

Consolidated Financial Results for the 1st Quarter of the Fiscal Year Ending March 31, 2019

Yasuo Takeuchi
Director, Vice President and CFO
Olympus Corporation
August 7, 2018

Disclaimer

- This material contains forward-looking statements that reflect management's current views, plans, and expectations based on information available at the time of preparation. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, future business decisions, and other internal and external factors that may cause the Company's actual results, performance, achievements, or financial position to be materially different from any future results expressed or implied by these forward-looking statements.
- Additionally, this information is subject to change without notice. Accordingly, other information should be used in addition to this material when making investment decisions.
- Olympus Corporation assumes no responsibility for any damage resulting from the use of this material.

1Q Financial Results

- Consolidated: Revenue up 5% YoY, loss posted due to recording of provision for loss on litigation
- Medical: Higher revenue and profit, double-digit growth in operating profit
- Resolution of major management issue due to settlement of securities litigations with institutional investors

Full-Year Performance Forecasts

- Downward revisions instituted to all profit figures due to recording of provision for settlement of securities

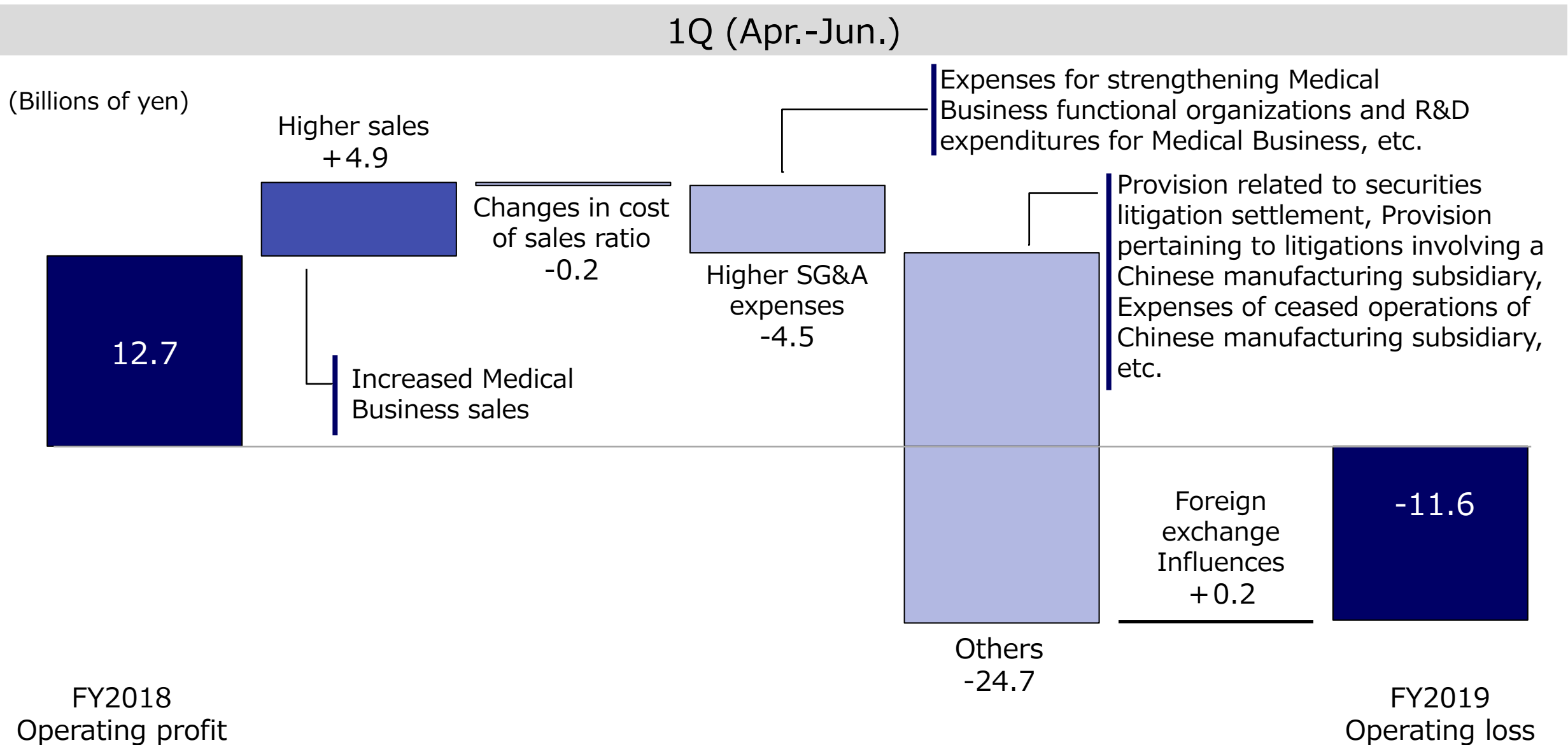
Consolidated Financial Results and Business Overview for the 1Q of Fiscal 2019 (FY Ending March 31, 2019)

1Q of Fiscal 2019 (1) Consolidated Financial Results

- ① Revenue increased 5% YoY driven by mainstay Medical Business
- ② Loss posted due to recording of provision related to securities litigation settlement and provision pertaining to litigations involving a Chinese manufacturing subsidiary

(Billions of yen)	FY2018	1Q (Apr.-Jun.)		After foreign exchange adjustment
		FY2019	YoY (%)	
Revenue	171.8	① 180.6	+5%	+4%
Gross profit (% of revenue)	112.9 (65.7%)	118.3 (65.6%)	+5%	+4%
Selling, general and administrative expenses (% of revenue)	99.5 (57.9%)	105.0 (58.2%)	+6%	+5%
Other income and expenses etc.	-0.7	-25.0	-	-
Operating profit (loss) (% of revenue)	12.7 (7.4%)	② -11.6 (-)	-	-
Profit (Loss) before tax (% of revenue)	11.9 (6.9%)	-14.7 (-)	-	-
Profit (Loss) attributable to owners of parent (% of revenue)	10.1 (5.9%)	-16.7 (-)	-	-
¥/US\$	¥111	¥109		
¥/Euro	¥122	¥130		

1Q of Fiscal 2019 (1) Factors Influences Consolidated Operating Profit



FY2018
Operating profit

FY2019
Operating loss

1Q of Fiscal 2019 (2) Results by Business Segment

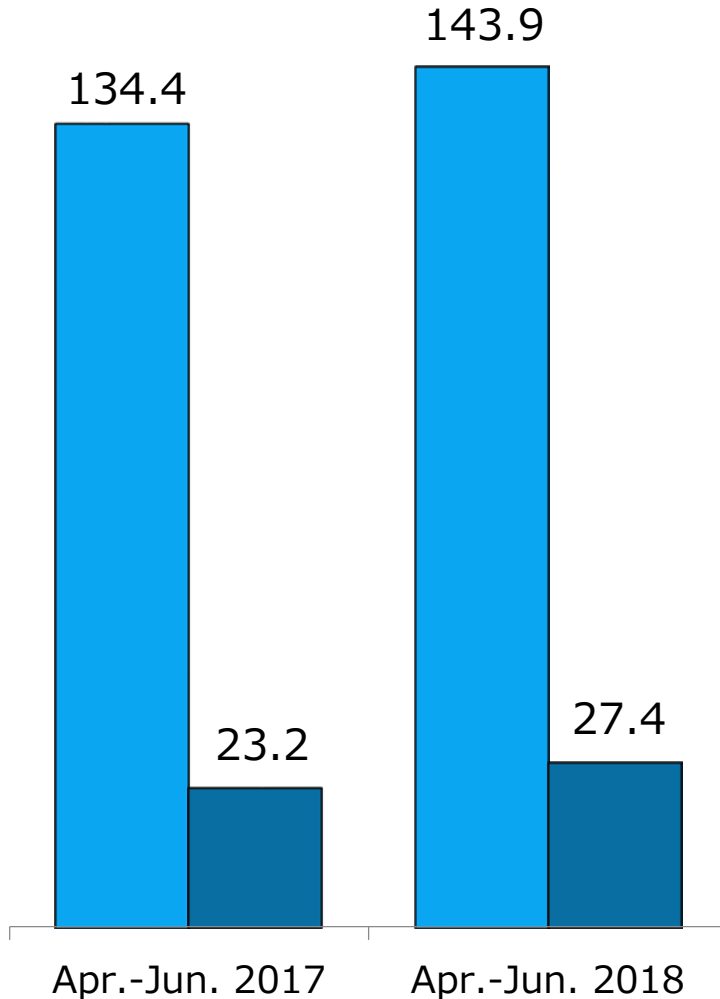
① Medical: Positive growth in all fields, higher revenue and profit

② Imaging: Operating loss recorded due to expenses related to ceased operations at Chinese manufacturing subsidiary

(Billions of yen)		1Q (Apr.-Jun.)			
		FY2018 1Q	FY2019 1Q	YoY (%)	After foreign exchange adjustment
Medical	Revenue	134.4	143.9	+7%	+6%
	Operating profit	23.2	27.4	+18%	+19%
Scientific Solutions	Revenue	20.0	21.1	+6%	+5%
	Operating profit	-0.6	-0.4	+¥0.2 billion	+¥0.3 billion
Imaging	Revenue	15.1	13.9	-8%	-10%
	Operating profit	0.9	-5.8	-¥6.7 billion	-¥7.1 billion
Others	Revenue	2.3	1.7	-28%	-28%
	Operating profit	-0.5	-0.7	-¥0.2 billion	-¥0.2 billion
Elimination and corporate	Revenue	-	-	-	-
	Operating profit	-10.3	-32.2	-21.9	-21.9
Consolidated Total	Revenue	171.8	180.6	+5%	+4%
	Operating profit	12.7	-11.6	-¥24.3 billion	-¥24.5 billion

1Q of Fiscal 2019 (3) Medical Business

■ Revenue ■ Operating profit
(Billions of yen)



(Billions of yen)	1Q (Apr.-Jun.)			
	FY2018	FY2019	YoY (%)	After foreign Exchange adjustment
Revenue	134.4	143.9	+ 7%	+ 6%
Gastrointestinal Endoscopes(GI)	72.8	76.3	+ 5%	+ 4%
Surgical Devices	42.8	47.4	+ 11%	+ 10%
Endotherapy Devices	18.8	20.2	+ 8%	+ 6%
Operating profit	23.2	27.4	+18%	+19%
<i>Operating margin</i>	<i>17.3%</i>	<i>19.0%</i>		<i>19.4%</i>

Revenue

- ✓ GI: Sales secured in developed countries through sales measures, ongoing growth in emerging countries
- ✓ Surgical devices: Strong sales of surgical endoscopes in all regions
- ✓ Endotherapy devices: Solid performance centered on North America, where product lineups were enhanced, and in emerging countries

Operating profit

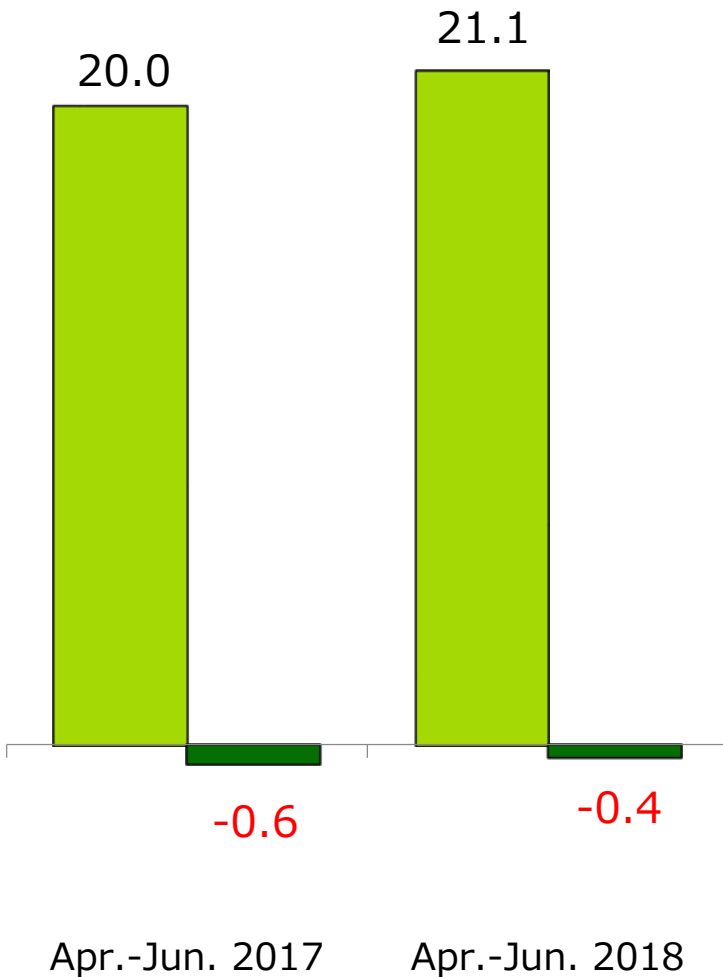
- ✓ Operating profit up 18% because of the higher revenue in all fields

1Q of Fiscal 2019 (3) Medical Business

Field	Region	Local currency basis growth rates (%)			Conditions by field
		FY2018		FY2019	
		1Q	Full-Year	1Q	
Gastrointestinal Endoscopes	Japan	-6%	-2%	-3%	<ul style="list-style-type: none"> Japan: Growth unchanged YoY as sluggish budget execution counteracted strong performance of new scopes introduced in previous equivalent period North America and Europe: Solid sales attributable to sales promotions and maintenance services Asia/Oceania: Strong performance continued in China
	North America	-1%	+1%	+4%	
	Europe	-6%	-1%	+3%	
	Asia/Oceania	+13%	+10%	+8%	
	All Regions	0%	+2%	+4%	
Surgical Devices	Japan	+3%	+9%	+11%	<ul style="list-style-type: none"> Japan and Europe: Contributions to revenue made by sales promotions for VISERA ELITE II and favorable performance of energy devices North America: Solid revenue, despite mainstay products being in the later stages of their product cycles, due to scope sales and effective coordination with ISM
	North America	-1%	+2%	+7%	
	Europe	+6%	+6%	+9%	
	Asia/Oceania	+18%	+10%	+13%	
	All Regions	+4%	+6%	+10%	
Endotherapy Devices	Japan	+8%	+7%	+2%	<ul style="list-style-type: none"> Positive growth in all regions Particularly strong performance in Asia/Oceania and in North America, where new products matched to market needs were launched
	North America	+5%	+4%	+10%	
	Europe	-1%	+3%	+4%	
	Asia/Oceania	+23%	+16%	+9%	
	All Regions	+7%	+7%	+6%	

1Q of Fiscal 2019 (4) Scientific Solutions Business

■ Revenue ■ Operating loss
 (Billions of yen)



1Q (Apr.-Jun.)

(Billions of yen)	FY2018	FY2019	YoY (%)	After foreign Exchange adjustment
Revenue	20.0	21.1	+ 6%	+ 5%
Operating loss	-0.6	-0.4	+¥0.2 billion	+¥0.3 billion
<i>Operating margin</i>	-	-		-

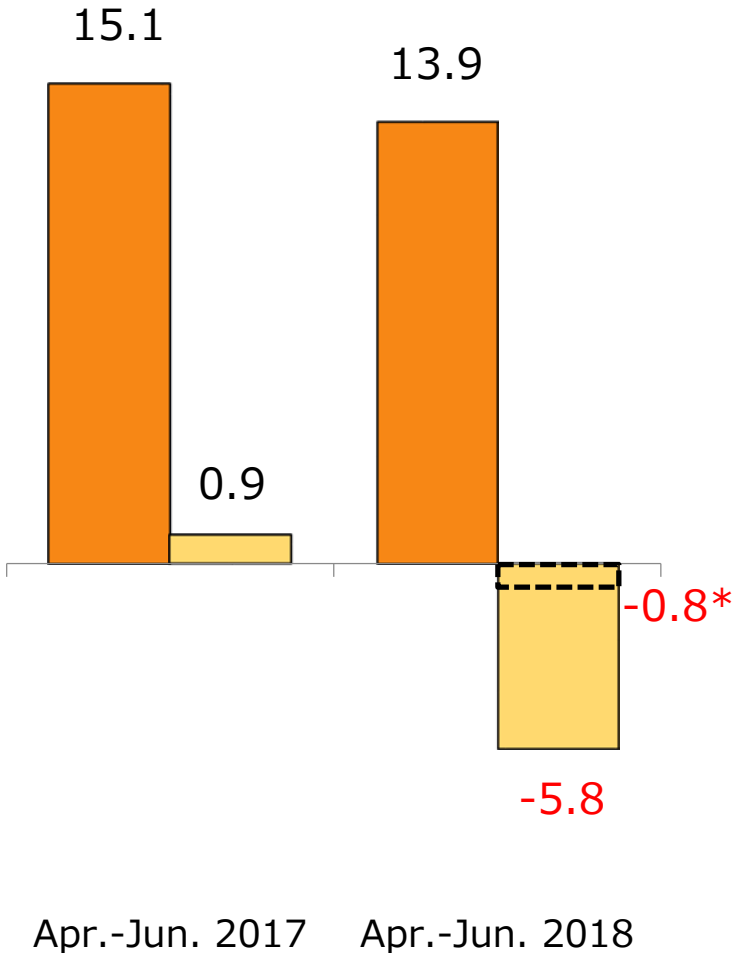
Revenue

Operating profit

- ✓ Revenue up 6% YoY due to solid performance of biological microscopes and industrial products
 - Japan: Smooth budget execution maintained from previous fiscal year, strong sales of biological microscopes
 - North America: Solid sales of industrial microscopes and XRF analyzers
 - Europe: Revenue driven by non-destructive testing equipment supported by beneficial conditions in power generation market
 - China: Robust growth in sales of biological microscopes and industrial products
- ✓ Operating loss down due to higher revenue

1Q of Fiscal 2019 (5) Imaging Business

■ Revenue ■ Operating profit (loss)
(Billions of yen)



1Q (Apr.-Jun.)

(Billions of yen)	FY2018	FY2019	YoY (%)	After foreign Exchange adjustment
Revenue	15.1	13.9	-8%	-10%
Mirrorless	11.6	10.3	-11%	-13%
Compact	2.3	2.0	-12%	-13%
Others	1.2	1.5	+27%	+26%
Operating profit (loss)	0.9	-5.8	-¥6.7 billion	-¥7.1 billion
<i>Operating margin</i>	5.9%	-		-
Operating profit (loss) (Reference)*	0.9	-0.8	-¥1.7 billion	-¥2.1 billion

*Figures exclude expenses of ceased operations of Chinese manufacturing subsidiary

Revenue

Operating profit

- ✓ Revenue down 8% YoY following lower mirrorless camera sales as a result of intensified competition and supply delays stemming from production base reorganization
- ✓ Operating loss posted due to recording of ¥5.0 billion in expenses for production system reforms (expenses associated with the ceasing of operations at a Chinese manufacturing subsidiary)

Statement of Financial Position

- Total equity down due to recording of loss attributable to owners of parent of ¥16.7 billion and issuance of dividends from retained earnings, equity ratio of 42.8%

(Billions of yen)	End Mar. 2018	End Jun. 2018	Change		End Mar. 2018	End Jun. 2018	Change
Current assets	514.3	506.8	-7.5	Current liabilities	305.9	355.7	+49.8
Inventories	139.3	146.4	+7.1	bonds/long-term loans payable	88.8	117.2	+28.4
Non-current assets	464.4	475.2	+10.8	Non-current liabilities	228.5	205.1	-23.3
Property, plant and equipment	168.2	171.2	+3.0	bonds/long-term loans payable	159.2	133.0	-26.2
Intangible assets	73.4	76.8	+3.4	Total equity	444.3	421.1	-23.1
Goodwill	97.2	100.7	+3.5	Equity ratio	45.2%	42.8%	-2.4pt
Total assets	978.7	982.0	+3.3	Total liabilities and equity	978.7	982.0	+3.3

Interest-bearing debt: ¥250.2 billion(+¥2.2 billion from March 31, 2018)

Consolidated Cash Flows

- Free cash flow: Came to positive ¥7.7 billion, compared with negative free cash flow of ¥0.7 billion in previous equivalent period, as earnings from operations outweighed purchases of property, plant and equipment and acquisition of operations from Cybersonics, Inc.

(Billions of yen)	1Q (Apr.-Jun.)		Change
	FY2018	FY2019	
Revenue	171.8	180.6	+8.7
Operating profit (loss)	12.7	-11.6	-24.3
(% of revenue)	7.4%	-	-
CF from operating activities	20.1	25.0	+4.9
CF from investing activities	-20.8	-17.4	+3.4
Free cash Flow	-0.7	7.7	+8.3
CF from financing activities	-10.1	-9.1	+1.0
Cash and cash equivalents at end of period	190.1	189.9	-0.2
Depreciation and amortization	12.5	14.3	+1.8
Capital expenditures	15.8	16.2	+0.4

Forecast for Fiscal 2019

Forecasts of Consolidated Financial Results for Fiscal 2019

- Downward revisions instituted to all profit figures due to recording of provision related to securities litigation settlement and provision pertaining to litigations involving a Chinese manufacturing subsidiary
- Forecasts unchanged when excluding provision

(Billions of yen)	FY2019 (Forecasts announced in May 11)	FY2019 (New forecasts)	Change	vs. forecasts announced in May 11	FY2018
Revenue	800.0	800.0	0	0%	786.5
Gross profit (% of revenue)	527.0 (65.9%)	527.0 (65.9%)	0	0%	510.5 (64.9%)
Selling, general and administrative expenses (% of revenue)	438.0 (54.8%)	438.0 (54.8%)	0	0%	426.6 (54.2%)
Other income and expenses etc.	-8.0	-31.0	-	-	-2.9
Operating profit (% of revenue)	81.0 (10.1%)	58.0 (7.3%)	-23.0	-28%	81.0 (10.3%)
Profit before tax (% of revenue)	76.0 (9.5%)	53.0 (6.6%)	-23.0	-30%	76.7 (9.7%)
Profit attributable to owners of parent (% of revenue)	59.0 (7.4%)	40.0 (5.0%)	-19.0	-32%	57.1 (7.3%)
EPS	¥173	¥117			
¥/US\$	¥105	¥106	+¥1 (yen depreciation)		
¥/Euro	¥130	¥130	-		

Dividend Payments in Fiscal 2019

Year-end dividend of ¥30 per share (no change)

Segment Forecasts for Fiscal 2019

- No change to segment revenue and operating profit figures announced in May 2018
- Downward revision instituted to forecast for consolidated operating profit due to recording of provision related to securities litigation settlement under elimination and corporate

(Billions of yen)		FY2019 (Forecasts announced in May 11)	FY2019 (New forecasts)	Change	vs. forecasts announced in May 11
Medical	Revenue	634.0	634.0	-	-
	Operating profit	135.0	135.0	-	-
Scientific Solutions	Revenue	100.0	100.0	-	-
	Operating profit	7.0	7.0	-	-
Imaging	Revenue	60.0	60.0	-	-
	Operating profit	-7.0	-7.0	-	-
Others	Revenue	6.0	6.0	-	-
	Operating profit	-6.0	-6.0	-	-
Elimination and corporate	Revenue	-	-	-	-
	Operating profit	-48.0	-71.0	-23.0	-23.0
Consolidated Total	Revenue	800.0	800.0	-	-
	Operating profit	81.0	58.0	-23.0	-28%

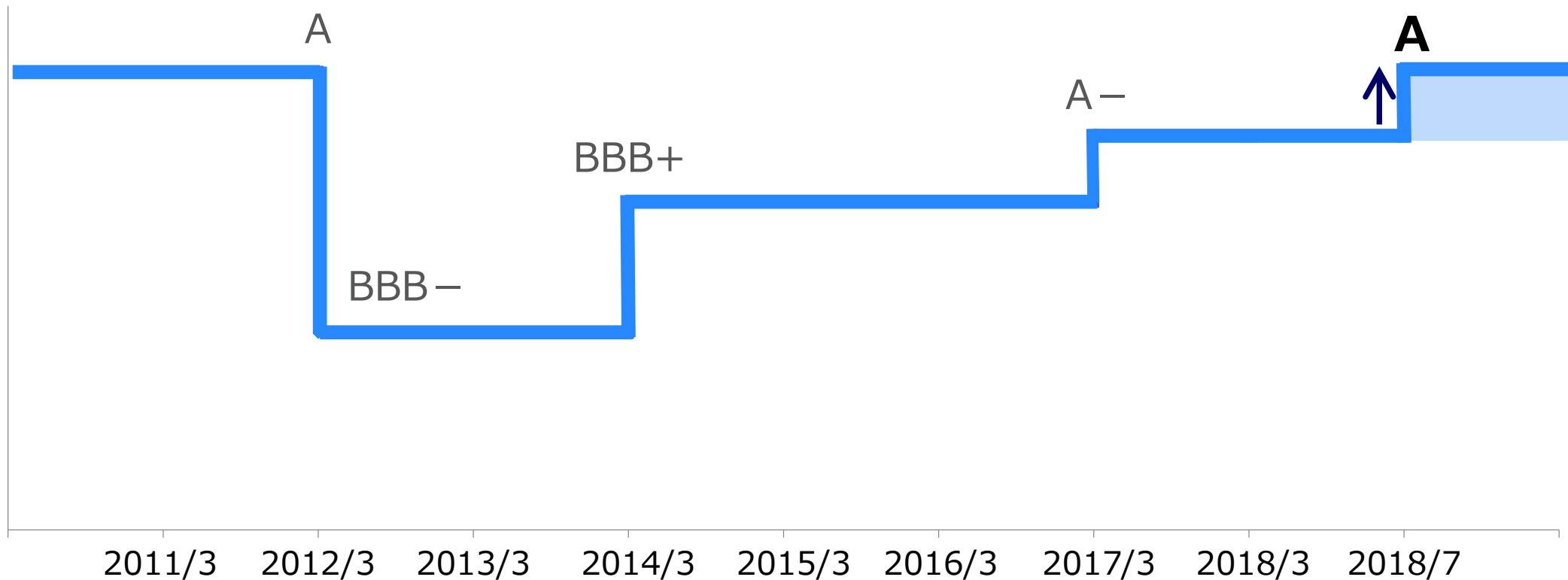
Topics in the 1Q

Topic: Upgraded Issuer Rating

R&I upgraded issuer rating from A- to A on July 23, 2018

■ Reasons for upgrading rating (Translated excerpts from news release issued by R&I)

- Stabler competitiveness in mainstay business supported by 70% share of global market for gastrointestinal endoscopes
- Ongoing improvements in financial balance achieved by accumulating profit and downsizing liabilities
- Management stability increasing with regard to effectiveness of corporate governance and Medical Business quality assurance and regulatory assurance



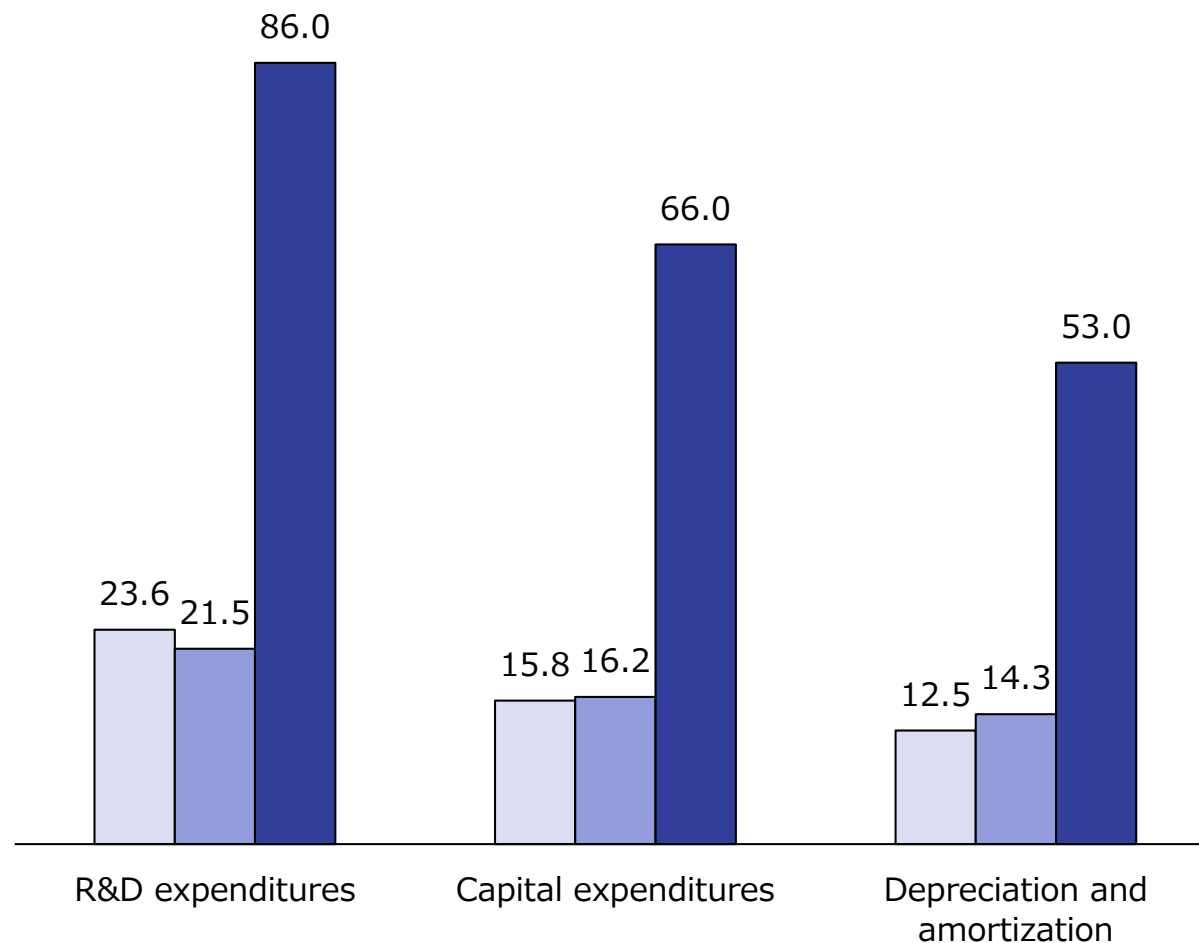
OLYMPUS

Appendix

【Supplementary Materials】 Investments (R&D Expenditures, Capital Expenditures, Depreciation and Amortization)

1Q Results and Forecasts

(Billions of yen) □ FY2018 1Q □ FY2019 1Q ■ FY2019 (Forecast)



Details of R&D Expenditures

(Billions of yen)

FY2018*1

FY2019

1Q

1Q

Forecast

R&D expenditures (% of revenue)	23.6 (13.7%)	21.5 (11.9%)	86.0 (10.8%)
------------------------------------	-----------------	-----------------	-----------------

Reference

(Billions of yen)

FY2018

FY2019

1Q

1Q

Forecast

Capitalization of R&D expenditures*2	3.2	2.4	12.0
Amortization	1.5	1.7	

End Mar. 2018

End Jun. 2018

R&D assets	32.5	33.2
------------	------	------

*1. R&D expenditures are calculated by applying the same standards to all subsidiaries as used by the Company.

*2. The amount for capitalization of R&D expenditures is included in the above amount for R&D expenditures.