yen)				
	Six months ended September 30, 2016	Six months ended September 30, 2017	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	348,719	369,431	20,172	5.9%
Operating profit	35,422	37,393	1,971	5.6%
Profit attributable to owners of parent	23,608	29,838	6,230	26.4%
Exchange rate (Yen/U.S. dollar)	105.29	111.06	5.77	
Exchange rate (Yen/Euro)	118.15	126.29	8.14	

In the global economy during the six months ended September 30, 2017, the U.S. economy continued to recover steadily and there was also a trend of moderate improvement in Europe and China. However, uncertainty over the future continued due to the political trends in the U.S. and Europe and the increasing geopolitical risk in the East Asian and the Middle Eastern regions. In the Japanese economy, supported by solid corporate earnings, a move toward recovery has been seen in capital investment and private consumption, 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, 2017 to ¥369,431 million (up 5.9% year on year), due to increased sales in the Medical Business, Scientific Solutions Business, and Imaging Business, the Olympus Group's three main businesses. Operating profit increased to ¥37,393 million (up 5.6% year on year) as decline in profits in the Medical Business was offset by improvement in losses in the Scientific Solutions Business and Imaging Business. Moreover, a reduction in finance costs such as interest expenses and a reduction in income taxes resulted in profit attributable to owners of parent of ¥29,838 million (up 26.4% year on year).

Regarding foreign exchange, the yen depreciated against both the U.S. dollar and the euro compared to the same period of the previous fiscal year. The average exchange rate during the period was ¥111.06 against the U.S. dollar (¥105.29 in the same period of the previous fiscal year) and ¥126.29 against the euro (¥118.15 in the same period of the previous fiscal year), which caused revenue and operating profit to rise by ¥15,813 million and ¥2,984 million, respectively, year on year.

Medical Business

(Millions of yen)				
	Six months ended September 30, 2016	Six months ended September 30, 2017	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	271,760	289,254	17,494	6.4
Operating profit	59,724	55,384	(4,340)	(7.3)

Consolidated revenue in the Medical Business amounted to ¥289,254 million (up 6.4% year on year), while operating profit amounted to ¥55,384 million (down 7.3% year on year).

In the gastrointestinal endoscope field, although the mainstay endoscopy platform systems are reaching the second half of their product cycles, steady sales were maintained. In the surgical field, sales of surgical endoscopy systems equipped with 4K technologies, 3D laparoscopy systems and the "THUNDERBEAT" integrated energy device with both advanced bipolar and ultrasonic energy continued to grow. In the therapeutic devices field, sales of "VisiGlide 2" disposable guidewire for use in endoscopic diagnosis and treatment of biliary and pancreatic ducts and others were strong.

Operating profit in the Medical Business declined year on year due to the effect of product mix, etc.

Scientific Solutions Business

(Millions of yen)				
	Six months ended September 30, 2016	Six months ended September 30, 2017	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	40,394	44,619	4,225	10.5
Operating profit (loss)	(199)	1,257	1,456	–

Consolidated revenue in the Scientific Solutions Business amounted to ¥44,619 million (up 10.5% year on year), while operating profit amounted to ¥1,257 million (compared with an operating loss of ¥199 million in the same period of the previous fiscal year).

Sales of products for hospitals and life science research were steady in Japan. Moreover, in addition to strong sales of industrial microscopes for semiconductor and smart phone component inspection, steady sales of non-destructive testing equipment were maintained due to a positive shift in the market environment and the effect of new products, leading revenue in the Scientific Solutions Business to rise year on year.

The Scientific Solutions Business returned to profitability after having recorded an operating loss in the same period of the previous fiscal year due to the increase in revenue and efforts to optimize costs.

Imaging Business

(Millions of yen)				
	Six months ended September 30, 2016	Six months ended September 30, 2017	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	28,505	30,569	2,064	7.2
Operating profit (loss)	(1,352)	1,618	2,970	–

Consolidated revenue in the Imaging Business amounted to ¥30,569 million (up 7.2% year on year), while operating profit amounted to ¥1,618 million (compared with an operating loss of ¥1,352 million in the same period of the previous fiscal year).

In the mirrorless camera field, sales increased as the Olympus Group maintained steady sales of the flagship mirrorless camera “OM-D E-M1 Mark II,” introduced in the previous fiscal year, leading revenue in the Imaging Business to rise year on year.

The Imaging Business returned to profitability after having recorded an operating loss in the same period of the previous fiscal year due to progress made in pushing down expenses.

Others

(Millions of yen)				
	Six months ended September 30, 2016	Six months ended September 30, 2017	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	8,060	4,989	(3,071)	(38.1)
Operating loss	(2,227)	(1,213)	1,014	–

Consolidated revenue in other businesses amounted to ¥4,989 million (down 38.1% year on year) and operating loss was ¥1,213 million (compared with an operating loss of ¥2,227 million in the same period of the previous fiscal year).

As we pushed ahead with the reorganization of our non-core business domains, such as by transferring shares in Nippon Outsourcing Corporation, a subsidiary of the Company, on October 31, 2016, revenue for other businesses declined. Operating loss for other businesses decreased year on year, reflecting a reduction of expenses.

(2) Explanation of Financial Position

As of the end of the second quarter under review, total assets increased ¥11,850 million compared to the end of the previous fiscal year to ¥971,882 million.

This was primarily as a result of increases in inventories of ¥17,459 million and goodwill of ¥7,377 million,

and decreases in cash and cash equivalents of ¥18,166 million and trade and other receivables of ¥12,506 million.

Total liabilities decreased ¥22,536 million compared to the end of the previous fiscal year to ¥541,268 million due mainly to increases in bonds and borrowings of ¥20,846 million in current liabilities and other non-current liabilities of ¥3,356 million, and decreases in bonds and borrowings of ¥44,249 million in non-current liabilities and income taxes payable of ¥3,019 million.

Total equity increased ¥34,386 million compared to the end of the previous fiscal year to ¥430,614 million, primarily due to an increase in retained earnings reflecting ¥29,838 million in profit attributable to owners of parent, a decrease in retained earnings reflecting dividends of ¥9,583 million, and an increase in other components of equity of ¥14,536 million arising from fluctuations in foreign exchange.

As a result of the foregoing, equity attributable to owners of parent to total assets increased from 41.1% as of the end of the previous fiscal year to 44.2%.

(3) Explanation of Cash Flows

Cash and cash equivalents at the end of the second quarter under review reached ¥181,299 million, a decrease of ¥18,166 million compared to the end of the previous fiscal year. The following are the cash flows for the six months ended September 30, 2017.

Cash flows from operating activities

“Cash flows from operating activities” increased by ¥42,612 million for the six months ended September 30, 2017 (compared with an increase of ¥42,086 million for the six months ended September 30, 2016). Increasing factors mainly included ¥35,160 million in profit before tax and ¥25,521 million in depreciation and amortization.

Cash flows from investing activities

“Cash flows from investing activities” decreased by ¥29,718 million for the six months ended September 30, 2017 (compared with a decrease of ¥34,459 million for the six months ended September 30, 2016). Decreasing factors mainly included ¥22,365 million in purchase of property, plant and equipment.

Cash flows from financing activities

“Cash flows from financing activities” decreased by ¥34,713 million for the six months ended September 30, 2017 (compared with a decrease of ¥23,225 million for the six months ended September 30, 2016). Decreasing factors mainly included ¥55,111 million in repayments of long-term borrowings.

(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, 2018, the forecasts have been revised from the forecasts announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2017, which was released on May 2, 2017.

With regard to foreign exchange, because the yen appreciated more than expected, revenue and each of the income items are now expected to exceed previously forecast figures. The average exchange rates for the third quarter and onward of the fiscal year ending March 31, 2018, which are a precondition for the forecast, are expected to be ¥110 against the U.S. dollar and ¥125 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)	766,000	79,000	72,000	55,000	¥160.71
Revised Forecast (B)	784,000	86,000	79,000	60,000	¥175.31
Increase (Decrease) (B-A)	18,000	7,000	7,000	5,000	—
Increase (Decrease) ratio (%)	2.3	8.9	9.7	9.1	—

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

	(Millions of yen)		
	IFRS transition date (April 1, 2016)	As of March 31, 2017	As of September 30, 2017
ASSETS			
Current assets			
Cash and cash equivalents	166,379	199,465	181,299
Trade and other receivables	159,125	157,469	144,963
Other financial assets	2,498	1,618	6,894
Inventories	112,265	125,319	142,778
Income taxes receivable	14,282	5,146	9,126
Other current assets	14,497	12,902	14,162
Subtotal	469,046	501,919	499,222
Non-current assets held for sale	–	3,828	–
Total current assets	469,046	505,747	499,222
Non-current assets			
Property, plant and equipment	158,816	159,735	167,929
Goodwill	97,190	95,568	102,945
Intangible assets	83,941	75,858	78,460
Retirement benefit asset	24,510	24,544	23,916
Investments accounted for using equity method	1,926	51	31
Trade and other receivables	18,706	18,303	18,838
Other financial assets	77,273	37,895	39,553
Deferred tax assets	43,866	41,437	39,726
Other non-current assets	1,700	894	1,262
Total non-current assets	507,928	454,285	472,660
Total assets	976,974	960,032	971,882

(Millions of yen)

	IFRS transition date (April 1, 2016)	As of March 31, 2017	As of September 30, 2017
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade and other payables	75,404	70,834	67,989
Bonds and borrowings	56,570	68,777	89,623
Other financial liabilities	11,834	11,018	9,707
Income taxes payable	9,121	11,710	8,691
Provisions	4,070	5,675	6,565
Other current liabilities	121,106	118,436	117,817
Total current liabilities	278,105	286,450	300,392
Non-current liabilities			
Bonds and borrowings	263,731	217,193	172,944
Other financial liabilities	7,574	6,926	9,124
Retirement benefit liability	38,751	37,872	39,232
Provisions	365	425	466
Deferred tax liabilities	10,604	9,565	10,381
Other non-current liabilities	11,262	5,373	8,729
Total non-current liabilities	332,287	277,354	240,876
Total liabilities	610,392	563,804	541,268
Equity			
Share capital	124,520	124,520	124,560
Capital surplus	91,368	91,779	91,772
Treasury shares	(1,122)	(1,122)	(1,123)
Other components of equity	21,378	(5,652)	8,884
Retained earnings	128,988	185,226	205,128
Total equity attributable to owners of parent	365,132	394,751	429,221
Non-controlling interests	1,450	1,477	1,393
Total equity	366,582	396,228	430,614
Total liabilities and equity	976,974	960,032	971,882

(2) Condensed Consolidated Statements of Profit or Loss

	(Millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Revenue	348,719	369,431
Cost of sales	121,144	127,675
Gross profit	227,575	241,756
Selling, general and administrative expenses	187,667	203,544
Share of profit (loss) of investments accounted for using equity method	(889)	(207)
Other income	912	3,005
Other expenses	4,509	3,617
Operating profit	35,422	37,393
Finance income	1,027	1,578
Finance costs	5,324	3,811
Profit before tax	31,125	35,160
Income taxes	7,465	5,330
Profit	23,660	29,830
Profit attributable to:		
Owners of parent	23,608	29,838
Non-controlling interests	52	(8)
Profit	23,660	29,830
Earnings per share		
Basic earnings per share	¥68.98	¥87.18
Diluted earnings per share	¥68.96	¥87.14

(3) Condensed Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit	23,660	29,830
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(3,149)	2,479
Remeasurements of defined benefit plans	(558)	(936)
Total of items that will not be reclassified to profit or loss	(3,707)	1,543
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(41,499)	12,049
Cash flow hedges	203	607
Share of other comprehensive income of associates accounted for using equity method	(2)	(13)
Total of items that may be reclassified to profit or loss	(41,298)	12,643
Total other comprehensive income	(45,005)	14,186
Comprehensive income	(21,345)	44,016
Comprehensive income attributable to:		
Owners of parent	(21,366)	44,021
Non-controlling interests	21	(5)
Comprehensive income	(21,345)	44,016

(4) Condensed Consolidated Statements of Changes in Equity

Six months ended September 30, 2016

(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, 2016	124,520	91,368	(1,122)	21,378	128,988	365,132	1,450	366,582
Profit					23,608	23,608	52	23,660
Other comprehensive income				(44,974)		(44,974)	(31)	(45,005)
Comprehensive income	–	–	–	(44,974)	23,608	(21,366)	21	(21,345)
Purchase of treasury shares			(3)			(3)		(3)
Disposal of treasury shares		(7)	7			0		0
Dividends from surplus					(5,818)	(5,818)	(59)	(5,877)
Transfer from other components of equity to retained earnings				522	(522)	–		–
Share-based payment transactions		142				142		142
Total transactions with owners	–	135	4	522	(6,340)	(5,679)	(59)	(5,738)
Balance at September 30, 2016	124,520	91,503	(1,118)	(23,074)	146,256	338,087	1,412	339,499

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

(5) Condensed Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit before tax	31,125	35,160
Depreciation and amortization	24,232	25,521
Interest and dividend income	(932)	(748)
Interest expenses	4,241	3,576
Loss related to securities litigation	1,790	588
Share of loss (profit) of investments accounted for using equity method	889	207
Decrease (increase) in trade and other receivables	13,937	18,333
Decrease (increase) in inventories	(10,217)	(14,175)
Increase (decrease) in trade and other payables	(6,763)	(3,470)
Increase (decrease) in retirement benefit liability	843	875
Decrease (increase) in retirement benefit asset	1,688	1,328
Other	(4,746)	(11,497)
Subtotal	56,087	55,698
Interest received	282	396
Dividends received	650	352
Interest paid	(3,997)	(3,439)
Legal settlement compensation received	85	-
Loss on litigation paid	(1,197)	(217)
Loss related to the US Anti-kickback Statute paid	(4,580)	-
Income taxes paid	(5,244)	(10,178)
Net cash provided by operating activities	42,086	42,612
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,629)	(22,365)
Proceeds from sale of property, plant and equipment	68	4,238
Purchase of intangible assets	(4,688)	(7,212)
Payments for loans receivable	(7,013)	(811)
Collection of loans receivable	18	485
Proceeds from sale of investments	780	2,550
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(8,653)
Net increase from sales of investment in subsidiaries related to changes in scope of consolidation	-	2,336
Other	5	(286)
Net cash used in investing activities	(34,459)	(29,718)

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(5,789)	(2,427)
Proceeds from long-term borrowings	20,000	23,550
Repayments of long-term borrowings	(20,105)	(55,111)
Dividends paid	(5,818)	(9,583)
Dividends paid to non-controlling interests	(59)	(79)
Proceeds from issuance of bonds	–	9,946
Redemption of bonds	(10,000)	–
Other	(1,454)	(1,009)
Net cash used in financing activities	(23,225)	(34,713)
Effect of exchange rate changes on cash and cash equivalents	(12,066)	3,653
Net increase (decrease) in cash and cash equivalents	(27,664)	(18,166)
Cash and cash equivalents at beginning of period	166,379	199,465
Cash and cash equivalents at end of period	138,715	181,299

(6) Notes to Condensed Consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(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, system development

(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 in the first quarter and the three months ended June 30, 2017.

Six months ended September 30, 2016

	Reportable Segment					Adjustment (Note 2)	Amount on condensed consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Revenue							
Revenue from outside customers	271,760	40,394	28,505	8,060	348,719	–	348,719
Revenue among segments (Note 1)	–	18	2	327	347	(347)	–
Total revenue	271,760	40,412	28,507	8,387	349,066	(347)	348,719
Operating profit (loss)	59,724	(199)	(1,352)	(2,227)	55,946	(20,524)	35,422
Finance income							1,027
Finance costs							5,324
Profit before tax							31,125
Other items							
Share of profit (loss) of investments accounted for using equity method	(727)	3	–	(165)	(889)	–	(889)
Depreciation and amortization	18,773	2,927	821	267	22,788	1,444	24,232
Impairment losses (non-financial assets)	230	–	–	–	230	–	230

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, 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:

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.

(First-time adoption)

The Olympus Group disclosed the condensed consolidated financial statements under IFRS for the first time from the first quarter of this fiscal year. The latest consolidated financial statements under Japanese GAAP are prepared for the fiscal year ended March 31, 2017, and the IFRS transition date is April 1, 2016.

IFRS 1 stipulates that an entity adopting IFRS for the first time shall, in principle, apply the standards required under IFRS retrospectively to prior periods. However, IFRS 1 allows certain exemptions from the retrospective application and provides exceptions that prohibit retrospective application on a mandatory basis with respect to certain aspects required by IFRS. The Olympus Group has applied the following exemptions.

(1) Exemption under IFRS 1

1) Business combinations

IFRS 1 permits an entity not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred prior to the date of transition to IFRS. The Olympus Group elected to apply this exemption and, consequently, the amount of goodwill arising from business combinations before the date of transition is based on the book value as of the date of transition under Japanese GAAP. Further, the Olympus Group performed an impairment test on goodwill at the date of transition regardless of whether there was any indication that the goodwill may be impaired.

2) Transition differences of foreign operations

Under IFRS 1, an option is allowed whereby cumulative translation differences of foreign operations as of the date of transition to IFRS may be assumed to be nil. The Olympus Group has adopted the exception.

3) Borrowing costs

IFRS 1 allows entities to commence capitalization of borrowing costs relating to qualifying assets at the date of transition to IFRS. The Olympus Group adopts this exemption.

4) Designation of financial instruments recognized prior to date of transition

IFRS 1 allows entities to determine the classification under IFRS 9 based on facts and circumstances as of the date of transition, rather than facts and circumstances that exist at the time of initial recognition. In addition, IFRS 1 allows entities to designate equity financial assets as financial assets measured at fair value through other comprehensive income. The Olympus Group has applied this exemption and designated certain equity financial assets as financial assets measured at fair value through other comprehensive income.

(2) Mandatory exception under IFRS 1

IFRS 1 prohibits retrospective application of IFRS with respect to “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interest,” and “classification and measurement of financial assets.” Thus the Olympus Group applies IFRS to these items from the IFRS transition date and onwards.

(3) Reconciliations

The reconciliations required to be disclosed at the first-time adoption of IFRS is as follows. In the reconciliations below, in principle, “Reclassification” includes items that do not affect retained earnings and comprehensive income, while “Differences in recognition and measurement” includes items that affect retained earnings and comprehensive income.

Reconciliation of equity

IFRS transition date (April 1, 2016)

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	166,554	(230)	55	166,379		Cash and cash equivalents
Notes and accounts receivable	140,666	32,154	(13,695)	159,125	A	Trade and other receivables
Lease receivables and lease investment assets	33,565	(33,565)	–			
		1,410	1,088	2,498		Other financial assets
Merchandise and finished goods	54,245	57,313	707	112,265		Inventories
Work in process	21,993	(21,993)	–			
Raw materials and supplies	35,320	(35,320)	–			
Deferred income taxes	38,461	(38,461)	–			
Other current assets	36,478	(36,478)	–			
Allowance for doubtful accounts	(6,590)	6,590	–			
		15,612	(1,330)	14,282		Income taxes receivable
		14,580	(83)	14,497		Other current assets
Total current assets	520,692	(38,388)	(13,258)	469,046		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	166,064	(792)	(6,456)	158,816	A, B	Property, plant and equipment
Goodwill	97,190	–	–	97,190		Goodwill
Intangible assets (Others)	53,607	1,191	29,143	83,941	D	Intangible assets
Investments and other assets						
Investment securities	71,141	(71,141)	–			
Net defined benefit asset	24,749	–	(239)	24,510		Retirement benefit asset
Other assets	64,804	(64,804)	–			
Allowance for doubtful accounts	(9,054)	9,054	–			
		1,926	–	1,926		Investments accounted for using equity method
		45,710	(27,004)	18,706	A	Trade and other receivables
		76,961	312	77,273		Other financial assets
Deferred income taxes	11,421	38,461	(6,016)	43,866	E	Deferred tax assets
		1,822	(122)	1,700		Other non-current assets
Total fixed assets	479,922	38,388	(10,382)	507,928		Total non-current assets
Total assets	1,000,614	–	(23,640)	976,974		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	40,597	34,910	(103)	75,404		Trade and other payables
Short-term borrowings	26,656	30,000	(86)	56,570		Bonds and borrowings
Current maturities of bonds	30,000	(30,000)	–			
Other payable	36,762	(36,762)	–			
		5,229	6,605	11,834		Other financial liabilities
Accrued expenses	90,438	(90,438)	–			
Income taxes payable	9,120	–	1	9,121		Income taxes payable
Provision for product warranties	6,314	728	(2,972)	4,070	F	Provisions
Provision for points	207	(207)	–			
Provision for loss on business liquidation	298	(298)	–			
Provision for loss on litigation	567	(567)	–			
Other current liabilities	25,666	(25,666)	–			
		111,474	9,632	121,106	F, G	Other current liabilities
Total current liabilities	266,625	(1,597)	13,077	278,105		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term bonds, less current maturities	25,000	239,482	(751)	263,731		Bonds and borrowings
Long-term borrowings, less current maturities	239,482	(239,482)	–			
		7,381	193	7,574		Other financial liabilities
Net defined benefit liability	38,645	–	106	38,751		Retirement benefit liability
Provision for retirement benefits for directors and audit & supervisory board members	38	(38)	–			
Other non-current liabilities	18,155	(18,155)	–			
		365	–	365		Provisions
Deferred income taxes	28,386	1,338	(19,120)	10,604	E	Deferred tax liabilities
		10,706	556	11,262	G	Other non-current liabilities
Total non-current liabilities	349,706	1,597	(19,016)	332,287		Total non-current liabilities
Total liabilities	616,331	–	(5,939)	610,392		Total liabilities
Net Assets						Equity
Shareholders' equity						
Common stock	124,520	–	–	124,520		Share capital
Capital surplus	90,940	428	–	91,368		Capital surplus
Treasury stock, at cost	(1,122)	–	–	(1,122)		Treasury shares
Accumulated other comprehensive income	(4,968)	–	26,346	21,378	H, I	Other components of equity
Subscription rights to shares	428	(428)	–			
Retained earnings	172,989	–	(44,001)	128,988	A, B, D, E, F, G, H, I	Retained earnings
	382,787	–	(17,655)	365,132		Total equity attributable to owners of parent
Non-controlling interests	1,496	–	(46)	1,450		Non-controlling interests
Total net assets	384,283	–	(17,701)	366,582		Total equity
Total liabilities and net assets	1,000,614	–	(23,640)	976,974		Total liabilities and equity

As of September 30, 2016

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	138,884	(195)	26	138,715		Cash and cash equivalents
Notes and accounts receivable	116,129	29,900	(12,712)	133,317	A	Trade and other receivables
		947	613	1,560		Other financial assets
Merchandise and finished goods	52,240	63,316	1,163	116,719		Inventories
Work in process	21,205	(21,205)	–			
Raw materials and supplies	42,110	(42,110)	–			
Other current assets	100,085	(100,085)	–			
Allowance for doubtful accounts	(6,060)	6,060	–			
		12,789	(2,317)	10,472		Income taxes receivable
		12,568	(73)	12,495		Other current assets
Total current assets	464,593	(38,015)	(13,300)	413,278		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	160,739	(785)	(8,045)	151,909	A, B	Property, plant and equipment
Goodwill	82,062	–	4,048	86,110	C	Goodwill
Intangible assets (Others)	45,022	1,846	29,382	76,250	D	Intangible assets
Investments and other assets						
Investment securities	64,924	(64,924)	–			
Net defined benefit asset		22,342	(2,100)	20,242		Retirement benefit asset
Other assets	92,301	(92,301)	–			
Allowance for doubtful accounts	(8,869)	8,869	–			
		303	–	303		Investments accounted for using equity method
		39,774	(23,303)	16,471	A	Trade and other receivables
		72,242	295	72,537		Other financial assets
Deferred income taxes		49,524	(6,103)	43,421	E	Deferred tax assets
		1,125	(109)	1,016		Other non-current assets
Total fixed assets	436,179	38,015	(5,935)	468,259		Total non-current assets
Total assets	900,772	–	(19,235)	881,537		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	36,187	30,214	(42)	66,359		Trade and other payables
Short-term borrowings	55,568	20,000	(19)	75,549		Bonds and borrowings
Current maturities of bonds	20,000	(20,000)	–			
		4,970	4,125	9,095		Other financial liabilities
Income taxes payable	7,061	–	(782)	6,279		Income taxes payable
Provision for product warranties	5,731	(28)	(2,716)	2,987	F	Provisions
Provision for points	218	(218)	–			
Provision for loss on business liquidation	136	(136)	–			
Other current liabilities	125,929	(125,929)	–			
		89,593	8,869	98,462	F, G	Other current liabilities
Total current liabilities	250,830	(1,534)	9,435	258,731		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term bonds, less current maturities	25,000	197,162	(578)	221,584		Bonds and borrowings
Long-term borrowings, less current maturities	197,162	(197,162)	–			
		7,533	2,752	10,285		Other financial liabilities
Net defined benefit liability	36,399	–	729	37,128		Retirement benefit liability
Other reserves	19	(19)	–			
Other non-current liabilities	36,142	(36,142)	–			
		376	–	376		Provisions
		25,481	(16,541)	8,940	E	Deferred tax liabilities
		4,305	689	4,994	G	Other non-current liabilities
Total non-current liabilities	294,722	1,534	(12,949)	283,307		Total non-current liabilities
Total liabilities	545,552	–	(3,514)	542,038		Total liabilities
Net assets						Equity
Common stock	124,520	–	–	124,520		Share capital
Capital surplus	90,942	561	–	91,503		Capital surplus
Treasury stock, at cost	(1,118)	–	–	(1,118)		Treasury shares
Accumulated other comprehensive income	(50,510)	–	27,436	(23,074)	H, I	Other components of equity
Subscription rights to shares	561	(561)	–			
Retained earnings	189,368	–	(43,112)	146,256	A, B, C, D, E, F, G, H, I	Retained earnings
	353,763	–	(15,676)	338,087		Total equity attributable to owners of parent
Non-controlling interests	1,457	–	(45)	1,412		Non-controlling interests
Total net assets	355,220	–	(15,721)	339,499		Total equity
Total liabilities and net assets	900,772	–	(19,235)	881,537		Total liabilities and equity

As of March 31, 2017

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	199,431	–	34	199,465		Cash and cash equivalents
Notes and accounts receivable	137,924	34,889	(15,344)	157,469	A	Trade and other receivables
Lease receivables and lease investment assets	35,338	(35,338)	–			
		1,158	460	1,618		Other financial assets
Merchandise and finished goods	51,257	72,807	1,255	125,319		Inventories
Work in process	21,830	(21,830)	–			
Raw materials and supplies	50,977	(50,977)	–			
Deferred income taxes	36,729	(36,729)	–			
Other current assets	25,226	(25,226)	–			
Allowance for doubtful accounts	(5,720)	5,720	–			
		5,831	(685)	5,146		Income taxes receivable
		12,965	(63)	12,902		Other current assets
Sub-total	552,992	(36,730)	(14,343)	501,919		Subtotal
	–	3,828	–	3,828		Non-current assets held for sale
Total current assets	552,992	(32,902)	(14,343)	505,747		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	171,352	(4,427)	(7,190)	159,735	A, B	Property, plant and equipment
Goodwill	86,664	–	8,904	95,568	C	Goodwill
Intangible assets (Others)	44,426	1,693	29,739	75,858	D	Intangible assets
Investments and other assets						
Investment securities	28,946	(28,946)	–			
Net defined benefit asset	24,762	–	(218)	24,544		Retirement benefit asset
Other assets	66,994	(66,994)	–			
Allowance for doubtful accounts	(10,016)	10,016	–			
		51	–	51		Investments accounted for using equity method
		46,150	(27,847)	18,303	A	Trade and other receivables
		37,599	296	37,895		Other financial assets
Deferred income taxes	24,942	36,729	(20,234)	41,437	E	Deferred tax assets
		1,031	(137)	894		Other non-current assets
Total fixed assets	438,070	32,902	(16,687)	454,285		Total non-current assets
Total assets	991,062	–	(31,030)	960,032		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	41,596	29,178	60	70,834		Trade and other payables
Short-term borrowings	68,852	–	(75)	68,777		Bonds and borrowings
Other payable	32,595	(32,595)	–			Other financial liabilities
Accrued expenses	80,944	(80,944)	–	11,018		Income taxes payable
Income taxes payable	11,657	–	53	11,710		Provisions
Provision for product warranties	8,474	232	(3,031)	5,675	F	
Provision for points	223	(223)	–			
Provision for loss on business liquidation	190	(190)	–			
Provision for loss on litigation	217	(217)	–			
Other current liabilities	29,981	(29,981)	–			
		108,228	10,208	118,436	F, G	Other current liabilities
Total current liabilities	274,729	(994)	12,715	286,450		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term bonds, less current maturities	25,000	192,505	(312)	217,193		Bonds and borrowings
Long-term borrowings, less current maturities	192,505	(192,505)	–			Other financial liabilities
		7,017	(91)	6,926		Retirement benefit liability
Net defined benefit liability	37,737	–	135	37,872		
Provision for retirement benefits for directors and audit & supervisory board members	21	(21)	–			
Other non-current liabilities	11,295	(11,295)	–			Provisions
		425	–	425		Deferred tax liabilities
Deferred income taxes	18,895	696	(10,026)	9,565	E	Other non-current liabilities
		4,172	1,201	5,373	G	
Total non-current liabilities	285,453	994	(9,093)	277,354		Total non-current liabilities
Total liabilities	560,182	–	3,622	563,804		Total liabilities
Net assets						Equity
Common stock	124,520	–	–	124,520		Share capital
Capital surplus	91,225	554	–	91,779		Capital surplus
Treasury stock, at cost	(1,122)	–	–	(1,122)		Treasury shares
Accumulated other comprehensive income	(31,178)	–	25,526	(5,652)	H, I	Other components of equity
Subscription rights to shares	554	(554)	–			
Retained earnings	245,362	–	(60,136)	185,226	A, B, C, D, E, F, G, H, I	Retained earnings
	429,361	–	(34,610)	394,751		Total equity attributable to owners of parent
Non-controlling interests	1,519	–	(42)	1,477		Non-controlling interests
Total net assets	430,880	–	(34,652)	396,228		Total equity
Total liabilities and net assets	991,062	–	(31,030)	960,032		Total liabilities and equity

Notes on reconciliations of equity

1) Differences in recognition and measurement

A Leases

With regard to lease transactions as lessor, some of transactions classified as finance leases under Japanese GAAP are classified as operating leases under IFRS. Consequently, the relevant lease receivables have been reversed, and property, plant and equipment have been recognized.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date), September 30, 2016, and March 31, 2017 decreased by ¥11,934 million, ¥12,384 million, and ¥14,775 million, respectively.

B Depreciation of property, plant and equipment

With regard to depreciation of property, plant and equipment, the Olympus Group has reviewed estimates of useful lives and residual values in adopting IFRS. Consequently, the carrying amount of property, plant and equipment has decreased.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date), September 30, 2016, and March 31, 2017 decreased by ¥6,947 million, ¥7,922 million, and ¥8,361 million, respectively.

C Goodwill

Under Japanese GAAP, goodwill was amortized on a straight-line method over the reasonable number of years, not exceeding 20 years. However, under IFRS, amortization of goodwill on and after the date of transition was discontinued, and impairment test is performed in each period.

In light of the above, retained earnings as of September 30, 2016 and March 31, 2017 increased by ¥4,233 million and ¥8,639 million, respectively.

D Capitalization of development expenses

Expenditures for research and development were expensed under Japanese GAAP. However, under IFRS, since certain expenditures are eligible for capitalization, those expenses are recognized as intangible assets.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date), September 30, 2016, and March 31, 2017 increased by ¥18,598 million, ¥19,860 million, and ¥19,860 million, respectively.

E Deferred taxes

With respect to the tax effects arising from the elimination of intercompany unrealized gains, the deferral method was applied under Japanese GAAP, but the asset and liability approach has been employed under IFRS.

In addition, the Olympus Group has assessed the recoverability of deferred tax assets under IFRS.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) increased by ¥3,143 million, and retained earnings as of September 30, 2016 and March 31, 2017 decreased by ¥410 million, and ¥19,856 million, respectively.

Because temporary differences arose in line with the reconciliation from Japanese GAAP to IFRS, the amounts of deferred tax assets and deferred tax liabilities have been adjusted. The effect of the adjustments on retained earnings is stated in each other item.

F Warranty

With respect to warranty, expenses expected to be incurred in the future were recognized as provisions under Japanese GAAP. However, under IFRS, warranty has been separated into quality assurance warranty and service warranty, the amount corresponding to quality assurance warranty has been recognized as provisions, and for the portion of service warranty where services have not been provided, revenue has been deferred and recognized other current liabilities.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date), September 30, 2016, and March 31, 2017 decreased by ¥1,364 million, ¥1,274 million, and ¥1,358 million, respectively.

G Accrued paid absences

Accrued paid absences were not recognized as liabilities under Japanese GAAP, but have been recognized as liabilities under IFRS.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date), September 30, 2016, and March 31, 2017 decreased by ¥4,260 million, ¥4,261 million, and ¥4,476 million, respectively.

H Post-employment benefits

Under Japanese GAAP, actuarial gains or losses and past service costs were recorded in net assets through other comprehensive income when they are incurred and were expensed on a straight-line method over a certain number of years not exceeding the average remaining service period of employees. Under IFRS, actuarial gains or losses have been recognized in other components of equity through other comprehensive income as incurred, and then immediately transferred to retained earnings. Past service costs have been fully recognized in profit or loss as incurred.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date), September 30, 2016, and March 31, 2017 decreased by ¥21,234 million, ¥22,752 million, and ¥20,132 million, respectively.

I Resetting of foreign currency translation adjustments

The Olympus Group has chosen to apply the exemption set forth under IFRS 1, and transferred all cumulative exchange differences on translation of foreign operations as of the date of transition to IFRS to retained earnings.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date), September 30, 2016, and March 31, 2017 decreased by ¥8,686 million, respectively.

2) Reclassification

J Reclassification on condensed consolidated statement of financial position

Certain reclassifications have been made to conform to provisions under IFRS. The major reclassifications are as follows:

- (a) Deferred tax assets and deferred tax liabilities are classified to non-current assets and non-current liabilities.
- (b) Financial assets and financial liabilities are disclosed separately.
- (c) Investments accounted for using equity method is disclosed separately.
- (d) Non-current assets or disposal groups held for sale are disclosed separately.

Reconciliation of profit or loss and comprehensive income

Six months ended September 30, 2016

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Net sales	349,973	(1,427)	173	348,719	A	Revenue
Costs of sales	117,200	1,175	2,769	121,144	A, B, D, F	Cost of sales
Gross profit	232,773	(2,602)	(2,596)	227,575		Gross profit
Selling, general and administrative expenses	198,414	(2,602)	(8,145)	187,667	B, C, D, F	Selling, general and administrative expenses
		(889)	–	(889)		Share of profit (loss) of investments accounted for using equity method
		918	(6)	912		Other income
		4,525	(16)	4,509		Other expenses
Operating income	34,359	(4,496)	5,559	35,422		Operating profit
Non-operating income	2,270	(2,270)	–			
Non-operating expenses	7,798	(7,798)	–			
Extraordinary income	13	(13)	–			
Extraordinary losses	2,780	(2,780)	–			
		1,365	(338)	1,027		Finance income
		5,164	160	5,324		Finance costs
Income before provision for income taxes	26,064	–	5,061	31,125		Profit before tax
Income taxes	3,814	–	3,651	7,465	E	Income taxes
Net income	22,250	–	1,410	23,660		Profit
Net income attributable to owners of the parent	22,199	–	1,409	23,608		Profit attributable to: Owners of parent
Net income attributable to non-controlling interests	51	–	1	52		Non-controlling interests

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Net income	22,250	–	1,410	23,660		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	(3,234)	–	85	(3,149)	G	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of taxes	1,778	–	(2,336)	(558)	F	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	(44,121)	–	2,622	(41,499)		Exchange differences on translation of foreign operations
Net unrealized gains (losses) on hedging derivatives, net of taxes	7	–	196	203		Cash flow hedges
Share of other comprehensive income of associates accounted for using equity method	(2)	–	–	(2)		Share of other comprehensive income of associates accounted for using equity method
Total other comprehensive income	(45,572)	–	567	(45,005)		Total other comprehensive income
Comprehensive income	(23,322)	–	1,977	(21,345)		Comprehensive income
Comprehensive income attributable to owners of the parent	(23,342)	–	1,976	(21,366)		Comprehensive income attributable to: Owners of parent
Comprehensive income attributable to non-controlling interests	20	–	1	21		Non-controlling interests

Fiscal year ended March 31, 2017

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Net sales	748,050	(3,148)	(4,345)	740,557	A	Revenue
Costs of sales	256,708	2,468	2,895	262,071	A, B, D, F	Cost of sales
Gross profit	491,342	(5,616)	(7,240)	478,486		Gross profit
Selling, general and administrative expenses	414,855	(5,616)	(11,542)	397,697	B, C, D, F	Selling, general and administrative expenses
		(1,253)	–	(1,253)		Share of profit (loss) of investments accounted for using equity method
		29,508	(23,858)	5,650	G	Other income
		14,323	(329)	13,994		Other expenses
Operating income	76,487	13,932	(19,227)	71,192		Operating profit
Non-operating income	3,998	(3,998)	–			
Non-operating expenses	18,336	(18,336)	–			
Extraordinary income	27,757	(27,757)	–			
Extraordinary losses	8,220	(8,220)	–			
		2,247	(81)	2,166		Finance income
		10,980	(103)	10,877		Finance costs
Income before provision for income taxes	81,686	–	(19,205)	62,481		Profit before tax
Total	3,471	–	16,200	19,671	E	Income taxes
Net income	78,215	–	(35,405)	42,810		Profit
Net income attributable to owners of the parent	78,191	–	(35,408)	42,783		Profit attributable to: Owners of parent
Net income attributable to non-controlling interests	24	–	3	27		Non-controlling interests

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Net income	78,215	–	(35,405)	42,810		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	(15,391)	–	16,526	1,135	G	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of taxes	1,169	–	1,550	2,719	F	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	(12,020)	–	(762)	(12,782)		Exchange differences on translation of foreign operations
Net unrealized gains (losses) on hedging derivatives, net of taxes	7	–	1,140	1,147		Cash flow hedges
Share of other comprehensive income of associates accounted for using equity method	14	–	–	14		Share of other comprehensive income of associates accounted for using equity method
Total other comprehensive income	(26,221)	–	18,454	(7,767)		Total other comprehensive income
Comprehensive income	51,994	–	(16,951)	35,043		Comprehensive income
Comprehensive income attributable to owners of the parent	51,981	–	(16,955)	35,026		Comprehensive income attributable to: Owners of parent
Comprehensive income attributable to non-controlling interests	13	–	4	17		Non-controlling interests

Notes on reconciliations of profit or loss and comprehensive income

1) Differences in recognition and measurement

A Leases

With regard to lease transactions as lessor, some of transactions classified as finance leases under Japanese GAAP are classified as operating leases under IFRS. Consequently, the relevant lease receivables have been reversed, and property, plant and equipment have been recognized. In addition, revenue and cost of sales have increased or decreased.

In light of the above, comprehensive income increased by ¥797 million for the six months ended September 30, 2016, and decreased by ¥2,874 million for the fiscal year ended March 31, 2017.

B Depreciation of property, plant and equipment

With regard to depreciation of property, plant and equipment, the Olympus Group has reviewed estimates of useful lives and residual values in adopting IFRS. Consequently, the carrying amount of property, plant and equipment has decreased. In addition, cost of sales and selling, general and administrative expenses have increased or decreased.

In light of the above, comprehensive income for the six months ended September 30, 2016 and the fiscal year ended March 31, 2017 decreased by ¥368 million and ¥1,490 million, respectively.

C Goodwill

Under Japanese GAAP, goodwill was amortized on a straight-line method over the reasonable number of years, not exceeding 20 years. However, under IFRS, amortization of goodwill on and after the date of transition was discontinued, and impairment test is performed in each period.

In light of the above, comprehensive income for the six months ended September 30, 2016 and the fiscal year ended March 31, 2017 increased by ¥4,048 million and ¥8,912 million, respectively.

D Capitalization of development expenses

Expenditures for research and development were expensed under Japanese GAAP. However, under IFRS, since certain expenditures are eligible for capitalization, those expenses are recognized as intangible assets. In addition, cost of sales and selling, general and administrative expenses have increased or decreased.

In light of the above, comprehensive income for the six months ended September 30, 2016 and the fiscal year ended March 31, 2017 increased by ¥813 million and ¥1,118 million, respectively.

E Deferred taxes

With respect to the tax effects arising from the elimination of intercompany unrealized gains, the deferral method was applied under Japanese GAAP, but the asset and liability approach has been employed under IFRS.

In addition, the Olympus Group has assessed the recoverability of deferred tax assets under IFRS.

In light of the above, comprehensive income for the six months ended September 30, 2016 and the fiscal year ended March 31, 2017 decreased by ¥3,391 million and ¥22,823 million, respectively.

Because temporary differences arose in line with the reconciliation from Japanese GAAP to IFRS, the amounts of deferred tax assets and deferred tax liabilities have been adjusted. The effect of the adjustments on retained earnings is stated in each other item.

F Post-employment benefits

Under Japanese GAAP, actuarial gains or losses and past service costs were recorded in net assets through other comprehensive income when they are incurred and were expensed on a straight-line method over a certain number of years not exceeding the average remaining service period of employees. Under IFRS, actuarial gains or losses have been recognized in other components of equity through other comprehensive income as incurred, and then immediately transferred to retained earnings. Past service costs have been fully recognized in profit or loss as incurred.

In light of the above, comprehensive income for the six months ended September 30, 2016 and the fiscal year ended March 31, 2017 decreased by ¥238 million and ¥3,000 million, respectively.

G Financial instruments

Under Japanese GAAP, gain on sales of investment securities was recorded as extraordinary income. However, under IFRS, it is allowed to designate equity financial assets as financial assets measured at fair value through other comprehensive income, and gain on sales of equity financial assets that has been designated so is recognized as other comprehensive income.

2) Reclassification

H Reclassifications on the condensed consolidated statement of income

Certain rebates were presented in selling, general and administrative expenses under Japanese GAAP, but are presented as deduction from revenue under IFRS.

With regard to items that were presented in non-operating income, non-operating expenses, extraordinary income and extraordinary losses under Japanese GAAP, financial items have been presented in finance income or finance costs, and other items have been presented in share of profit (loss) of investments accounted for using equity method, other income or other expenses according to the nature of each item, under IFRS.

(4) Note on reconciliation of cash flows

Major differences between the consolidated statements of cash flows under Japanese GAAP and those under IFRS are principally due to the change of lease transactions as lessor and capitalization of expenditures for research and development. Accordingly, cash flows from operating activities have increased, and cash flows from investing activities have decreased.