

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



February 9, 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
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Scheduled date to submit the Quarterly Securities Report: February 9, 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 Nine Months of the Fiscal Year Ending March 31, 2018 (From April 1, 2017 to December 31, 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)	%
Nine months ended								
December 31, 2017	572,064	7.6	59,808	6.9	55,704	13.9	48,185	21.9
December 31, 2016	531,773	–	55,966	–	48,925	–	39,520	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	(¥ million)	%	(¥ million)	%	(¥)	(¥)
Nine months ended						
December 31, 2017	48,037	21.7	68,157	71.4	140.37	140.31
December 31, 2016	39,458	–	39,756	–	115.30	115.25

(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				
December 31, 2017	991,613	453,563	452,014	45.6
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	63,000	47.3	184.09

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 nine 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 December 31, 2017	342,691,224 shares
As of March 31, 2017	342,671,508 shares

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

As of December 31, 2017	720,469 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)

Nine months ended December 31, 2017	342,215,292 shares
Nine months ended December 31, 2016	342,236,086 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 Nine 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 nine months ended December 31, 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)			
	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	531,773	572,064	40,291	7.6
Operating profit	55,966	59,808	3,842	6.9
Profit attributable to owners of parent	39,458	48,037	8,579	21.7
Exchange rate (Yen/U.S. dollar)	106.63	111.70	5.07	–
Exchange rate (Yen/Euro)	118.02	128.53	10.51	–

In the global economy during the nine months ended December 31, 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, corporate earnings and employment conditions improved, and a move toward recovery has been seen in private consumption, with the trend of moderate recovery continuing.

Amid this business environment, the Olympus Group's overall consolidated revenue increased for the nine months ended December 31, 2017 to ¥572,064 million (up 7.6% 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 ¥59,808 million (up 6.9% year on year), as flat profits in the Medical Business were offset by increased profits 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 ¥48,037 million (up 21.7% 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 ¥111.70 against the U.S. dollar (¥106.63 in the same period of the previous fiscal year) and ¥128.53 against the euro (¥118.02 in the same period of the previous fiscal year), which caused revenue and operating profit to rise by ¥26,199 million and ¥8,549 million, respectively, year on year.

Medical Business

	(Millions of yen)			
	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	410,313	447,273	36,960	9.0
Operating profit	88,031	87,772	(259)	(0.3)

Consolidated revenue in the Medical Business amounted to ¥447,273 million (up 9.0% year on year), while operating profit amounted to ¥87,772 million (down 0.3% 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 remained largely unchanged year on year due to the effect of product mix, etc.

Scientific Solutions Business

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	63,524	70,002	6,478	10.2
Operating profit	1,868	3,519	1,651	88.4

Consolidated revenue in the Scientific Solutions Business amounted to ¥70,002 million (up 10.2% year on year), while operating profit amounted to ¥3,519 million (up 88.4% year on 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 electrical component inspection, sales of non-destructive testing equipment increased in North America and China, leading revenue in the Scientific Solutions Business to rise year on year.

Operating profit in the Scientific Solutions Business rose year on year due to the increase in revenue and progress made in pushing down expenses.

Imaging Business

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	46,785	47,313	528	1.1
Operating profit	844	1,493	649	76.9

Consolidated revenue in the Imaging Business amounted to ¥47,313 million (up 1.1% year on year), while operating profit amounted to ¥1,493 million (up 76.9% year on 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.

Operating profit in the Imaging Business rose year on year due to progress made in pushing down expenses.

Others

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	11,151	7,476	(3,675)	(33.0)
Operating profit (loss)	733	(2,820)	(3,553)	—

Consolidated revenue in other businesses amounted to ¥7,476 million (down 33.0% year on year) and operating loss was ¥2,820 million (compared with an operating profit of ¥733 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 profit fell due to the recording of gain on sale of investments in subsidiaries in the same period of the previous fiscal year and other factors.

(2) Explanation of Financial Position

As of the end of the third quarter under review, total assets increased ¥31,581 million compared to the end of the previous fiscal year to ¥991,613 million.

This was primarily as a result of increases in inventories of ¥21,796 million, property, plant and equipment of ¥10,719 million and goodwill of ¥7,707 million, and decreases in cash and cash equivalents of ¥12,752 million and trade and other receivables of ¥7,393 million.

Total liabilities decreased ¥25,754 million compared to the end of the previous fiscal year to ¥538,050 million due mainly to increases in bonds and borrowings of ¥20,899 million in current liabilities and other non-current liabilities of ¥2,564 million, and decreases in bonds and borrowings of ¥44,055 million in non-current liabilities, trade and other payables of ¥11,212 million and income taxes payable of ¥3,254 million.

Total equity increased ¥57,335 million compared to the end of the previous fiscal year to ¥453,563 million, primarily due to an increase in retained earnings reflecting ¥48,037 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 ¥19,593 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 45.6%.

(3) Explanation of Cash Flows

Cash and cash equivalents at the end of the third quarter under review reached ¥186,713 million, a decrease of ¥12,752 million compared to the end of the previous fiscal year. The following are the cash flows for the nine months ended December 31, 2017.

Cash flows from operating activities

“Cash flows from operating activities” increased by ¥60,219 million for the nine months ended December 31, 2017 (compared with an increase of ¥71,654 million for the nine months ended December 31, 2016). Increasing factors mainly included ¥55,704 million in profit before tax and ¥39,580 million in depreciation and amortization.

Cash flows from investing activities

“Cash flows from investing activities” decreased by ¥42,166 million for the nine months ended December 31, 2017 (compared with a decrease of ¥46,005 million for the nine months ended December 31, 2016). Decreasing factors mainly included ¥35,095 million in purchase of property, plant and equipment.

Cash flows from financing activities

“Cash flows from financing activities” decreased by ¥36,160 million for the nine months ended December 31, 2017 (compared with a decrease of ¥24,370 million for the nine months ended December 31, 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 Six Months of the Fiscal Year Ending March 31, 2018,” which was released on November 8, 2017.

Corporate taxes are expected to decrease following tax reform in the U.S., and profit attributable to owners of parent is expected to exceed the previous forecast by ¥3,000 million. 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)	784,000	86,000	79,000	60,000	¥175.31
Revised Forecast (B)	784,000	86,000	79,000	63,000	¥184.09
Increase (Decrease) (B-A)	—	—	—	3,000	—
Increase (Decrease) ratio (%)	—	—	—	5.0	—

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 December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents	166,379	199,465	186,713
Trade and other receivables	159,125	157,469	150,076
Other financial assets	2,498	1,618	9,191
Inventories	112,265	125,319	147,115
Income taxes receivable	14,282	5,146	10,443
Other current assets	14,497	12,902	14,016
Subtotal	469,046	501,919	517,554
Non-current assets held for sale	–	3,828	–
Total current assets	469,046	505,747	517,554
Non-current assets			
Property, plant and equipment	158,816	159,735	170,454
Goodwill	97,190	95,568	103,275
Intangible assets	83,941	75,858	76,983
Retirement benefit asset	24,510	24,544	24,818
Investments accounted for using equity method	1,926	51	36
Trade and other receivables	18,706	18,303	17,313
Other financial assets	77,273	37,895	39,796
Deferred tax assets	43,866	41,437	40,094
Other non-current assets	1,700	894	1,290
Total non-current assets	507,928	454,285	474,059
Total assets	976,974	960,032	991,613

(Millions of yen)

	IFRS transition date (April 1, 2016)	As of March 31, 2017	As of December 31, 2017
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade and other payables	75,404	70,834	59,622
Bonds and borrowings	56,570	68,777	89,676
Other financial liabilities	11,834	11,018	11,505
Income taxes payable	9,121	11,710	8,456
Provisions	4,070	5,675	7,177
Other current liabilities	121,106	118,436	120,929
Total current liabilities	278,105	286,450	297,365
Non-current liabilities			
Bonds and borrowings	263,731	217,193	173,138
Other financial liabilities	7,574	6,926	8,868
Retirement benefit liability	38,751	37,872	39,239
Provisions	365	425	756
Deferred tax liabilities	10,604	9,565	10,747
Other non-current liabilities	11,262	5,373	7,937
Total non-current liabilities	332,287	277,354	240,685
Total liabilities	610,392	563,804	538,050
Equity			
Share capital	124,520	124,520	124,560
Capital surplus	91,368	91,779	91,792
Treasury shares	(1,122)	(1,122)	(2,335)
Other components of equity	21,378	(5,652)	13,941
Retained earnings	128,988	185,226	224,056
Total equity attributable to owners of parent	365,132	394,751	452,014
Non-controlling interests	1,450	1,477	1,549
Total equity	366,582	396,228	453,563
Total liabilities and equity	976,974	960,032	991,613

(2) Condensed Consolidated Statements of Profit or Loss

	(Millions of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Revenue	531,773	572,064
Cost of sales	185,206	199,153
Gross profit	346,567	372,911
Selling, general and administrative expenses	283,524	310,238
Share of profit (loss) of investments accounted for using equity method	(1,192)	(127)
Other income	5,199	3,409
Other expenses	11,084	6,147
Operating profit	55,966	59,808
Finance income	1,731	1,344
Finance costs	8,772	5,448
Profit before tax	48,925	55,704
Income taxes	9,405	7,519
Profit	39,520	48,185
Profit attributable to:		
Owners of parent	39,458	48,037
Non-controlling interests	62	148
Profit	39,520	48,185
Earnings per share		
Basic earnings per share	¥115.30	¥140.37
Diluted earnings per share	¥115.25	¥140.31

(3) Condensed Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	39,520	48,185
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	3,580	4,856
Remeasurements of defined benefit plans	(1,649)	(614)
Total of items that will not be reclassified to profit or loss	1,931	4,242
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(2,271)	15,015
Cash flow hedges	576	727
Share of other comprehensive income of associates accounted for using equity method	0	(12)
Total of items that may be reclassified to profit or loss	(1,695)	15,730
Total other comprehensive income	236	19,972
Comprehensive income	39,756	68,157
Comprehensive income attributable to:		
Owners of parent	39,703	68,006
Non-controlling interests	53	151
Comprehensive income	39,756	68,157

(4) Condensed Consolidated Statements of Changes in Equity

Nine months ended December 31, 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					39,458	39,458	62	39,520
Other comprehensive income				245		245	(9)	236
Comprehensive income	–	–	–	245	39,458	39,703	53	39,756
Purchase of treasury shares			(5)			(5)		(5)
Disposal of treasury shares		(8)	8			0		0
Dividends from surplus					(5,818)	(5,818)	(59)	(5,877)
Transfer from other components of equity to retained earnings				1,394	(1,394)	–		–
Share-based payment transactions		141				141		141
Equity transactions with non-controlling interests		294				294	(362)	(68)
Total transactions with owners	–	427	3	1,394	(7,212)	(5,388)	(421)	(5,809)
Balance at December 31, 2016	124,520	91,795	(1,119)	23,017	161,234	399,447	1,082	400,529

Nine months ended December 31, 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					48,037	48,037	148	48,185
Other comprehensive income				19,969		19,969	3	19,972
Comprehensive income	–	–	–	19,969	48,037	68,006	151	68,157
Purchase of treasury shares			(1,220)			(1,220)		(1,220)
Disposal of treasury shares		(7)	7			0		0
Dividends from surplus					(9,583)	(9,583)	(79)	(9,662)
Transfer from other components of equity to retained earnings				(376)	376	–		–
Share-based payment transactions	40	20				60		60
Total transactions with owners	40	13	(1,213)	(376)	(9,207)	(10,743)	(79)	(10,822)
Balance at December 31, 2017	124,560	91,792	(2,335)	13,941	224,056	452,014	1,549	453,563

(5) Condensed Consolidated Statements of Cash Flows

	(Millions of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from operating activities		
Profit before tax	48,925	55,704
Depreciation and amortization	39,737	39,580
Interest and dividend income	(1,579)	(1,232)
Interest expenses	6,256	5,136
Loss (gain) on sale of investments in subsidiaries	(3,892)	(638)
Loss related to securities litigation	6,703	592
Share of loss (profit) of investments accounted for using equity method	1,192	127
Decrease (increase) in trade and other receivables	11,911	16,305
Decrease (increase) in inventories	(17,830)	(18,017)
Increase (decrease) in trade and other payables	(1,977)	(11,095)
Increase (decrease) in retirement benefit liability	563	788
Decrease (increase) in retirement benefit asset	2,011	1,312
Other	(2,616)	(9,759)
Subtotal	89,404	78,803
Interest received	432	629
Dividends received	1,147	603
Interest paid	(5,077)	(4,494)
Legal settlement compensation received	106	-
Loss on litigation paid	(3,277)	(809)
Loss related to the US Anti-kickback Statute paid	(4,638)	-
Income taxes paid	(6,443)	(14,513)
Net cash provided by operating activities	71,654	60,219
Cash flows from investing activities		
Purchase of property, plant and equipment	(36,817)	(35,095)
Proceeds from sale of property, plant and equipment	93	4,326
Purchase of intangible assets	(7,560)	(10,539)
Payments for loans receivable	(7,258)	(960)
Collection of loans receivable	18	838
Proceeds from sale of investments	2,098	6,716
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(8,703)
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	3,443	2,378
Other	(22)	(1,127)
Net cash used in investing activities	(46,005)	(42,166)

	(Millions of yen)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(5,951)	(2,470)
Proceeds from long-term borrowings	20,000	23,550
Repayments of long-term borrowings	(20,107)	(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)	–
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(69)	–
Payments for purchase of treasury shares	(5)	(1,220)
Other	(2,361)	(1,193)
Net cash used in financing activities	(24,370)	(36,160)
Effect of exchange rate changes on cash and cash equivalents	(860)	5,355
Net increase (decrease) in cash and cash equivalents	419	(12,752)
Cash and cash equivalents at beginning of period	166,379	199,465
Cash and cash equivalents at end of period	166,798	186,713

(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.

Nine months ended December 31, 2016

	Reportable Segment					Adjustment (Note 2)	Amount on condensed consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Revenue							
Revenue from outside customers	410,313	63,524	46,785	11,151	531,773	–	531,773
Revenue among segments (Note 1)	–	37	3	584	624	(624)	–
Total revenue	410,313	63,561	46,788	11,735	532,397	(624)	531,773
Operating profit (loss)	88,031	1,868	844	733	91,476	(35,510)	55,966
Finance income							1,731
Finance costs							8,772
Profit before tax							48,925
Other items							
Share of profit (loss) of investments accounted for using equity method	(968)	1	–	(225)	(1,192)	–	(1,192)
Depreciation and amortization	30,226	4,982	1,328	389	36,925	2,812	39,737
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.

Nine months ended December 31, 2017

	Reportable Segment					Adjustment (Note 2)	Amount on condensed consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Revenue							
Revenue from outside customers	447,273	70,002	47,313	7,476	572,064	–	572,064
Revenue among segments (Note 1)	–	57	8	430	495	(495)	–
Total revenue	447,273	70,059	47,321	7,906	572,559	(495)	572,064
Operating profit (loss)	87,772	3,519	1,493	(2,820)	89,964	(30,156)	59,808
Finance income							1,344
Finance costs							5,448
Profit before tax							55,704
Other items							
Share of profit (loss) of investments accounted for using equity method	(124)	(3)	–	–	(127)	–	(127)
Depreciation and amortization	30,577	4,423	1,602	465	37,067	2,513	39,580
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 exemption.

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 December 31, 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	166,961	(192)	29	166,798		Cash and cash equivalents
Notes and accounts receivable	122,210	33,914	(9,814)	146,310	A	Trade and other receivables
		1,148	222	1,370		Other financial assets
Merchandise and finished goods	57,886	71,627	1,032	130,545		Inventories
Work in process	23,902	(23,902)	–			
Raw materials and supplies	47,726	(47,726)	–			
Other current assets	110,090	(110,090)	–			
Allowance for doubtful accounts	(6,298)	6,298	–			
		18,481	(9,748)	8,733		Income taxes receivable
		11,172	(86)	11,086		Other current assets
Subtotal	522,477	(39,270)	(18,365)	464,842		Subtotal
	–	130	–	130		Non-current assets held for sale
Total current assets	522,477	(39,140)	(18,365)	464,972		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	172,929	(834)	(6,924)	165,171	A, B	Property, plant and equipment
Goodwill	92,276	–	7,001	99,277	C	Goodwill
Intangible assets (Others)	48,395	1,842	30,709	80,946	D	Intangible assets
Investments and other assets						
Investment securities	72,463	(72,463)	–			
Net defined benefit asset		23,013	(3,004)	20,009		Retirement benefit asset
Other assets	98,948	(98,948)	–			
Allowance for doubtful accounts	(9,509)	9,509	–			
		242	–	242		Investments accounted for using equity method
		45,769	(26,733)	19,036	A	Trade and other receivables
		81,194	295	81,489		Other financial assets
Deferred income taxes		49,559	(7,336)	42,223	E	Deferred tax assets
		257	(126)	131		Other non-current assets
Total fixed assets	475,502	39,140	(6,118)	508,524		Total non-current assets
Total assets	997,979	–	(24,483)	973,496		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	40,149	32,901	198	73,248		Trade and other payables
Short-term borrowings	55,537	20,000	(10)	75,527		Bonds and borrowings
Current maturities of bonds	20,000	(20,000)	–			
		8,036	7,980	16,016		Other financial liabilities
Income taxes payable	5,676	–	31	5,707		Income taxes payable
Provision for product warranties	6,406	102	(3,031)	3,477	F	Provisions
Provision for points	160	(160)	–			
Provision for loss on business liquidation	217	(217)	–			
Other current liabilities	137,444	(137,444)	–			
		95,219	8,939	104,158	F, G	Other current liabilities
Total current liabilities	265,589	(1,563)	14,107	278,133		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term bonds, less current maturities	25,000	206,430	(477)	230,953		Bonds and borrowings
Long-term borrowings, less current maturities	206,430	(206,430)	–			
		7,202	2,121	9,323		Other financial liabilities
Net defined benefit liability	38,514	–	1,186	39,700		Retirement benefit liability
Other reserves	19	(19)	–			
Other non-current liabilities	40,795	(40,795)	–			
		366	–	366		Provisions
		30,050	(20,804)	9,246	E	Deferred tax liabilities
		4,759	487	5,246	G	Other non-current liabilities
Total non-current liabilities	310,758	1,563	(17,487)	294,834		Total non-current liabilities
Total liabilities	576,347	–	(3,380)	572,967		Total liabilities
Net assets						Equity
Common stock	124,520	–	–	124,520		Share capital
Capital surplus	91,236	559	–	91,795		Capital surplus
Treasury stock, at cost	(1,119)	–	–	(1,119)		Treasury shares
Accumulated other comprehensive income	(3,005)	–	26,022	23,017	H, I	Other components of equity
Subscription rights to shares	559	(559)	–			
Retained earnings	208,316	–	(47,082)	161,234	A, B, C, D, E, F, G, H, I	Retained earnings
	420,507	–	(21,060)	399,447		Total equity attributable to owners of parent
Non-controlling interests	1,125	–	(43)	1,082		Non-controlling interests
Total net assets	421,632	–	(21,103)	400,529		Total equity
Total liabilities and net assets	997,979	–	(24,483)	973,496		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
Net defined benefit liability	37,737	–	135	37,872		Retirement benefit liability
Provision for retirement benefits for directors and audit & supervisory board members	21	(21)	–			
Other non-current liabilities	11,295	(11,295)	–			
Deferred income taxes	18,895	425	–	425		Provisions
		696	(10,026)	9,565	E	Deferred tax liabilities
		4,172	1,201	5,373	G	Other non-current liabilities
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), December 31, 2016, and March 31, 2017 decreased by ¥11,934 million, ¥12,624 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), December 31, 2016, and March 31, 2017 decreased by ¥6,947 million, ¥8,035 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 December 31, 2016 and March 31, 2017 increased by ¥6,409 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), December 31, 2016, and March 31, 2017 increased by ¥18,598 million, ¥20,376 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 December 31, 2016 and March 31, 2017 decreased by ¥6,002 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), December 31, 2016, and March 31, 2017 decreased by ¥1,364 million, ¥1,246 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), December 31, 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), December 31, 2016, and March 31, 2017 decreased by ¥21,234 million, ¥24,317 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), December 31, 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

Nine months ended December 31, 2016

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Net sales	533,506	(2,185)	452	531,773	A	Revenue
Costs of sales	179,729	1,806	3,671	185,206	A, B, D, F	Cost of sales
Gross profit	353,777	(3,991)	(3,219)	346,567		Gross profit
Selling, general and administrative expenses	299,037	(3,991)	(11,522)	283,524	B, C, D, F	Selling, general and administrative expenses
		(1,192)	–	(1,192)		Share of profit (loss) of investments accounted for using equity method
		5,458	(259)	5,199		Other income
		11,572	(488)	11,084		Other expenses
Operating income	54,740	(7,306)	8,532	55,966		Operating profit
Non-operating income	3,087	(3,087)	–	–		
Non-operating expenses	13,368	(13,368)	–	–		
Extraordinary income	4,190	(4,190)	–	–		
Extraordinary losses	7,693	(7,693)	–	–		
		1,818	(87)	1,731		Finance income
		8,296	476	8,772		Finance costs
Income before provision for income taxes	40,956	–	7,969	48,925		Profit before tax
Income taxes	(248)	–	9,653	9,405	E	Income taxes
Net income	41,204	–	(1,684)	39,520		Profit
Net income attributable to owners of the parent	41,145	–	(1,687)	39,458		Profit attributable to: Owners of parent
Net income attributable to non-controlling interests	59	–	3	62		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	41,204	–	(1,684)	39,520		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	3,348	–	232	3,580	G	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of taxes	(279)	–	(1,370)	(1,649)	F	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	(1,122)	–	(1,149)	(2,271)		Exchange differences on translation of foreign operations
Net unrealized gains (losses) on hedging derivatives, net of taxes	7	–	569	576		Cash flow hedges
Share of other comprehensive income of associates accounted for using equity method	0	–	–	0		Share of other comprehensive income of associates accounted for using equity method
Total other comprehensive income	1,954	–	(1,718)	236		Total other comprehensive income
Comprehensive income	43,158	–	(3,402)	39,756		Comprehensive income
Comprehensive income attributable to owners of the parent	43,108	–	(3,405)	39,703		Comprehensive income attributable to: Owners of parent
Comprehensive income attributable to non-controlling interests	50	–	3	53		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 for the nine months ended December 31, 2016 and the fiscal year ended March 31, 2017 decreased by ¥1,134 million and ¥2,874 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 addition, cost of sales and selling, general and administrative expenses have increased or decreased.

In light of the above, comprehensive income for the nine months ended December 31, 2016 and the fiscal year ended March 31, 2017 decreased by ¥1,448 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 nine months ended December 31, 2016 and the fiscal year ended March 31, 2017 increased by ¥7,009 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 nine months ended December 31, 2016 and the fiscal year ended March 31, 2017 increased by ¥1,773 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 nine months ended December 31, 2016 and the fiscal year ended March 31, 2017 decreased by ¥9,629 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 nine months ended December 31, 2016 and the fiscal year ended March 31, 2017 decreased by ¥1,632 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.