

# Consolidated Financial Results for the 3rd Quarter of Fiscal 2018 and Full-Year Forecasts

Yasuo Takeuchi Director, Vice President and CFO Olympus Corporation February 9, 2018

### <u>Disclaimer</u>

- 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.

# **Voluntary Adoption of IFRS**

- The Company has chosen to voluntarily adopt International Financial Reporting Standards (IFRS). The first document to which these standards were applied was the consolidated financial statements for the three months ended June 30, 2017.
- Figures for the third quarter of fiscal 2017 and as well as those for the fiscal year ended March 31, 2017 have been restated based on IFRS for the purpose of comparisons.

# Highlights

# 3Q Financial Results

- Revenue: Driven by the Medical Business, nine-month revenue up 8% YoY and thirdquarter revenue up 11% YoY
- Medical: Recovery in mainstay gastrointestinal endoscope operations and record high for third-quarter revenue
- Profit: YoY increases in all profit figures due to benefits of yen depreciation

# Full-Year Performance Forecasts

- No changes to full-year forecasts for consolidated revenue, operating profit, and profit before tax
- Upward revision to forecast for profit attributable to owners of parent in reflection of anticipated decrease in income taxes following the passing of tax reform legislation in the United States



# Consolidated Financial Results and Business Overview for the 3Q of Fiscal 2018 (FY Ending March 31, 2018)

# 3Q of Fiscal 2018 (1) Consolidated Financial Results

1 Revenue: Driven by the Medical Business, revenue up YoY both on yen basis and after foreign exchange adjustment

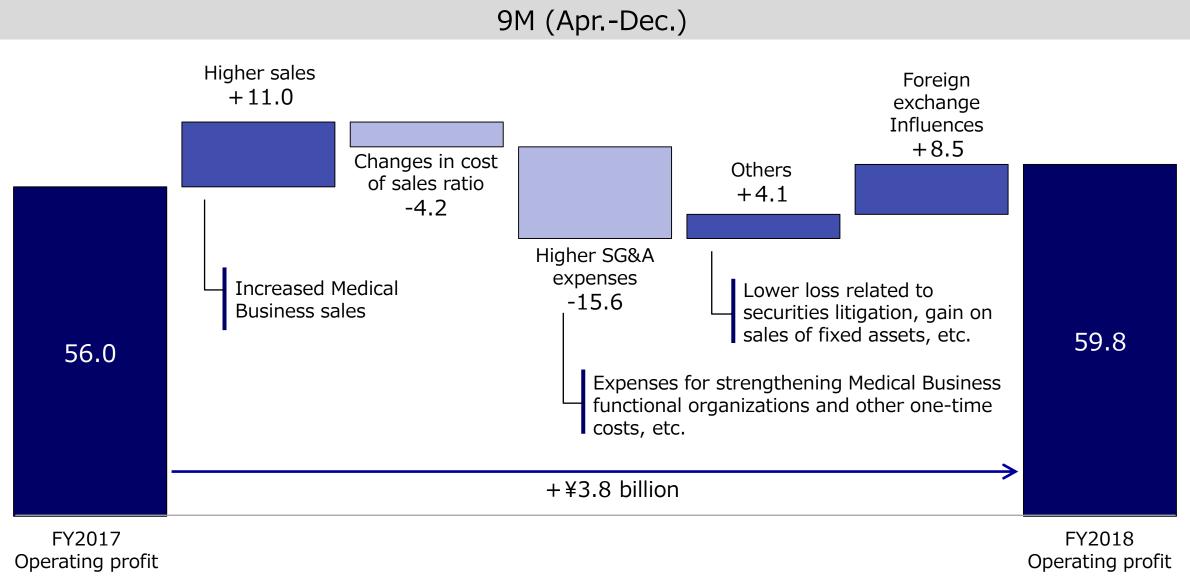
Profit: YoY increases in all profit figures due to benefits of yen depreciation, double-digit growth in profit attributable to owners of parent due to reduced tax expenses and improvements in the balance of financial inflows and outflows

9M (Apr.-Dec.)

3Q (Oct.-Dec.)

(Billions o	of yen)	FY2017	FY2018	YoY	After foreign exchange adjustment	FY2017	FY2018	YoY	After foreign exchange adjustment
Revenue		531.8	572.1	+8%	+3%	183.1	202.6	+11%	+5%
Gross profit	(% of revenue)	346.6 (65.2%)	372.9 (65.2%)	+8%	+2%	119.0 (65.0%)	131.2 (64.7%)	+10%	+2%
Selling, general and a expenses	administrative (% of revenue)	283.5 (53.3%)	310.2 (54.2%)	+9%	+6%	95.9 (52.4%)	106.7 (52.7%)	+11%	+7%
Other income and ex	penses etc.	-7.1	-2.9	<u>-</u>	-	-2.6	-2.0	<u>-</u>	-
Operating profit	(% of revenue)	56.0 (10.5%)	59.8 (10.5%)	+7%	▲8%	20.5 (11.2%)	22.4 (11.1%)	+9%	▲18%
Profit before tax	(% of revenue)	48.9 (9.2%)	55.7 (9.7%)	+14%		17.8 (9.7%)	20.5 (10.1%)	+15%	
Profit attributable to	owners of parent (% of revenue)	39.5 (7.4%)	480 (8.4%)	+22%		15.9 (8.7%)	18.2 (9.0%)	+15%	
V/LIC#		V4.07	V4.4.2			V4.00	V442		
¥/US\$ ¥/Euro		¥107	¥112			¥109	¥113		
∓/ ⊑UI U		¥118	¥129			¥118	¥133		NVMPHS

# 3Q of Fiscal 2018 (1) Factors Influences Consolidated Operating Profit

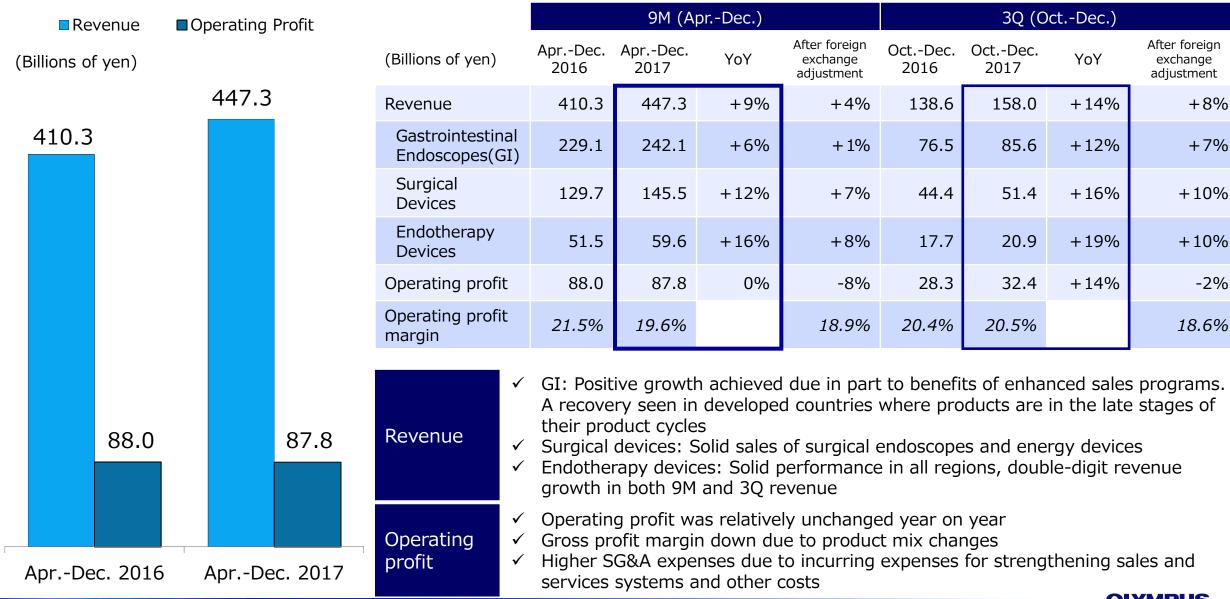


# 3Q of Fiscal 2018 (2) Results by Business Segment

- Medical: Record-breaking 9M and 3Q revenue in the Medical Business as it drives consolidated performance
- Scientific Solutions: Favorable growth trend and significant rise in operating profit continuing from first half result in 10% YoY increase in revenue
- Imaging: Nine-month operating profit secured due to increased mirrorless camera sales

			<u>9M (AprDec.)</u>				<u>3Q (O</u>	ctDec.)	
(Billions	of yen)	FY2017	FY2018	YoY	After foreign exchange adjustment	FY2017	FY2018	YoY	After foreign exchange adjustment
Medical	Revenue	410.3	447.3	+9%	+4%	138.6	158.0	+14%	+8%
Medical	Operating profit	88.0	87.8	0%	-8%	28.3	32.4	+14%	-2%
Scientific	Revenue	63.5	70.0	+10%	+5%	23.1	25.4	+10%	+4%
Solutions	Operating profit	1.9	3.5	+88%	+33%	2.1	2.3	+9%	-28%
Imaging	Revenue	46.8	47.3	+ 1%	-3%	18.3	16.7	-8%	-14%
Imaging	Operating profit	0.8	1.5	+77%	+38%	2.2	-0.1	-¥2.3 billion	-¥2.6 billion
Others	Revenue	11.2	7.5	-33%	-34%	3.1	2.5	-20%	-21%
Others	Operating profit	0.7	-2.8	-¥3.6 billion	-¥3.5 billion	3.0	-1.6	-¥4.6 billion	-¥4.6 billion
Elimination and	Revenue	-	-	-	-	-	-	-	-
corporate	Operating profit	-35.5	-30.2	+¥5.4 billion	+¥5.2 billion	-15.0	-10.5	+¥4.5 billion	+¥4.5 billion
Consolidated	Revenue	531.8	572.1	+8%	+3%	183.1	202.6	+11%	+5%
Total	Operating profit	56.0	59.8	+7%	-8%	20.5	22.4	+9%	-18%

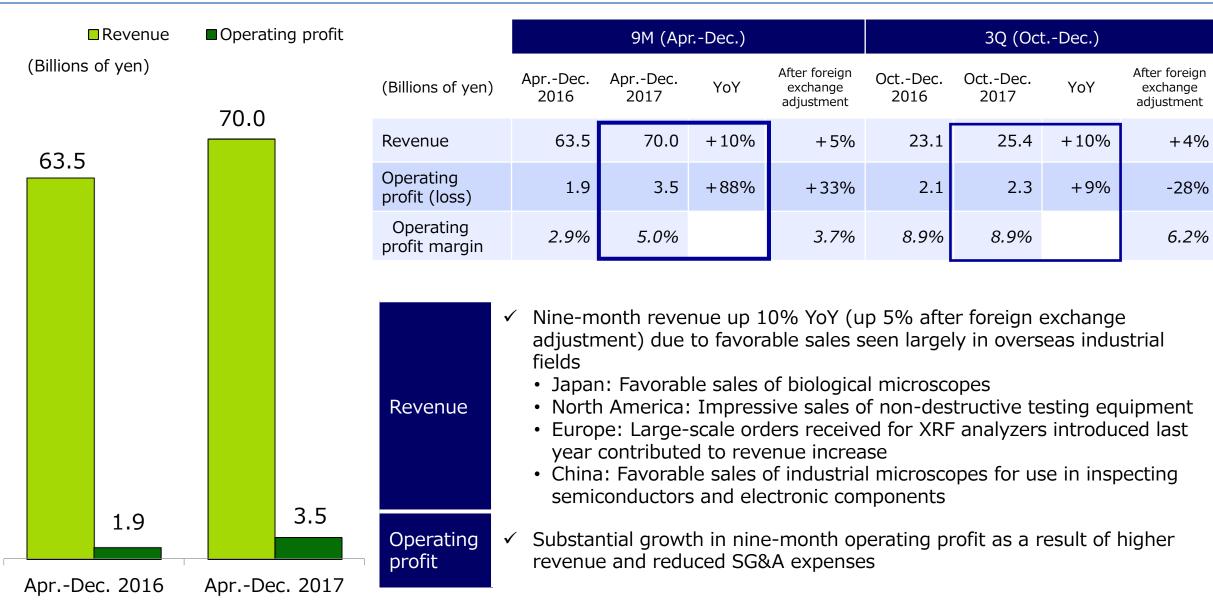
# 3Q of Fiscal 2018 (2) Medical Business



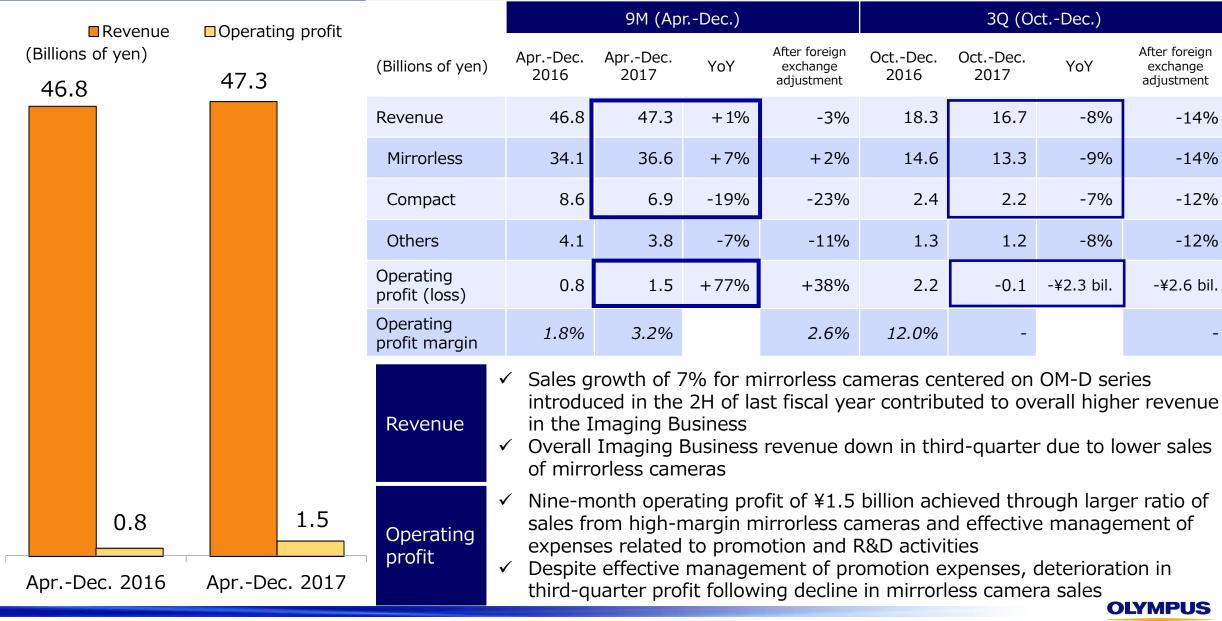
# 3Q of Fiscal 2018 (3) Medical Business

Field Region		Local currency basis growth rates FY2018				Conditions by field
i iciu	Region	1Q	2Q	3Q	9M	Conditions by field
GI Endoscopes	Japan North America Europe Asia/Oceania All Regions	-6% -1% -6% +13% 0%	+ 1% -4% -8% +4% -2%	+2% +2% +2% +21% +7%	-1% -1% -4% +12% +1%	2017 and maintenance service and other sales measures enhanced
Surgical Devices	Japan North America Europe Asia/Oceania All Regions	+3% -1% +6% +18% +4%	+6% 0% +14% +16% +7%	+14% +4% +16% +5% +10%	+7% +1% +12% +13% +7%	<ul> <li>Japan and Europe: Substantial growth fueled by benefits of new VISERA ELITE II and impressive energy device performance</li> <li>North America: Sales growth centered on our 4K surgical endoscopy system despite mainstay products being in late stages of their product cycles, new contracts concluded due to stepping up approach toward IDNs*         <ul> <li>* IDN: Integrated Delivery Network</li> </ul> </li> </ul>
Endotherapy Devices	Japan North America Europe Asia/Oceania All Regions	+8% +5% -1% +23% +7%	+9% +2% +3% +20% +8%	+9% +9% +5% +15% +10%	+9% +5% +2% +19% +8%	<ul> <li>Solid sales for products for ERCP* in all regions (particularly guidewires in the liver and pancreas field)</li> <li>Strong performance in Asia/Oceania centered on China         <ul> <li>* ERCP: Endoscopic Retrograde Cholangio Pancreatography</li> </ul> </li> </ul>

# 3Q of Fiscal 2018 (4) Scientific Solutions Business



# 3Q of Fiscal 2018 (5) Imaging Business



#### Statement of Financial Position

- Total equity: Higher retained earnings due to the recording of profit attributable to owners of parent of ¥48.0 billion
- Equity ratio: Rose to 45.6% as a result of higher retained earnings and reduced interest-bearing debt

(Billions of yen)	End Mar. 2017	End Dec. 2017	Change		End Mar. 2017	End Dec. 2017	Change
Current assets	505.7	517.6	+11.8	Current liabilities	286.5	297.4	+10.9
Inventories	125.3	147.1	+21.8	bonds/long-term loans payable	68.8	89.7	+20.9
Non-current assets	454.3	474.1	+19.8	Non-current liabilities	277.4	240.7	-36.7
Property, plant and equipment	159.7	170.5	+10.7	bonds/long-term loans payable	217.2	173.1	-44.1
Intangible assets	75.9	77.0	+1.1	Total equity	396.2	453.6	+57.3
Goodwill	95.6	103.3	+7.7	(Equity ratio)	41.1%	45.6%	+4.5pt
Total assets	960.0	991.6	+31.6	Total liabilities and equity	960.0	991.6	+31.6

Interest-bearing debt: ¥262.8 billion(-¥23.2 billion from March 31, 2017)

#### Consolidated Cash Flows

■ Free cash flow: Came to a positive ¥18.1 billion due to income from gain on sales of investment securities and land and buildings, which offset outflow of ¥8.7 billion related to the acquisition of ISM\*

#### 9M (Apr.-Dec.)

(Billions of yen)	FY2017	FY2018	Change
Revenue	531.8	572.1	+40.3
Operating profit	56.0	59.8	+3.8
(% of revenue)	10.5%	10.5%	0pt
CF from operating activities	71.7	60.2	-11.4
CF from investing activities	-46.0	-42.2	+3.8
Free cash Flow	25.6	18.1	-7.6
CF from financing activities	-24.4	-36.2	-11.8
Cash and cash equivalents at end of period	166.8	186.7	+19.9
Depreciation and amortization	39.7	39.6	-0.2
Capital expenditures	48.9	45.7	-3.3

# Forecast for Fiscal 2018



#### Forecasts of Consolidated Financial Results for Fiscal 2018

- No changes to full-year forecasts for consolidated revenue, operating profit, and profit before tax
- Upward revision of ¥3.0 billion to forecast for profit attributable to owners of parent in reflection of anticipated decrease in income taxes following the passing of tax reform legislation in the United States

(Billions of yen)		FY2018 (Forecasts announced in 2Q)	FY2018 (New forecasts)	Change	vs. forecasts announced in 2Q	vs. forecasts announced in 2Q after adjustment for FX influences	FY2017
Revenue		784.0	784.0	-	-	-1%	740.6
Gross profit	(% of revenue)	519.0 (66.2%)	520.0 (66.3%)	+1.0	0%	-1%	478.5 (64.6%)
Selling, general and ac expenses	lministrative (% of revenue)	428.0 (54.6%)	430.0 (54.8%)	+2.0	0%	0%	397.7 (53.7%)
Other income and expe	Other income and expenses, etc.		-4.0	+1.0	-	-	-9.6
Operating profit	(% of revenue)	86.0 (11.0%)	86.0 (11.0%)	-	-	-3%	71.2 (9.6%)
Profit before tax	(% of revenue)	79.0 (10.2%)	79.0 (10.2%)	-	-		62.5 (8.4%)
Profit attributable to ov	wners of parent (% of revenue)	60.0 (7.7%)	63.0 (8.0%)	+3.0	+5%		42.8 (5.8%)
EPS		¥175	¥184			Dividend Pay Fiscal 2	
¥/US\$		¥111	¥111		-	Year-end di	
¥/Euro		¥126	¥128	+¥2 (yen depreciation)		¥28 per share	(no change)  OLYMPUS

# Segment Forecasts for fiscal 2018

- Upward revision to forecast for Medical Business revenue due to anticipated depreciation of the yen in comparison with certain currencies (no changes to forecasts excluding foreign exchange influences)
- Downward revisions to forecasts for revenue and operating profit in the Imaging Business based on 9-month performance

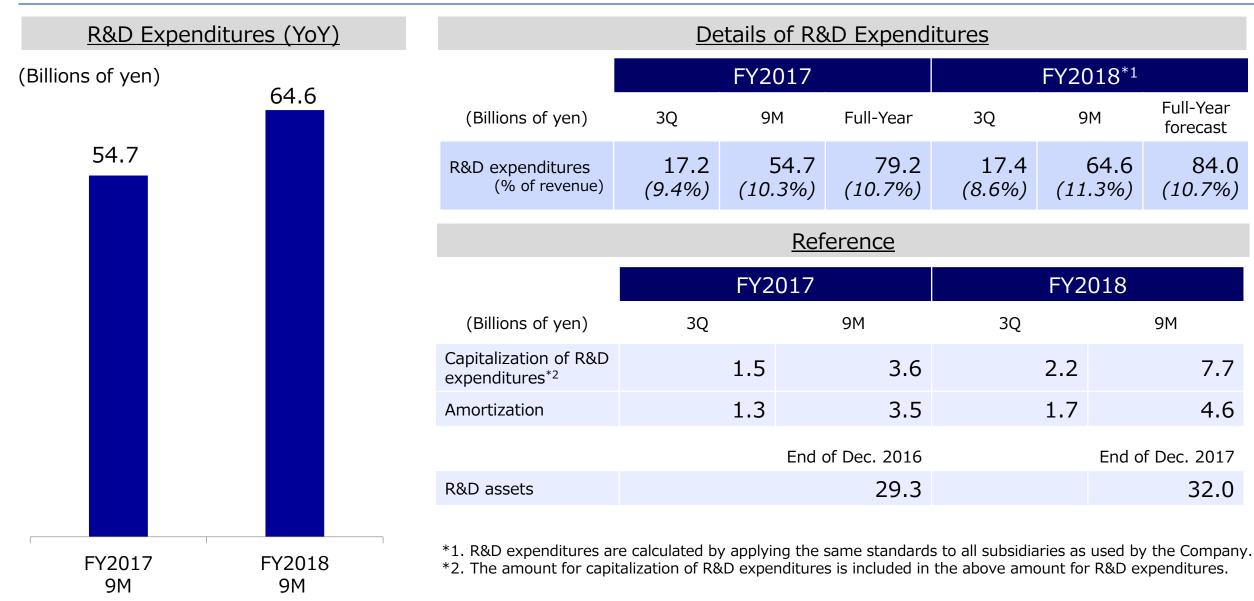
(Billior	ns of yen)	FY2018 (Forecasts announced in 2Q)	FY2018 (New forecasts)	Change	vs. forecasts announced in 2Q	vs. forecasts announced in 2Q after adjustment for FX influences	FY2017 Results	YoY	YoY (After foreign exchange adjustment)
Modical	Revenue	613.0	616.0	+3.0	0%	0%	570.4	+8%	+4%
Medical	Operating profit	130.0	130.0	-	-	-2%	114.7	+13%	+5%
Scientific	Revenue	97.0	97.0	-	-	-1%	93.4	+4%	0%
Solutions	Operating profit	6.0	6.0	-	-	-4%	5.9	+1%	-21%
Imaging	Revenue	65.0	62.0	-3.0	-5%	-5%	62.8	-1%	-5%
Imaging	Operating profit	2.0	1.0	-1.0	-50%	-56%	0.2	+553%	+66%
Othora	Revenue	9.0	9.0	-	-	0%	14.0	-36%	-37%
Others	Operating profit	-6.0	-6.0	-	-	-	-1.1	-	-
Elimination and	Revenue	-	-	-	-	-	-	-	-
corporate	Operating profit	-46.0	-45.0	+1.0	-	-	-48.5	-	-
Consolidated	Revenue	784.0	784.0	-	-	-1%	740.6	+6%	+2%
Total	Operating profit	86.0	86.0	-	-	-3%	71.2	+21%	+6%



# Appendix

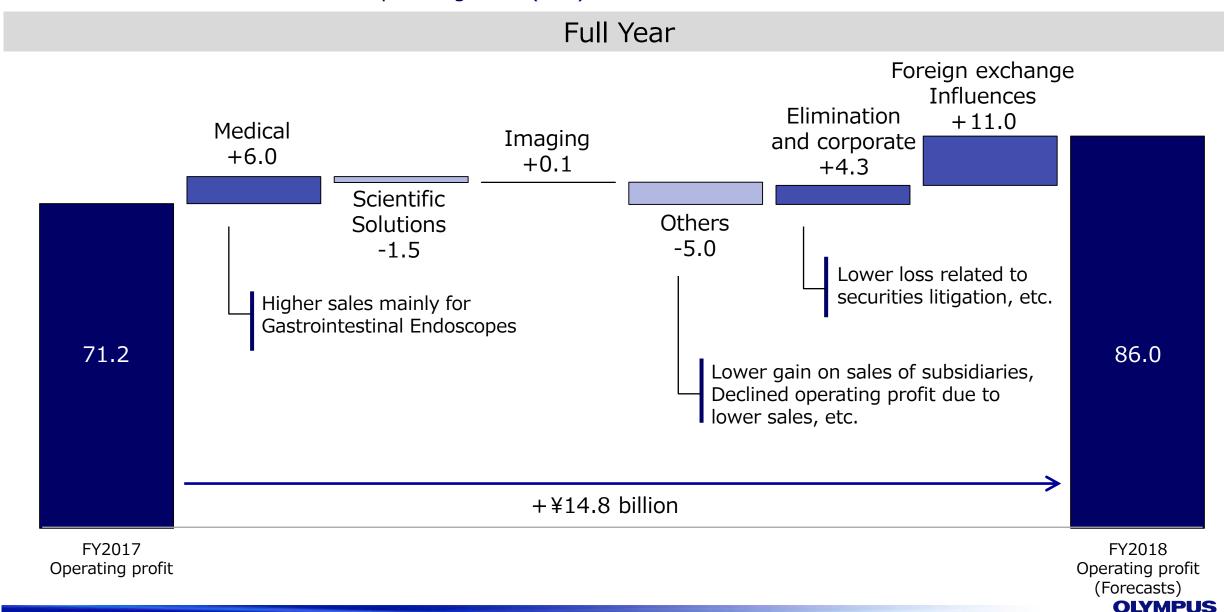


# [Supplementary Materials] R&D Expenditures



**OLYMPUS** 

(Supplementary Materials) Forecasts of Consolidated Financial Results for Fiscal 2018 (Full-year basis) Factors Influences Consolidated Operating Profit(YoY)

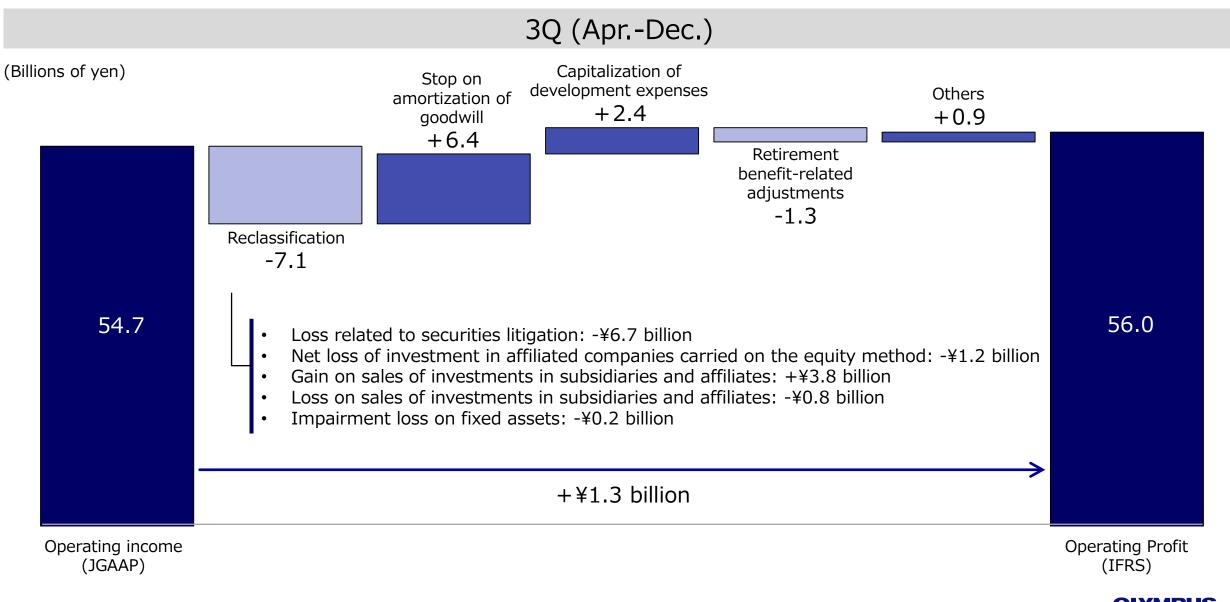


# [Supplementary Materials (JGAAP/IFRS)] FY2017 3Q Results (1) Consolidated

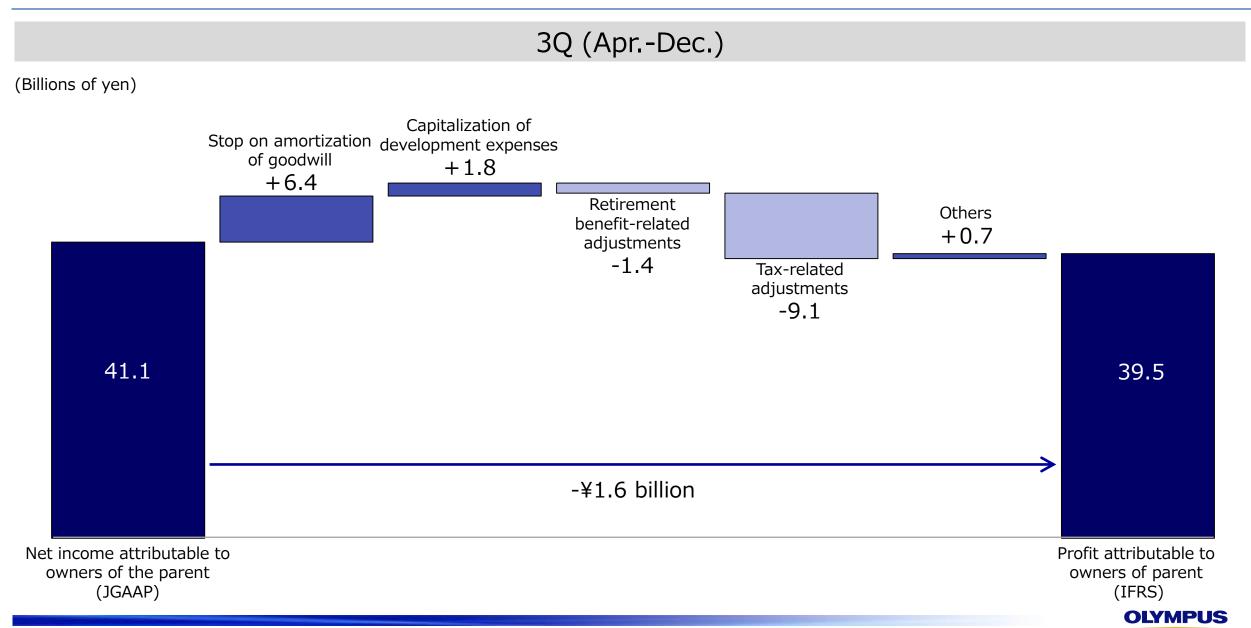
#### 3Q (Apr.-Dec.)

(Billions of yen)	FY2017 Results (JGAAP)	FY2017 Results (IFRS)	Change
Revenue (IFRS) / Net sales (JGAAP)	533.5	531.8	-1.7
Operating Profit (IFRS) / Operating income (JGAAP)	54.7	56.0	+1.2
Profit before tax (IFRS) / Income before provision for income taxes (JGAAP)	41.0	48.9	+8.0
Profit attributable to owners of parent (IFRS) / Net income attributable to owners of the parent (JGAAP)	41.1	39.5	-1.6

### [Supplementary Materials (JGAAP/IFRS)] FY2017 3Q Results (2) Factors Influencing OP



### 【Supplementary Materials (JGAAP/IFRS)】FY2017 3Q Results (3) Factors Influencing Profit



# [Supplementary Materials (JGAAP/IFRS)] FY2017 3Q Results (4) By segment

#### 3Q (Apr.-Dec.)

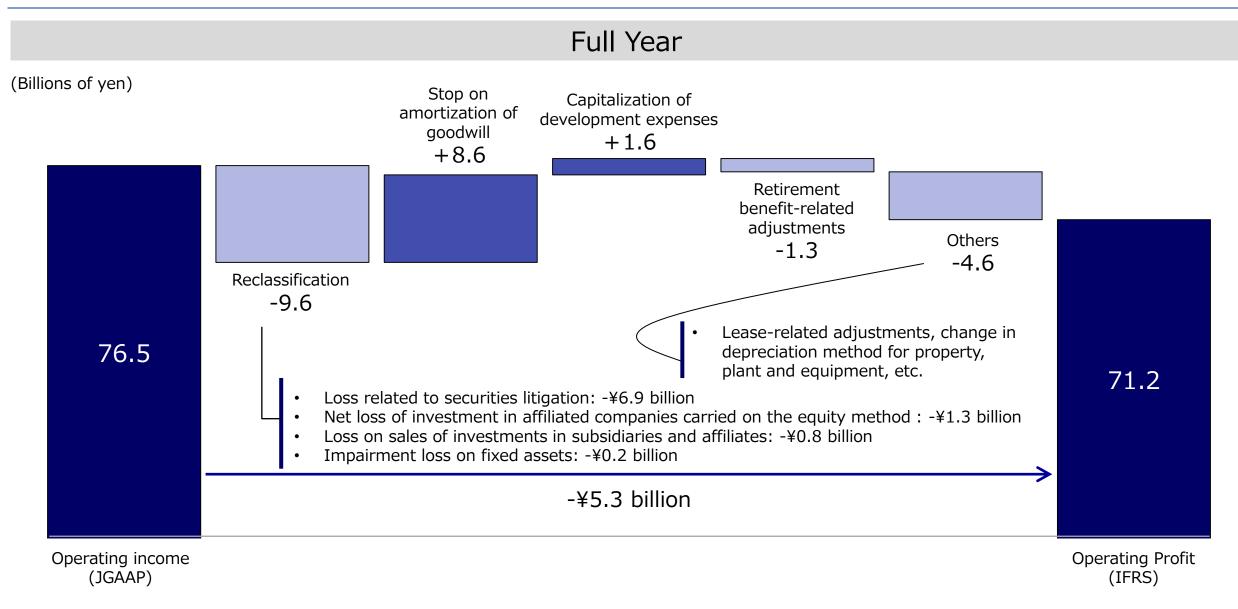
	(Billions of yen)	FY2017 Results (JGAAP)	FY2017 Results (IFRS)	Change
	Revenue (IFRS) / Net sales (JGAAP)	410.3	410.3	0.0
Medical	Operating Profit (IFRS) / Operating income (JGAAP)	82.8	88.0	+5.2
Scientific	Revenue (IFRS) / Net sales (JGAAP)	63.3	63.5	+0.2
Solutions	Operating Profit (IFRS) / Operating income (JGAAP)	1.3	1.9	+0.6
	Revenue (IFRS) / Net sales (JGAAP)	48.8	46.8	-2.0
Imaging	Operating Profit (IFRS) / Operating income (JGAAP)	0.7	0.8	+0.1
Out	Revenue (IFRS) / Net sales (JGAAP)	11.1	11.2	+0.1
Others	Operating Profit (IFRS) / Operating income (JGAAP)	-2.9	0.7	+3.6
Elimination and	Revenue (IFRS) / Net sales (JGAAP)	-	-	-
corporate	Operating Profit (IFRS) / Operating income (JGAAP)	-27.1	-35.3	-8.4
Consolidated	Revenue (IFRS) / Net sales (JGAAP)	533.5	531.8	-1.7
Total	Operating Profit (IFRS) / Operating income (JGAAP)	54.7	56.0	+1.3 <b>OLYMPUS</b>

# 【Supplementary Materials (JGAAP/IFRS)】FY2017 Full Year Results (1) Consolidated

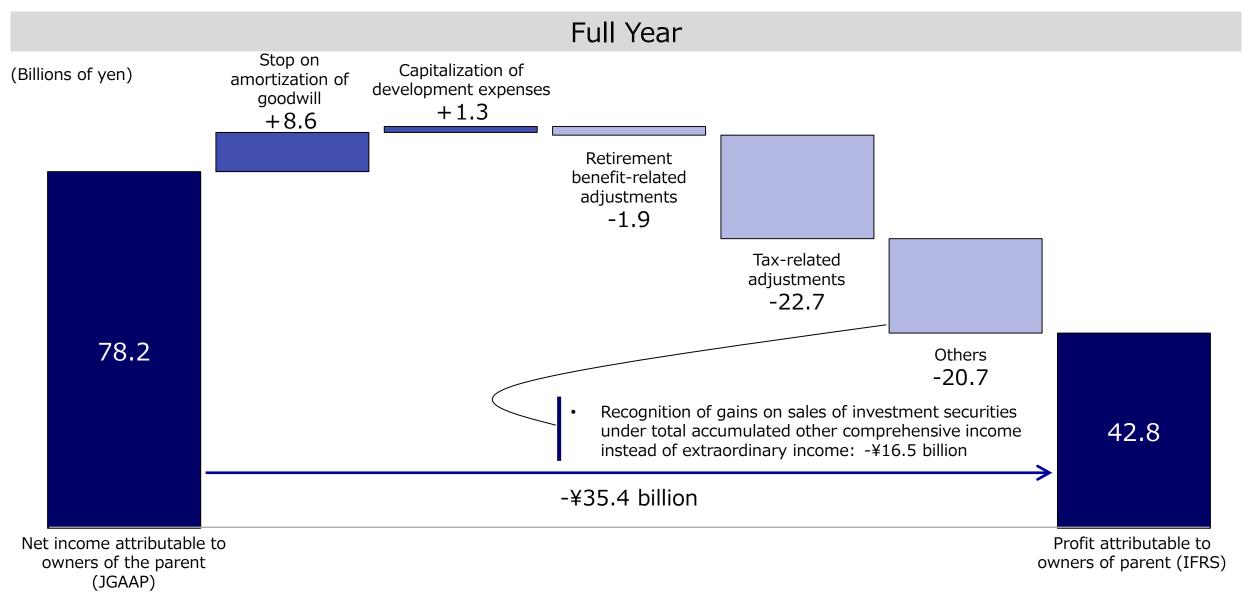
#### Full Year

(Billions of yen)	FY2017 Results (JGAAP)	FY2017 Results (IFRS)	Change
Revenue (IFRS) / Net sales (JGAAP)	748.1	740.6	-7.5
Operating Profit (IFRS) / Operating income (JGAAP)	76.5	71.2	-5.3
Profit before tax (IFRS) / Income before provision for income taxes (JGAAP)	81.7	62.5	-19.2
Profit attributable to owners of parent (IFRS) / Net income attributable to owners of the parent (JGAAP)	78.2	42.8	-35.4

#### [Supplementary Materials (JGAAP/IFRS)] FY2017 Full Year Results (2) Factors Influencing Operating Profit



#### [Supplementary Materials (JGAAP/IFRS)] FY2017 Full Year Results (3) Factors Influencing Profit



# [Supplementary Materials (JGAAP/IFRS)] FY2017 Full Year Results (4) By segment

#### Full Year

	(Billions of yen)	FY2017 Results (JGAAP)	FY2017 Results (IFRS)	Change
N. 11. 1	Revenue (IFRS) / Net sales (JGAAP)	575.3	570.4	-4.9
Medical	Operating Profit (IFRS) / Operating income (JGAAP)	115.5	114.7	-0.8
Scientific	Revenue (IFRS) / Net sales (JGAAP)	93.2	93.4	+0.2
Solutions	Operating Profit (IFRS) / Operating income (JGAAP)	5.3	5.9	+0.6
	Revenue (IFRS) / Net sales (JGAAP)	65.6	62.8	-2.8
Imaging	Operating Profit (IFRS) / Operating income (JGAAP)	0.5	0.2	-0.3
011	Revenue (IFRS) / Net sales (JGAAP)	14.0	14.0	0
Others	Operating Profit (IFRS) / Operating income (JGAAP)	-4.6	-1.1	+3.5
Elimination and	Revenue (IFRS) / Net sales (JGAAP)	-	-	-
corporate	Operating Profit (IFRS) / Operating income (JGAAP)	-40.2	-48.5	-8.3
Consolidated	Revenue (IFRS) / Net sales (JGAAP)	748.1	740.6	-7.5
Total	Operating Profit (IFRS) / Operating income (JGAAP)	765	71.2	-5.3 <b>OLYMPUS</b>