

Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2019

Yasuo Takeuchi
Director, Vice President and CFO
Olympus Corporation
November 6, 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.

1H Financial Results

- Consolidated
 - Revenue: Up 3% YoY as mainstay Medical Business drives consolidated performance
 - Profit: Down due to securities litigation settlement

Full-Year Performance Forecasts

- Full-year forecasts revised out of consideration for provision recorded in relation to duodenoscope investigations by the U.S. DOJ and Imaging Business performance trends

Consolidated Financial Results and Business Overview for the 2Q of Fiscal 2019 (FY Ending March 31, 2019)

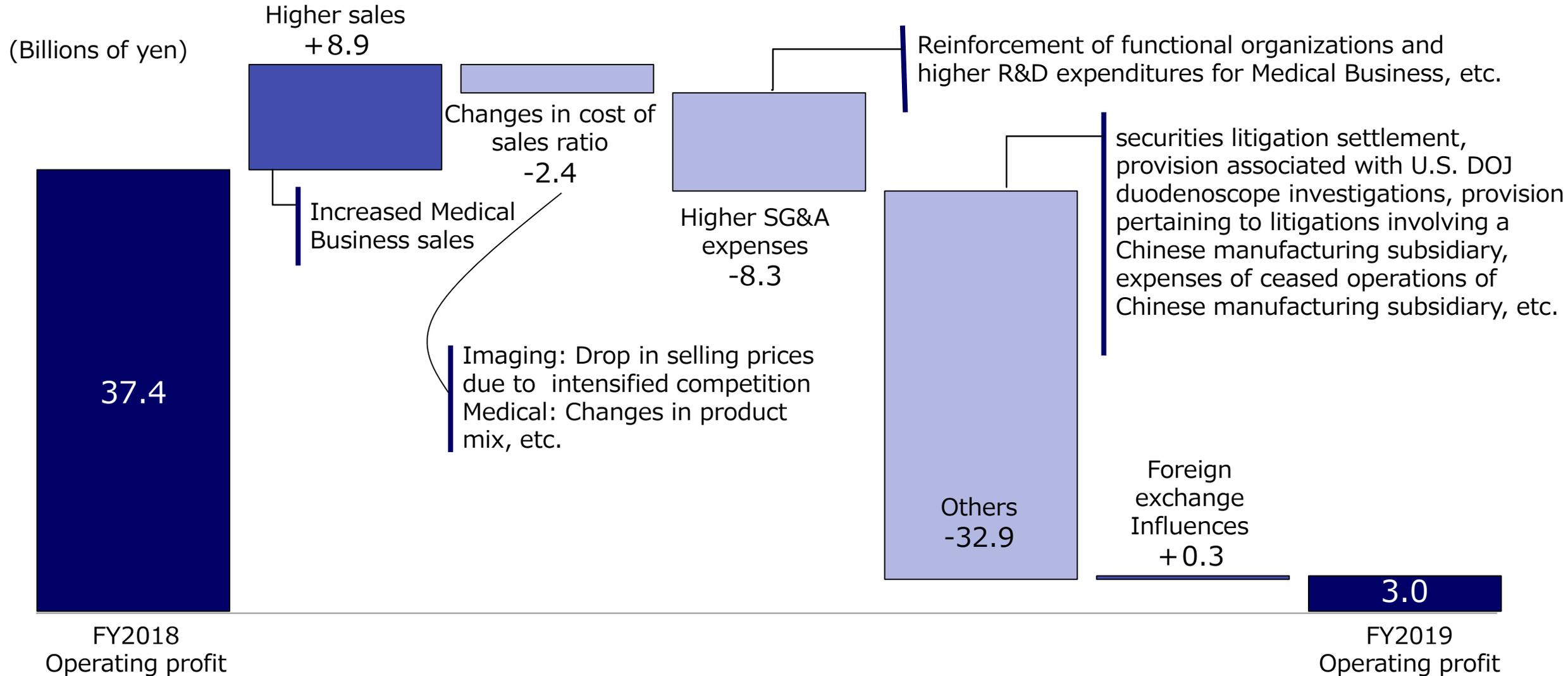
2Q of Fiscal 2019 (1) Consolidated Financial Results

- ① Revenue increased 3% YoY due to solid performance of Medical Business
- ② Profit down due to securities litigation settlement and provision of ¥9.7 billion due to duodenoscope investigations by the U.S. DOJ

(Billions of yen)	1H (Apr.-Sept.)				2Q (Jul.-Sept.)			
	FY2018	FY2019	YoY (%)	After foreign exchange adjustment	FY2018	FY2019	YoY (%)	After foreign exchange adjustment
Revenue	369.4	381.8	+3%	+3%	197.6	201.3	+2%	+2%
Gross profit (% of revenue)	241.8 (65.4%)	248.8 (65.2%)	+3%	+3%	128.9 (65.2%)	130.5 (64.8%)	+1%	+1%
Selling, general and administrative expenses (% of revenue)	203.5 (55.1%)	212.4 (55.6%)	+4%	+4%	104.0 (52.6%)	107.4 (53.3%)	+3%	+4%
Other income and expenses etc.	-0.8	-33.5	-	-	-0.2	-8.5	-	-
Operating profit (loss) (% of revenue)	37.4 (10.1%)	3.0 (0.8%)	-92%	-93%	24.7 (12.5%)	14.6 (7.3%)	-41%	-41%
Profit (Loss) before tax (% of revenue)	35.2 (9.5%)	-2.8 (-)	-37.9 billion		23.2 (11.8%)	11.9 (5.9%)	-49%	
Profit (Loss) attributable to owners of parent (% of revenue)	29.8 (8.1%)	-5.5 (-)	-35.3 billion		19.8 (10.0%)	11.2 (5.6%)	-43%	
¥/US\$	¥111	¥110			¥111	¥111		
¥/Euro	¥126	¥130			¥130	¥130		

2Q of Fiscal 2019 (1) Factors Influences Consolidated Operating Profit

1H (Apr.-Sept.)



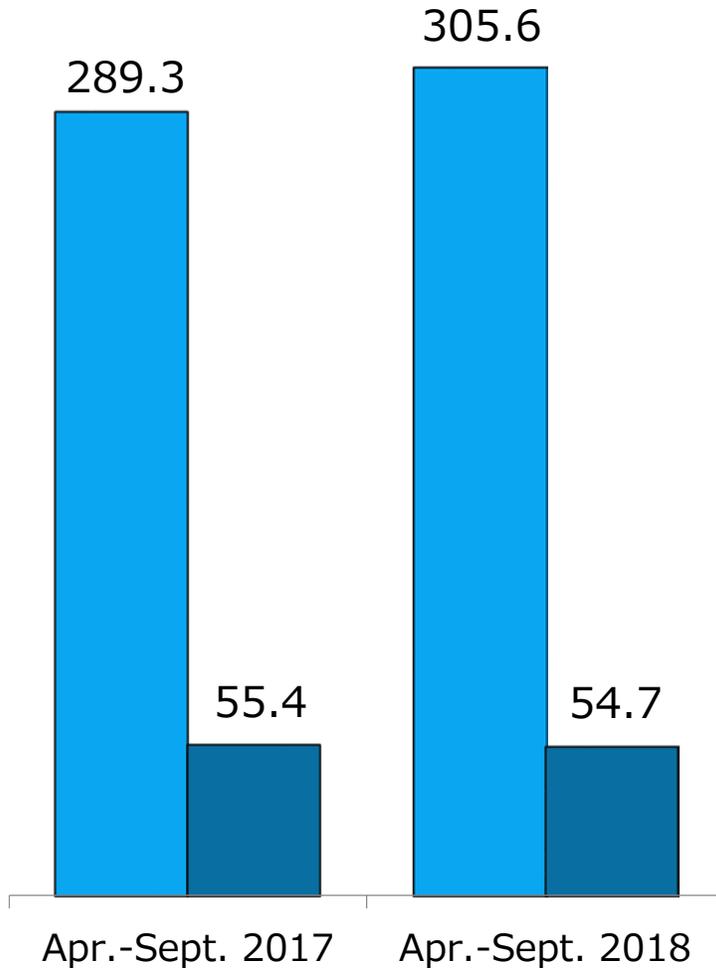
2Q of Fiscal 2019 (2) Results by Business Segment

- 1 Medical: Record-breaking six-month revenue, operating profit relatively unchanged YoY due to provision associated with U.S. DOJ duodenoscope investigations
- 2 Scientific Solutions: Higher revenue and operating profit thanks to favorable market conditions for industrial field
- 3 Imaging: Operating loss recorded due to expenses related to ceased operations at a Chinese manufacturing subsidiary

(Billions of yen)		1H (Apr.-Sept.)				2Q (Jul.-Sept.)			
		FY2018	FY2019	YoY (%)	After foreign exchange adjustment	FY2018	FY2019	YoY (%)	After foreign exchange adjustment
Medical	Revenue	289.3	305.6	+6%	+5%	154.8	161.7	+4%	+5%
	Operating profit	55.4	54.7	-1%	-1%	32.2	27.3	-15%	-15%
Scientific Solutions	Revenue	44.6	47.3	+6%	+6%	24.6	26.2	+6%	+7%
	Operating profit	1.3	2.8	+123%	+120%	1.8	3.2	+73%	+68%
Imaging	Revenue	30.6	25.7	-16%	-16%	15.4	11.8	-24%	-23%
	Operating profit	1.6	-9.2	-10.8 billion	-11.1 billion	0.7	-3.4	-4.2 billion	-4.0 billion
Others	Revenue	5.0	3.2	-35%	-35%	2.7	1.6	-41%	-41%
	Operating profit	-1.2	-1.4	-0.2 billion	-0.2 billion	-0.7	-0.7	-	-
Elimination and corporate	Revenue	-	-	-	-	-	-	-	-
	Operating profit	-19.7	-43.9	-24.2 billion	-24.3 billion	-9.3	-11.7	-2.3 billion	-2.4 billion
Consolidated Total	Revenue	369.4	381.8	+3%	+3%	197.6	201.3	+2%	+2%
	Operating profit	37.4	3.0	-92%	-93%	24.7	14.6	-41%	-41%

2Q of Fiscal 2019 (3) Medical Business

■ Revenue ■ Operating profit
(Billions of yen)



	1H (Apr.-Sept.)				2Q (Jul.-Sept.)			
	FY2018	FY2019	YoY	After foreign Exchange adjustment	FY2018	FY2019	YoY	After foreign Exchange adjustment
Revenue	289.3	305.6	+6%	+5%	154.8	161.7	+4%	+5%
Gastrointestinal Endoscopes(GI)	156.5	163.9	+5%	+5%	83.7	87.6	+5%	+5%
Surgical Devices	94.1	100.8	+7%	+7%	51.2	53.4	+4%	+5%
Endotherapy Devices	38.7	40.9	+6%	+5%	19.9	20.8	+4%	+5%
Operating profit	55.4	54.7	-1%	-1%	32.2	27.3	-15%	-15%
Other income / expenses	-1.5	-6.9	-	-	-0.7	-7.8	-	-
Operating margin	19.1%	17.9%		18.0%	20.8%	16.9%		16.7%

Revenue

✓ Strong performance in all fields contributing to record-breaking six-month revenue

Operating profit

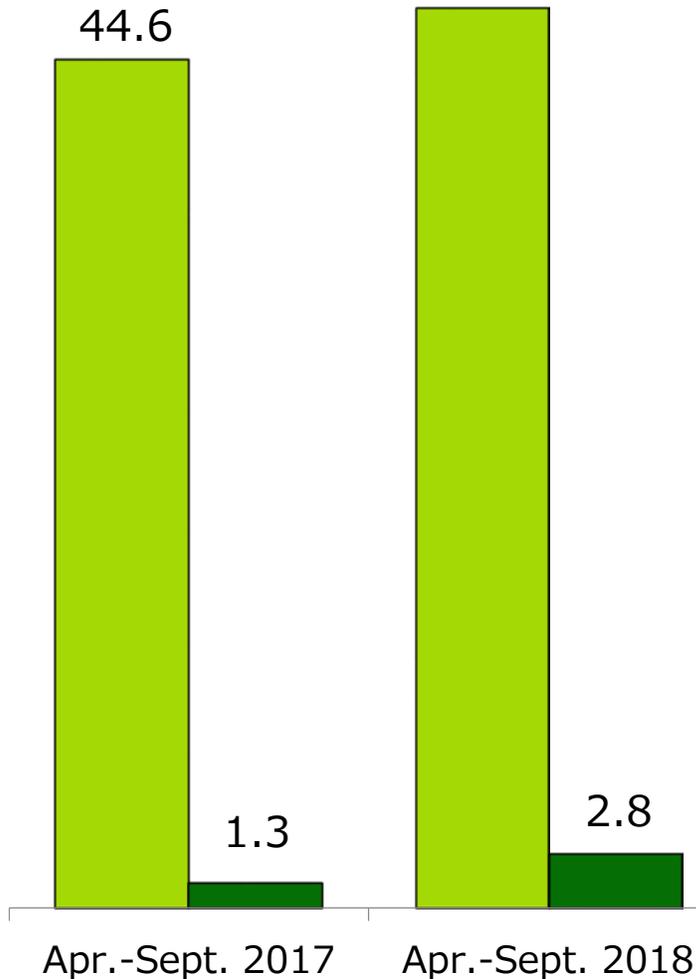
- ✓ Six-month operating profit relatively unchanged YoY due to recording of ¥9.7 billion provision associated with U.S. DOJ duodenoscope investigations
- ✓ Double-digit growth in six-month and second-quarter operating profit when excluding impact of above provision

2Q of Fiscal 2019 (3) Medical Business

Field	Region	Local currency basis growth rates (%)			Conditions by field
		FY2018		FY2019	
		1H	Full-Year	1H	
Gastrointestinal Endoscopes	Japan	-2%	-2%	-7%	<ul style="list-style-type: none"> Japan: Negative growth due to mainstay products being in the later stages of their product cycles and ongoing difficulty in securing budgets among public and national hospitals North America and Europe: Solid sales attributable to sales promotions and maintenance services Asia/Oceania: Continuation of robust growth centered on China
	North America	-3%	+1%	+6%	
	Europe	-7%	-1%	+4%	
	Asia/Oceania	+8%	+10%	+12%	
	All Regions	-1%	+2%	+5%	
Surgical Devices	Japan	+4%	+9%	+5%	<ul style="list-style-type: none"> Japan and Europe: Robust performance for mainstay VISERA ELITE II and energy devices North America: Large contributions to growth from substantial increase in system integration product sales thanks to benefits of acquisition of ISM
	North America	0%	+2%	+8%	
	Europe	+10%	+6%	+6%	
	Asia/Oceania	+17%	+10%	+4%	
	All Regions	+5%	+6%	+7%	
Endotherapy Devices	Japan	+8%	+7%	+1%	<ul style="list-style-type: none"> Positive growth in all regions North America: Favorable performance achieved by introducing differentiated products matched to market needs
	North America	+3%	+4%	+11%	
	Europe	+1%	+3%	+5%	
	Asia/Oceania	+21%	+16%	+8%	
	All Regions	+8%	+7%	+5%	

2Q of Fiscal 2019 (4) Scientific Solutions Business

■ Revenue
■ Operating profit
 (Billions of yen)

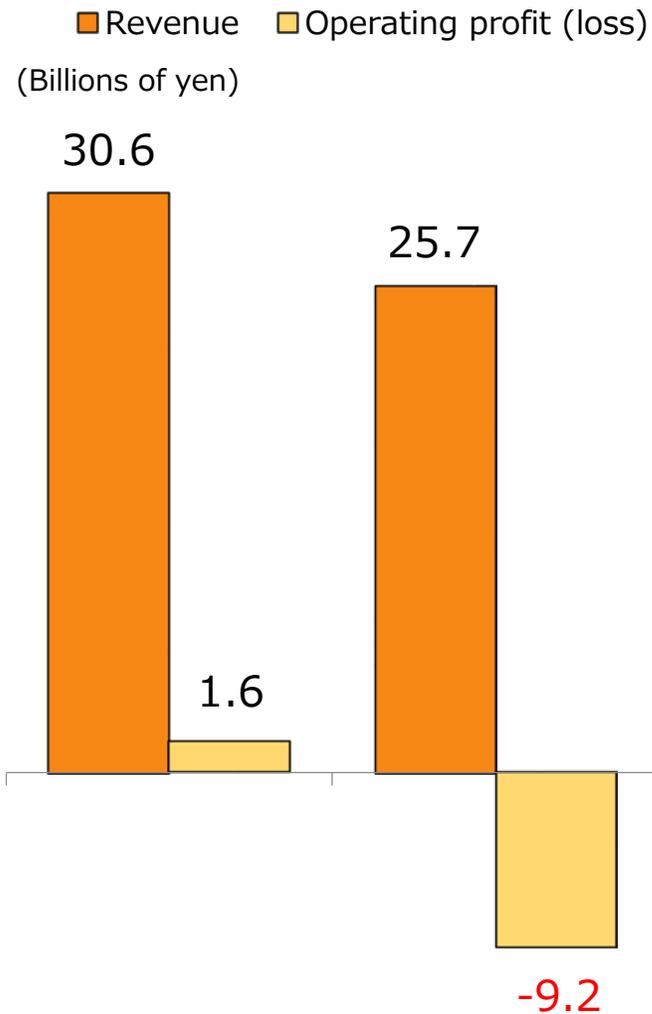


(Billions of yen)	1H (Apr.-Sept.)				2Q (Jul.-Sept.)			
	FY2018	FY2019	YoY	After foreign Exchange adjustment	FY2018	FY2019	YoY	After foreign Exchange adjustment
Revenue	44.6	47.3	+6%	+6%	24.6	26.2	+6%	+7%
Operating profit	1.3	2.8	+123%	+120%	1.8	3.2	+73%	+68%
<i>Other income / expenses</i>	-0.2	-0.1	-	-	-0.2	-0.1	-	-
<i>Operating margin</i>	2.8%	5.9%		5.9%	7.5%	12.1%		11.7%

Revenue
Operating profit

- ✓ Biological microscopes: Solid performance centered on North America and China
- ✓ Industrial products: Impressive sales of industrial microscopes and non-destructive testing equipment amid favorable market conditions for semiconductors, electronic components, automobiles, and other industrial products
- ✓ Large increase in operating profit due to higher revenue

2Q of Fiscal 2019 (5) Imaging Business



(Billions of yen)	1H (Apr.-Sept.)				2Q (Jul.-Sept.)			
	FY2018	FY2019	YoY	After foreign Exchange adjustment	FY2018	FY2019	YoY	After foreign Exchange adjustment
Revenue	30.6	25.7	-16%	-16%	15.4	11.8	-24%	-23%
Mirrorless	23.3	18.8	-19%	-20%	11.7	8.4	-28%	-27%
Compact	4.7	4.0	-15%	-15%	2.4	2.0	-18%	-17%
Others	2.6	2.9	12%	12%	1.4	1.4	-1%	0%
Operating profit (loss)	1.6	-9.2	-10.8 billion	-11.1 billion	0.7	-3.4	-4.2 billion	-4.0 billion
<i>Other income / expenses</i>	0	-5.3	-	-	0	-0.4	-	-
<i>Operating margin</i>	5.3%	-		-	4.7%	-		-

Revenue

✓ Revenue down as a result of intensified competition and limited ability to supply interchangeable lenses and other products stemming from production base reorganization

Operating profit (loss)

✓ Operating loss posted primarily due to recording of expenses for production system reforms (expenses associated with the ceasing of operations at a Chinese manufacturing subsidiary)

Apr.-Sept. 2017 Apr.-Sept. 2018

Statement of Financial Position

- Interest-bearing debt down ¥42.5 billion, equity ratio of 47.0%

(Billions of yen)	End Mar. 2018	End Sept. 2018	Change		End Mar. 2018	End Sept. 2018	Change
Current assets	514.3	459.6	-54.7	Current liabilities	305.9	300.7	-5.3
Inventories	139.3	152.1	+12.8	bonds/long-term loans payable	88.8	81.7	-7.1
Non-current assets	464.4	479.7	+15.4	Non-current liabilities	228.5	196.3	-32.2
Property, plant and equipment	168.2	176.2	+8.0	bonds/long-term loans payable	159.2	123.7	-35.5
Intangible assets and others	198.9	199.9	+1.0	Total equity	444.3	442.4	-1.8
Goodwill	97.2	103.6	+6.4	Equity ratio	45.2%	47.0%	+1.8pt
Total assets	978.7	939.4	-39.3	Total liabilities and equity	978.7	939.4	-39.3

Interest-bearing debt: ¥205.4 billion (-¥42.5 billion from March 31, 2018)

Consolidated Cash Flows

- Free cash flow: Came to negative ¥4.0 billion due to payment of ¥19.0 billion for securities litigation settlement

(Billions of yen)	1H (Apr.-Sept.)		Change
	FY2018	FY2019	
Revenue	369.4	381.8	+12.4
Operating profit	37.4	3.0	-34.4
(% of revenue)	10.1%	0.8%	-
CF from operating activities	42.6	27.4	-15.2
CF from investing activities	-29.7	-31.4	-1.7
Free cash Flow	12.9	-4.0	-16.9
CF from financing activities	-34.7	-58.2	-23.5
Cash and cash equivalents at end of period	181.3	130.9	-50.4
Depreciation and amortization	25.5	28.3	+2.8
Capital expenditures	30.6	31.1	+0.5

Forecast for Fiscal 2019

Forecasts of Consolidated Financial Results for Fiscal 2019

- Revisions instituted to forecasts for revenue and all profit figures out of consideration for provision recorded in relation to U.S. DOJ duodenoscope investigations and Imaging Business performance trends

(Billions of yen)	FY2019 (Forecasts announced in August 7)	FY2019 (New forecasts)	Change	vs. forecasts announced in August 7	FY2018
Revenue	800.0	790.0	-10.0	-1%	786.5
Gross profit (% of revenue)	527.0 (65.9%)	522.0 (66.1%)	-5.0	-1%	510.5 (64.9%)
Selling, general and administrative expenses (% of revenue)	438.0 (54.8%)	438.0 (55.4%)	0	0%	426.6 (54.2%)
Other income and expenses etc.	-31.0	-40.0	-9.0	-	-2.9
Operating profit (% of revenue)	58.0 (7.3%)	44.0 (5.6%)	-14.0	-24%	81.0 (10.3%)
Profit before tax (% of revenue)	53.0 (6.6%)	39.0 (4.9%)	-14.0	-26%	76.7 (9.7%)
Profit attributable to owners of parent (% of revenue)	40.0 (5.0%)	26.0 (3.3%)	-14.0	-35%	57.1 (7.3%)
EPS	¥117	¥76			
¥/US\$	¥106	¥108	+ ¥2 (yen appreciation)		
¥/Euro	¥130	¥130	-		

Dividend Payments in Fiscal 2019

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

Segment Forecasts for Fiscal 2019

- Medical: Revision to operating profit forecast due to impact of provision recorded in relation to U.S. DOJ duodenoscope investigations
- Imaging: Revision to revenue and operating profit forecasts based on half performance

(Billions of yen)		FY2019 (Forecasts announced in August 7)	FY2019 (New forecasts)	Change	vs. forecasts announced in August 7
Medical	Revenue	634.0	634.0	-	-
	Operating profit	135.0	127.0	-8.0	-6%
Scientific Solutions	Revenue	100.0	100.0	-	-
	Operating profit	7.0	7.0	-	-
Imaging	Revenue	60.0	50.0	-10.0	-17%
	Operating profit	-7.0	-13.0	-6.0	-6.0
Others	Revenue	6.0	6.0	-	-
	Operating profit	-6.0	-6.0	-	-
Elimination and corporate	Revenue	-	-	-	-
	Operating profit	-71.0	-71.0	-	-
Consolidated Total	Revenue	800.0	790.0	-10.0	-1%
	Operating profit	58.0	44.0	-14.0	-24%

Topics

Segment Topics

Medical

Scientific Solutions

- Investment in LPixel Inc., an AI venture company spin off by the University of Tokyo, to enhance development of AI technologies for supporting endoscopic and microscopic diagnostic imaging
 - ✓ Further enhancement of AI technology development by using both companies' extensive imaging data as a continuation of prior joint development activities
 - ✓ Discussions of new cooperative framework to take place, including possibility of future business alliances

Medical

- Investment in Israeli medical equipment company Medi-Tate to bolster product competitiveness in urology business
 - ✓ Expansion of portfolio of therapeutic devices for treating benign prostatic hyperplasia(BPH) using Medi-Tate's technologies

Scientific Solutions

- Utilization of proprietarily developed deep learning technologies in joint research on AI-based pathology diagnostic tool with Kure Medical Center and Chugoku Cancer Center

Imaging

- Smooth progress in consolidating production of digital cameras into Vietnamese manufacturing subsidiary to establish profitable structure

OLYMPUS

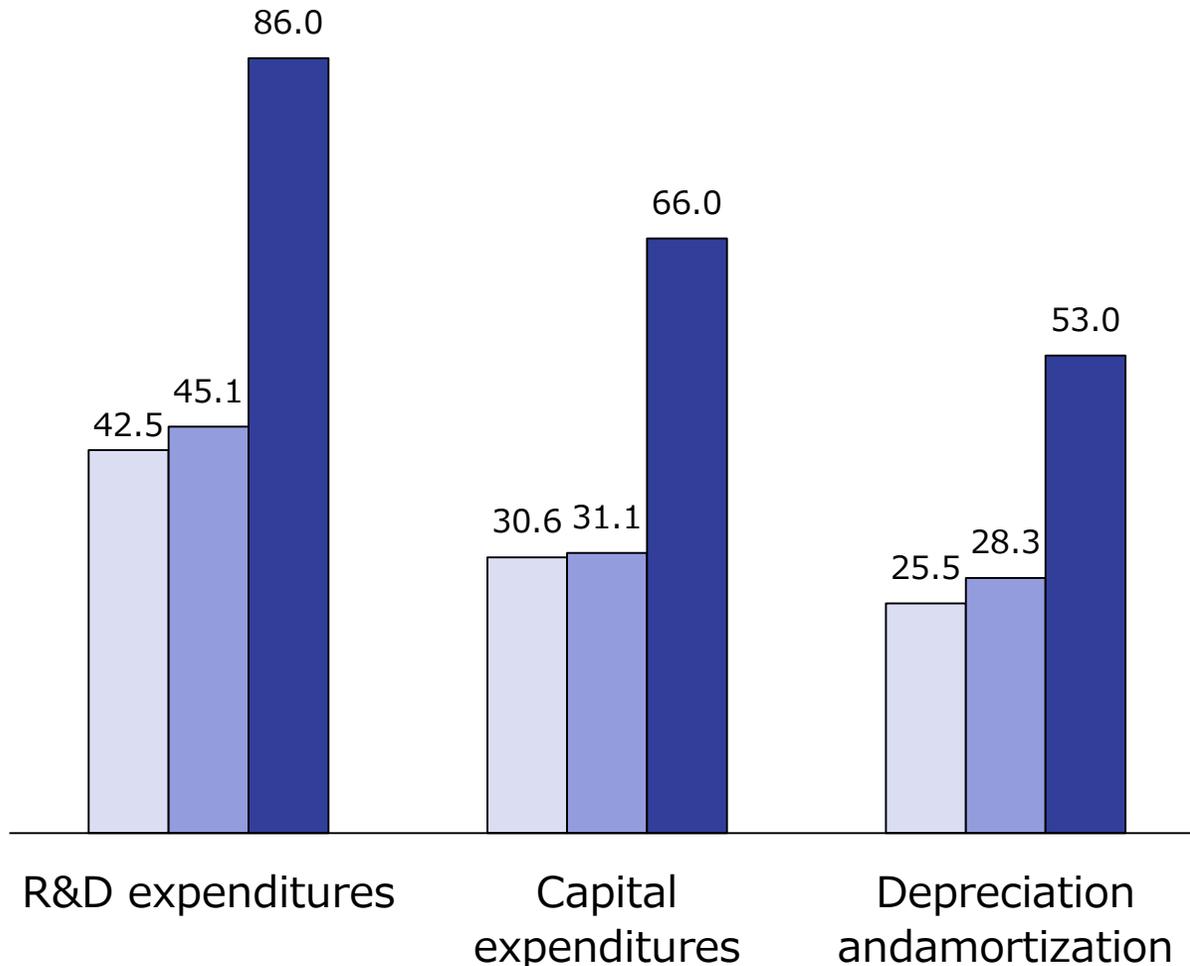
Appendix

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

1H Results and Full-Year Forecasts

(Billions of yen)

□ FY2018 1H □ FY2019 1H ■ FY2019 (Forecast)



Details of R&D Expenditures

(Billions of yen)

FY2018*1

FY2019

1H

1H

Forecast

R&D expenditures (% of revenue)	42.5 (11.5%)	45.1 (11.8%)	86.0 (10.9%)
------------------------------------	-----------------	-----------------	-----------------

Reference

(Billions of yen)

FY2018

FY2019

1H

1H

Forecast

Capitalization of R&D expenditures*2	5.5	4.5	12.0
Amortization	2.8	3.5	

End Jun. 2018

End Sept. 2018

R&D assets	33.2	33.8
------------	------	------

*1 Figures exclude the impact of a change in the aggregation method for R&D expenditures. The amount of the impact of this change in the aggregation method for R&D expenditures was ¥47.1 billion.

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

Other Income / Expenses by Segment in 2Q of Fiscal 2019

(Billions of yen)

		FY2018			FY2019	
		1Q	2Q	Full Year	1Q	2Q
Medical	Revenue	134.4	154.8	616.3	143.9	161.7
	Operating profit	23.2	32.2	121.8	27.4	27.3
	Other income / expenses	-0.8	-0.7	-1.7	1.0	-7.8
Scientific Solutions	Revenue	20.0	24.6	100.0	21.1	26.2
	Operating profit	-0.6	1.8	6.4	-0.4	3.2
	Other income / expenses	0	-0.2	-0.5	-0.1	-0.1
Imaging	Revenue	15.1	15.4	60.3	13.9	11.8
	Operating profit	0.9	0.7	-1.2	-5.8	-3.4
	Other income / expenses	0	0	-1.3	-4.9	-0.4
Others	Revenue	2.3	2.7	9.9	1.7	1.6
	Operating profit	-0.5	-0.7	-5.0	-0.7	-0.7
	Other income / expenses	0.1	0.1	-0.6	0.1	0.0
Elimination and corporate	Revenue	-	-	-	-	-
	Operating profit	-10.3	-9.3	-41.0	-32.2	-11.7
	Other income / expenses	0.3	0.6	1.3	-21.0	-0.4
Consolidated Total	Revenue	171.8	197.6	786.5	180.6	201.3
	Operating profit	12.7	24.7	81.0	-11.6	14.6
	Other income / expenses	-0.5	-0.1	-2.8	-25.0	-8.7