

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2021 <under IFRS>



August 5, 2020

Company Name: Olympus Corporation
 Code Number: 7733
 (URL: <https://www.olympus.co.jp/>)
 Stock Exchange Listing: First Section of Tokyo Stock Exchange
 Representative: Yasuo Takeuchi, Director, Representative Executive Officer, President and CEO
 Contact: Takayuki Aoyagi, Vice President, Accounting Department
 Phone: 03-3340-2111
 Scheduled date to submit the Quarterly Securities Report: August 5, 2020
 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 Three Months of the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to June 30, 2020)

(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)	%
Three months ended								
June 30, 2020	142,403	(21.7)	1,190	(91.9)	209	(98.5)	(2,732)	–
June 30, 2019	181,885	0.7	14,736	–	13,607	–	8,643	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	(¥ million)	%	(¥ million)	%	(¥)	(¥)
Three months ended						
June 30, 2020	(2,736)	–	(9,840)	–	(2.13)	(2.13)
June 30, 2019	8,637	–	(773)	–	6.32	6.32

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	(¥ million)	(¥ million)	(¥ million)	%
As of				
June 30, 2020	1,099,081	361,955	360,910	32.8
March 31, 2020	1,015,663	371,958	370,747	36.5

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2020	–	–	–	10.00	10.00
Fiscal year ending March 31, 2021	–	–	–	–	–
Fiscal year ending March 31, 2021 (Forecast)	–	–	–	–	–

Notes: 1. Revisions of the forecast most recently announced: No

2. The forecast dividend for the fiscal year ending March 31, 2021 is yet to be determined due to the difficulties of making a reasonable calculation of the forecast of financial results at the current point in time because of the impact of the spread of novel coronavirus disease (COVID-19).

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

The forecast of consolidated financial results for the fiscal year ending March 31, 2021 had not been determined at the current point in time due to the difficulties of making a reasonable calculation because of the impact of COVID-19. We intend to promptly disclose such information when the forecast of consolidated financial results can be calculated.

* Notes

- (1) Changes in significant subsidiaries during the three 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 stock)

- 1) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2020	1,370,914,963 shares
As of March 31, 2020	1,370,914,963 shares

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

As of June 30, 2020	85,328,967 shares
As of March 31, 2020	85,329,780 shares

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

Three months ended June 30, 2020	1,285,578,396 shares
Three months ended June 30, 2019	1,365,683,992 shares

* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.

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

(Caution concerning forward-looking statements)

The forward-looking statements contained in these materials are based on information currently available as of the date of release of these materials and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors.

Attached Material
Contents

- 1. Qualitative Information Regarding Settlement of Accounts for the Three Months 2
 - (1) Explanation of Results of Operations..... 2
 - (2) Financial Position..... 4
 - (3) Cash Flows 5
 - (4) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements..... 5

- 2. Condensed Consolidated Financial Statements and Significant Notes Thereto 6
 - (1) Condensed Consolidated Statements of Financial Position..... 6
 - (2) Condensed Consolidated Statements of Profit or Loss 8
 - (3) Condensed Consolidated Statements of Comprehensive Income 9
 - (4) Condensed Consolidated Statements of Changes in Equity 10
 - (5) Condensed Consolidated Statements of Cash Flows..... 11
 - (6) Notes to Condensed Consolidated Financial Statements 13
 - (Notes on premise of going concern) 13
 - (Reporting entity) 13
 - (Basis of preparation) 13
 - (Significant accounting policies)..... 13
 - (Significant accounting estimates and associated judgments)..... 13
 - (Segment information) 14

1. Qualitative Information Regarding Settlement of Accounts for the Three Months**(1) Explanation of Results of Operations****Overall**

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	181,885	142,403	(39,482)	(21.7)
Operating profit (loss)	14,736	1,190	(13,546)	(91.9)
Profit (loss) attributable to owners of parent	8,637	(2,736)	(11,373)	–
Exchange rate (Yen/U.S. dollar)	109.90	107.62	(2.28)	–
Exchange rate (Yen/Euro)	123.49	118.48	(5.01)	–
Exchange rate (Yen/Renminbi)	16.07	15.17	(0.90)	–

While economic activities are gradually reopening after shutdowns due to the global spread of COVID-19, the global economy faced extremely challenging conditions in the three months ended June 30, 2020. The Japanese economy also faces similar challenging conditions as the global economy as corporate earnings continue to deteriorate due to COVID-19.

Under such circumstances, the Olympus Group announced its business transformation plan “Transform Olympus” in January 2019, aiming to develop itself as a truly global medtech company, and a medium- and long-term management strategy based on “Transform Olympus.” The management strategy indicates the long-term direction of the Company, and we are promoting initiatives toward sustainable growth.

The Olympus Group’s overall revenue for the three months ended June 30, 2020 decreased to ¥142,403 million (down 21.7% year on year) due to the decline in revenue in all our businesses due to factors such as limits on sales promotion activities because of COVID-19. Regarding operating profit (loss), we recorded ¥1,190 million (down 91.9% year on year), due to decreased revenue in all our businesses, despite a reduction in selling, general and administrative expenses. Moreover, despite a decrease of finance costs, loss attributable to owners of parent totaled ¥2,736 million (compared with profit attributable to owners of parent of ¥8,637 million in the same period of the previous fiscal year) due to the recording of income taxes.

Furthermore, we have recognized an impact on the Company’s consolidated results in the three months ended June 30, 2020 due to COVID-19 of approximately ¥34,000 million in revenue and approximately ¥11,000 million in operating profit.

Regarding foreign exchange, the yen appreciated against the U.S. dollar, the euro and the renminbi compared to the previous fiscal year. The average exchange rate during the period was ¥107.62 against the U.S. dollar (¥109.90 in the same period of the previous fiscal year), ¥118.48 against the euro (¥123.49 in the same period of the previous fiscal year) and ¥15.17 against the renminbi (¥16.07 in the same period of the previous fiscal year) which caused revenue and operating profit to down by ¥5,381 million and ¥1,732 million, respectively, year on year.

Endoscopic Solutions Business

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	95,410	79,198	(16,212)	(17.0)
Operating profit (loss)	21,918	14,631	(7,287)	(33.2)

Consolidated revenue in the Endoscopic Solutions Business amounted to ¥79,198 million (down 17.0% year on year), while operating profit amounted to ¥14,631 million (down 33.2% year on year).

In April 2020, in Europe and Asian, we introduced the new flagship endoscopic system "EVIS X1", but due to the impact of the COVID-19, postponement or discontinuation of gastrointestinal endoscopy was recommended by each academic society, the number of procedures decreased, and there were restrictions on sales promotion activities such as restriction of visits to medical institutions or postponement/cancellation of business negotiations. As a result, revenue in the Endoscopic Solutions Business declined.

Operating profit in the Endoscopic Solutions Business decreased mainly due to lower sales as a result of the pandemic despite the progress in cost efficiency.

Therapeutic Solutions Business

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	52,056	38,100	(13,956)	(26.8)
Operating profit (loss)	5,676	1,449	(4,227)	(74.5)

Consolidated revenue in the Therapeutic Solutions Business amounted to ¥38,100 million (down 26.8% year on year), while operating profit amounted to ¥1,449 million (down 74.5% year on year).

Due to the impact of the COVID-19, postponement of surgery and procedures was recommended by each academic society, the number of procedures decreased, and there were restrictions on sales promotion activities such as restriction of visits to medical institutions or postponement/cancellation of business negotiations. As a result, revenue in the Therapeutic Solutions Business declined.

Operating profit in the Therapeutic Solutions Business decreased mainly due to lower sales as a result of the pandemic despite the progress in cost efficiency.

Scientific Solutions Business

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	22,613	17,757	(4,856)	(21.5)
Operating profit (loss)	1,644	(1,604)	(3,248)	—

Consolidated revenue in the Scientific Solutions Business amounted to ¥17,757 million (down 21.5% year on year), while operating loss amounted to ¥1,604 million (compared with an operating profit of ¥1,644 million in the same period of the previous fiscal year).

The electrical component and semiconductor markets in China have been on a recovery trend. However, overall, in addition to a reduced desire for capital investment in the aviation and automotive industries, restrictions on sales promotion activities including restrictions on visits to clients and delays and cancellations of business negotiations due to COVID-19 led to decreased sales in the Scientific Solutions Business.

Operating profit in the Scientific Solutions Business decreased mainly due to lower sales as a result of the pandemic despite the progress in cost efficiency.

Imaging Business

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	10,189	6,024	(4,165)	(40.9)
Operating profit (loss)	(2,341)	(2,746)	(405)	–

Consolidated revenue in the Imaging Business amounted to ¥6,024 million (down 40.9% year on year), while operating loss amounted to ¥2,746 million (compared with an operating loss of ¥2,341 million in the same period of the previous fiscal year).

A harsh operating environment due to the rise of smartphones, etc. in addition to a decrease in customers at physical stores because of the impact of COVID-19 led to a decline in revenue in the Imaging Business.

Operating loss in the Imaging Business expanded mainly due to the decrease in revenue, despite the advancement of improved cost-effectiveness.

Others

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	1,617	1,324	(293)	(18.1)
Operating profit (loss)	(646)	(438)	208	–

Consolidated revenue in other businesses amounted to ¥1,324 million (down 18.1% year on year), while operating loss amounted to ¥438 million (compared with an operating loss of ¥646 million in the same period of the previous fiscal year).

Due to the impact of COVID-19, revenue decreased in the animal-related business and the imaging component business following restrictions on sales promotions activities.

Operating profit (loss) in other businesses improved due to cost reductions following the completion of some development themes in the imaging component business.

(2) Financial Position

As of the end of the first quarter under review, total assets increased by ¥83,418 million compared to the end of the previous fiscal year to ¥1,099,081 million. This is primarily because cash and cash equivalents increased ¥108,012 million and inventories increased ¥15,722 million, despite trade and other receivables decreasing ¥31,060 million and retirement benefit asset decreasing ¥13,848 million as a result of the impact of implementing a pension buy-in for the primary pension plan for the Olympus Group's subsidiaries located in the U.K. in the three months ended June 30, 2020. Due to the pension buy-in, a portion of plan assets held have been contributed to the insurance company, and the Olympus Group concluded an insurance agreement with the insurance company that ensures the receipt of an amount of money equivalent to pension benefits for pensioners in the future.

Total liabilities increased in comparison to the end of the previous fiscal year by ¥93,421 million to ¥737,126 million. This is primarily because of a ¥30,926 million increase in bonds and borrowings in current liabilities in addition to a ¥84,079 million increase in bonds and borrowings in non-current liabilities due to the impact of financing through long-term borrowings in order to secure on-hand liquidity in light of the impact of COVID-19 on business results, despite a ¥11,687 million decrease in trade and other payables.

Total equity decreased in comparison to the end of the previous fiscal year by ¥10,003 million to ¥361,955 million. This is primarily because of a ¥11,348 million decrease in retained earnings due to the recording of loss attributable to owners of parent and the impact of implementing a pension buy-in for the primary pension plan for the Olympus Group's subsidiaries located in the U.K. in the three months ended June 30, 2020.

As a result of the foregoing, equity attributable to owners of parent to total assets decreased from 36.5% as of the end of the previous fiscal year to 32.8%.

(3) Cash Flows

Cash and cash equivalents at the end of the first quarter under review reached ¥270,671 million, an increase of ¥107,954 million compared to the end of the previous fiscal year. The following is the cash flows for the three months ended June 30, 2020.

Cash flows from operating activities

Net cash provided by operating activities for the three months ended June 30, 2020 was ¥8,388 million (compared with ¥28,406 million provided for the three months ended June 30, 2019). The main sources of cash included an adjustment for noncash items of ¥15,378 million in depreciation and amortization, and a decrease in trade and other receivables of ¥31,566 million. The main uses of cash included ¥15,196 million increase in inventories, ¥10,092 million decrease in trade and other payables, and ¥5,786 million of income taxes paid.

Cash flows from investing activities

Net cash used in investing activities for the three months ended June 30, 2020 was ¥12,291 million (compared with ¥15,513 million used for the three months ended June 30, 2019). The main uses of cash included ¥8,569 million in purchase of property, plant and equipment and ¥4,068 million in purchase of intangible assets.

Cash flows from financing activities

Net cash provided by financing activities for the three months ended June 30, 2020 was ¥111,818 million (compared with ¥11,285 million used for the three months ended June 30, 2019). Increasing factors mainly included ¥16,128 million in increase in short-term borrowings and commercial papers and ¥99,180 million in proceeds from long-term borrowings. Regarding proceeds from long-term borrowings, this was because financing was carried out through long-term borrowings in order to secure on-hand liquidity in light of the impact of COVID-19 on business results.

(4) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements

The forecast of consolidated financial results for the fiscal year ending March 31, 2021 has not been determined at the current point in time due to the difficulties of making a reasonable calculation because of continuing uncertainties regarding when the COVID-19 crisis will be over, the responses of each country and region, market trends and economic trends that will be affected by those impacts, and because there have fundamentally been no changes to those factors since the submission of the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2020” on May 29, 2020. We intend to promptly disclose such information when the forecast of consolidated financial results is able to be calculated.

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

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
ASSETS		
Current assets		
Cash and cash equivalents	162,494	270,506
Trade and other receivables	143,062	112,002
Other financial assets	3,424	2,369
Inventories	167,596	183,318
Income taxes receivable	3,521	4,405
Other current assets	20,336	25,700
Subtotal	500,433	598,300
Assets held for sale	6,274	6,100
Total current assets	506,707	604,400
Non-current assets		
Property, plant and equipment	202,134	201,297
Goodwill	98,328	97,373
Intangible assets	74,792	75,120
Retirement benefit asset	31,111	17,263
Investments accounted for using equity method	2,267	2,244
Trade and other receivables	19,685	19,592
Other financial assets	27,266	29,962
Deferred tax assets	51,156	49,753
Other non-current assets	2,217	2,077
Total non-current assets	508,956	494,681
Total assets	1,015,663	1,099,081

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	59,557	47,870
Bonds and borrowings	81,018	111,944
Other financial liabilities	20,188	21,980
Income taxes payable	11,276	8,629
Provisions	20,598	21,982
Other current liabilities	136,912	127,912
Subtotal	329,549	340,317
Liabilities directly associated with assets held for sale	4,221	4,093
Total current liabilities	333,770	344,410
Non-current liabilities		
Bonds and borrowings	199,897	283,976
Other financial liabilities	30,733	32,119
Retirement benefit liability	49,607	50,120
Provisions	7,281	6,764
Deferred tax liabilities	13,147	8,469
Other non-current liabilities	9,270	11,268
Total non-current liabilities	309,935	392,716
Total liabilities	643,705	737,126
Equity		
Share capital	124,643	124,643
Capital surplus	91,157	91,140
Treasury shares	(98,135)	(98,111)
Other components of equity	(22,751)	(21,247)
Retained earnings	275,833	264,485
Total equity attributable to owners of parent	370,747	360,910
Non-controlling interests	1,211	1,045
Total equity	371,958	361,955
Total liabilities and equity	1,015,663	1,099,081

(2) Condensed Consolidated Statements of Profit or Loss

	(Millions of yen)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Revenue	181,885	142,403
Cost of sales	65,175	55,149
Gross profit	116,710	87,254
Selling, general and administrative expenses	101,074	84,634
Share of profit (loss) of investments accounted for using equity method	92	28
Other income	336	917
Other expenses	1,328	2,375
Operating profit	14,736	1,190
Finance income	528	344
Finance costs	1,657	1,325
Profit before tax	13,607	209
Income taxes	4,964	2,941
Profit (loss)	8,643	(2,732)
Profit (loss) attributable to:		
Owners of parent	8,637	(2,736)
Non-controlling interests	6	4
Profit (loss)	8,643	(2,732)
Earnings per share		
Basic earnings (loss) per share	¥6.32	¥(2.13)
Diluted earnings (loss) per share	¥6.32	¥(2.13)

(3) Condensed Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit (loss)	8,643	(2,732)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(371)	1,754
Remeasurements of defined benefit plans	(381)	(8,612)
Total of items that will not be reclassified to profit or loss	(752)	(6,858)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(8,762)	(295)
Cash flow hedges	98	65
Share of other comprehensive income of associates accounted for using equity method	–	(20)
Total of items that may be reclassified to profit or loss	(8,664)	(250)
Total other comprehensive income	(9,416)	(7,108)
Comprehensive income	(773)	(9,840)
Comprehensive income attributable to:		
Owners of parent	(779)	(9,844)
Non-controlling interests	6	4
Comprehensive income	(773)	(9,840)

(4) Condensed Consolidated Statements of Changes in Equity

Three months ended June 30, 2019

(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, 2019	124,606	91,310	(4,764)	(8,234)	238,275	441,193	1,194	442,387
Profit					8,637	8,637	6	8,643
Other comprehensive income				(9,416)		(9,416)		(9,416)
Comprehensive income	–	–	–	(9,416)	8,637	(779)	6	(773)
Purchase of treasury shares			(1)			(1)		(1)
Disposal of treasury shares		(2)	2			0		0
Dividends from surplus					(10,243)	(10,243)	(125)	(10,368)
Transfer from other components of equity to retained earnings				381	(381)	–		–
Share-based payment transactions		(56)				(56)		(56)
Equity transactions with non-controlling interests		(158)				(158)	158	–
Total transactions with owners	–	(216)	1	381	(10,624)	(10,458)	33	(10,425)
Balance at June 30, 2019	124,606	91,094	(4,763)	(17,269)	236,288	429,956	1,233	431,189

Three months ended June 30, 2020

(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, 2020	124,643	91,157	(98,135)	(22,751)	275,833	370,747	1,211	371,958
Loss					(2,736)	(2,736)	4	(2,732)
Other comprehensive income				(7,108)		(7,108)		(7,108)
Comprehensive income	–	–	–	(7,108)	(2,736)	(9,844)	4	(9,840)
Disposal of treasury shares		(24)	24			0		0
Dividends from surplus						–	(170)	(170)
Transfer from other components of equity to retained earnings				8,612	(8,612)	–		–
Share-based payment transactions		7				7		7
Total transactions with owners	–	(17)	24	8,612	(8,612)	7	(170)	(163)
Balance at June 30, 2020	124,643	91,140	(98,111)	(21,247)	264,485	360,910	1,045	361,955

(5) Condensed Consolidated Statements of Cash Flows

	(Millions of yen)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from operating activities		
Profit before tax	13,607	209
Depreciation and amortization	17,427	15,378
Interest and dividend income	(520)	(350)
Interest expenses	1,031	987
Share of loss (profit) of investments accounted for using equity method	(92)	(28)
Decrease (increase) in trade and other receivables	17,770	31,566
Decrease (increase) in inventories	(10,829)	(15,196)
Increase (decrease) in trade and other payables	(3,976)	(10,092)
Increase (decrease) in retirement benefit liability	166	762
Decrease (increase) in retirement benefit asset	1,203	928
Other	(1,428)	(9,491)
Subtotal	34,359	14,673
Interest received	280	171
Dividends received	240	179
Interest paid	(1,033)	(849)
Income taxes paid	(5,440)	(5,786)
Net cash provided by operating activities	28,406	8,388
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,004)	(8,569)
Proceeds from sale of property, plant and equipment	60	108
Purchase of intangible assets	(4,339)	(4,068)
Payments for acquisition of business	(220)	-
Other	(10)	238
Net cash used in investing activities	(15,513)	(12,291)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	29,446	16,128
Repayments of lease liabilities	(3,334)	(4,004)
Proceeds from long-term borrowings	–	99,180
Repayments of long-term borrowings	(28,000)	–
Dividends paid	(10,243)	–
Dividends paid to non-controlling interests	(125)	(170)
Other	971	684
Net cash used in financing activities	(11,285)	111,818
Effect of exchange rate changes on cash and cash equivalents	(2,426)	39
Net increase (decrease) in cash and cash equivalents	(818)	107,954
Cash and cash equivalents at beginning of period	114,563	162,717
Cash and cash equivalents at end of period	113,745	270,671

(6) Notes to Condensed Consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Reporting entity)

Olympus Corporation (hereinafter, the “Company”) is a joint stock company located in Japan. The address of its registered head office is Hachioji-shi, Tokyo. The Company’s condensed consolidated financial statements comprise the Company and its subsidiaries (hereinafter, the “Olympus Group”) and interests in the Company’s associates.

The Olympus Group is principally engaged in the manufacture and sales of endoscopic, therapeutic and scientific, imaging and other products. Details of each business are as described in Note “Segment information.”

(Basis of preparation)

(1) Statement of the condensed consolidated financial statements’ compliance with IFRS

The condensed consolidated financial statements of the Olympus Group have been prepared in accordance with IAS 34. Since the requirements for “Specified Company of Designated International Accounting Standards” set forth in Article 1-2 of the “Regulation on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” are satisfied, the Olympus Group adopts the provisions of Article 93 of the same Regulation. The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be used in conjunction with the Olympus Group’s annual consolidated financial statements as of March 31, 2019.

These condensed consolidated financial statements were approved by Director, Representative Executive Officer, President and CEO Yasuo Takeuchi, and Executive Officer and CFO Chikashi Takeda on August 5, 2020.

(2) Basis of measurement

The Olympus Group’s condensed consolidated financial statements have been prepared on an acquisition cost basis, except for specific financial instruments measured at fair value.

(3) Functional currency and presentation currency

The Olympus Group’s condensed consolidated financial statements are presented in Japanese yen, which is also the Company’s functional currency, and figures are rounded off to the nearest million yen.

(Significant accounting policies)

The significant accounting policies adopted for the condensed consolidated financial statements of the Olympus Group for the three months ended June 30, 2020 are the same as those applied for the fiscal year ended March 31, 2020.

(Significant accounting estimates and associated judgments)

In preparing IFRS-based consolidated financial statements, the management is required to make judgment, estimates and assumptions that affect the adoption of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and the effect is recognized in the period in which the estimates are revised and in future periods.

The details of significant accounting estimates and associated judgments in the condensed consolidated financial statements are unchanged from the contents described in the consolidated financial statements for the previous fiscal year.

Furthermore, as described in the consolidated financial statements for the previous fiscal year, the effects of the spread of COVID-19 differ by region, but overall, are expected to gradually disappear from the third quarter of the current consolidated fiscal year. We have assumed that the Company’s sales activities will also begin to normalize at that point, and there have been no changes to that assumption.

(Segment information)

(1) Overview of reportable segments

The reportable segments of the Olympus Group are the units for which separate financial information is available and according to which reporting is periodically conducted to decide how to allocate management resources and assess business performance.

The Olympus Group has five basic segments: Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, Imaging Business, and Others. The Olympus Group has established comprehensive strategies and engages in business activities for the products and services it handles both in Japan and overseas.

Accordingly, the Olympus Group has the abovementioned five businesses as reportable segments.

The principal products and services of each reportable segment are as follows.

Reportable Segment	Principal products and services
Endoscopic Solutions Business	Gastrointestinal endoscopes, surgical endoscopes, endoscopy systems, repair service
Therapeutic Solutions Business	Endo-therapy devices, energy devices, urology, gynecology and ENT products
Scientific Solutions Business	Biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment
Imaging Business	Digital cameras, voice recorders
Others	Biomedical materials

(2) Revenue and business results for reportable segments

Revenue and business results of each reportable segment of the Olympus Group are as follows. The accounting method used for reportable segments is the same as the accounting policies of the Olympus Group that are described in “Significant accounting policies.”

Three months ended June 30, 2019

	Reportable Segment						Adjustment (Note 2)	Amount on condensed consolidated financial statements
	Endoscopic	Therapeutic	Scientific	Imaging	Others	Total		
Revenue								
Revenue from outside customers	95,410	52,056	22,613	10,189	1,617	181,885	–	181,885
Revenue among segments (Note 1)	–	–	20	–	97	117	(117)	–
Total revenue	95,410	52,056	22,633	10,189	1,714	182,002	(117)	181,885
Operating profit (loss)	21,918	5,676	1,644	(2,341)	(646)	26,251	(11,515)	14,736
Finance income								528
Finance costs								1,657
Profit before tax								13,607
Other items								
Share of profit (loss) of investments accounted for using equity method	117	(25)	–	–	–	92	–	92
Depreciation and amortization	8,507	4,581	1,782	413	171	15,454	1,973	17,427
Impairment losses (non-financial assets)	–	–	–	545	–	545	–	545

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.

Three months ended June 30, 2020

	Reportable Segment						Adjustment (Note 2)	Amount on condensed consolidated financial statements
	Endoscopic	Therapeutic	Scientific	Imaging	Others	Total		
Revenue								
Revenue from outside customers	79,198	38,100	17,757	6,024	1,324	142,403	–	142,403
Revenue among segments (Note 1)	–	–	0	1	30	31	(31)	–
Total revenue	79,198	38,100	17,757	6,025	1,354	142,434	(31)	142,403
Operating profit (loss)	14,631	1,449	(1,604)	(2,746)	(438)	11,292	(10,102)	1,190
Finance income								344
Finance costs								1,325
Profit before tax								209
Other items								
Share of profit (loss) of investments accounted for using equity method	30	(2)	–	–	–	28	–	28
Depreciation and amortization	8,361	3,081	1,699	237	145	13,523	1,855	15,378
Impairment losses (non-financial assets)	–	–	–	209	–	209	–	209

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.