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Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2020 <under IFRS>



November 6, 2019

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
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 Scheduled date to submit the Quarterly Securities Report: November 6, 2019
 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 Six Months of the Fiscal Year Ending March 31, 2020 (From April 1, 2019 to September 30, 2019)

(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)	%
Six months ended								
September 30, 2019	389,189	1.9	50,937	1,606.4	48,569	—	36,064	—
September 30, 2018	381,849	3.4	2,985	(92.0)	(2,781)	—	(5,555)	—

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share		Diluted earnings per share	
	(¥ million)	%	(¥ million)	%	(¥)	(¥)	(¥)	(¥)
Six months ended								
September 30, 2019	36,063	—	24,226	201.1	26.93	26.92	26.92	26.92
September 30, 2018	(5,494)	—	8,045	(81.7)	(4.02)	(4.02)	(4.02)	(4.02)

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The stock split is reflected in the amounts of “basic earnings per share” and “diluted earnings per share.”

(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				
September 30, 2019	961,871	362,851	361,624	37.6
March 31, 2019	932,030	442,387	441,193	47.3

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2019	—	0.00	—	30.00	30.00
Fiscal year ending March 31, 2020	—	0.00			
Fiscal year ending March 31, 2020 (Forecast)			—	10.00	10.00

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

2. On April 1, 2019, the Company conducted a four-for-one stock split of common stock. For the fiscal year ended March 31, 2019, the actual amounts of dividends prior to the stock split are presented. The stock split is reflected in the dividend for the fiscal year ending March 31, 2020 (forecast). (Reference) Without reflecting the stock split, the annual dividend per share for the fiscal year ending March 31, 2020 (forecast) would be ¥40.00.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

(% 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	800,000	0.8	90,000	218.2	86,000	327.5	63,000	673.3	47.05

Note: Revisions of the forecast most recently announced: No

* Notes

(1) Changes in significant subsidiaries during the six 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: Yes
- 2) Changes in accounting policies due to other reasons: No
- 3) Changes in accounting estimates: No

Note: For details, please see “2. Condensed Consolidated Financial Statements and Significant Notes Thereto (6) Notes to Condensed Consolidated Financial Statements (Significant accounting policies)” on page 13 of the Consolidated Financial Results (Attached Material).

(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 September 30, 2019	1,370,914,963 shares
As of March 31, 2019	1,370,853,396 shares

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

As of September 30, 2019	85,336,052 shares
As of March 31, 2019	5,170,080 shares

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

Six months ended September 30, 2019	1,338,990,355 shares
Six months ended September 30, 2018	1,365,637,479 shares

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. Concerning the number of shares for the previous fiscal year, “Total number of issued shares at the end of the period,” “total number of treasury shares at the end of the period” and “average number of shares during the period” have been calculated and presented as if the stock split was conducted at the beginning of the previous fiscal year.

* 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, 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 5 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 Six Months

(1) Explanation of Results of Operations

Overall

	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	381,849	389,189	7,340	1.9
Operating profit (loss)	2,985	50,937	47,952	1,606.4
Profit (loss) attributable to owners of parent	(5,494)	36,063	41,557	–
Exchange rate (Yen/U.S. dollar)	110.26	108.63	(1.63)	–
Exchange rate (Yen/Euro)	129.85	121.42	(8.43)	–
Exchange rate (Yen/Renminbi)	16.75	15.68	(1.07)	–

In line with the reorganization of the Medical Business, effective from the fiscal year ending March 31, 2020, we have presented business operations by segment by dividing up the Medical Business into the Endoscopic Solutions Business and the Therapeutic Solutions Business. For details, please see “2. Condensed Consolidated Financial Statements and Significant Notes Thereto (6) Notes to Condensed Consolidated Financial Statements (Segment information)” on page 15.

The global economy slowed down overall during the six months ended September 30, 2019, and the situation remained unclear due to trade friction between the U.S. and China and the U.K.’s actions regarding its withdrawal from the EU. In the Japanese economy, despite signs of weakness mainly in exports, personal consumption was steady, supported by strong corporate earnings and improvement in the employment and income environments.

Amid this business environment, the Olympus Group announced its business transformation plan “Transform Olympus” in January 2019 to develop itself as a truly global medical technology company, and we also announced a medium- and long-term management strategy based on “Transform Olympus” in November 2019. This management strategy replaces the medium-term management plan, 2016 Corporate Strategic Plan (“16CSP”), announced in April 2016 and indicates the long-term direction of the Company. Going forward, we will work to achieve sustainable growth based on this management strategy.

The Olympus Group’s overall consolidated revenue for the six months ended September 30, 2019 increased to ¥389,189 million (up 1.9% year on year), due to increased sales in the Endoscopic Solutions Business, Therapeutic Solutions Business and Scientific Solutions Business. Operating profit was ¥50,937 million (compared with an operating profit of ¥2,985 million in the same period of the previous fiscal year) due to profit growth in the Endoscopic Solutions Business, Therapeutic Solutions Business and Scientific Solutions Business, and the large improvement resulting from increased cost-effectiveness and the absence of ¥38,320 million in “Other expenses” recorded as one-time costs in the same period of the previous fiscal year relating to a monetary settlement following damages claim securities litigation settlements, costs associated with the restructuring of the Imaging Business’s manufacturing locations, damages resulting from the judgment regarding a lawsuit involving a Chinese production subsidiary, costs associated with entering into a plea agreement with the U.S. Department of Justice, etc. Although finance costs declined mainly due to exchange losses, profit attributable to owners of parent improved significantly to ¥36,063 million (compared with loss attributable to owners of parent of ¥5,494 million in the same period of the previous fiscal year) despite an increase of income taxes associated with a significant improvement 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 ¥108.63 against the U.S. dollar (¥110.26 in the same period of the previous fiscal year), ¥121.42 against the euro (¥129.85 in the same period of the previous fiscal year) and ¥15.68 against the renminbi (¥16.75 in the same period of the previous fiscal year) which caused revenue and operating profit to down by ¥13,401 million and ¥4,322 million, respectively, year on year.

Endoscopic Solutions Business

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	200,812	206,789	5,977	3.0
Operating profit (loss)	41,590	59,816	18,226	43.8

Consolidated revenue in the Endoscopic Solutions Business amounted to ¥206,789 million (up 3.0% year on year), while operating profit amounted to ¥59,816 million (up 43.8% year on year).

In the mainstay endoscopy systems, steady sales were maintained in developing countries such as China. Sales in Japan were strong due to a surge in demand ahead of the consumption tax hike despite reaching the second half of their product life cycles in developed countries. Additionally, “VISERA ELITE II” surgical endoscopy systems also performed strongly, leading to higher revenue year on year in the Endoscopic Solutions Business.

Operating profit in the Endoscopic Solutions Business increased due to improved cost-effectiveness and the absence of expenses, such as the costs associated with entering into a plea agreement with the U.S. Department of Justice, recorded as “Other expenses” in the same period of the previous fiscal year.

Therapeutic Solutions Business

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	104,826	108,025	3,199	3.1
Operating profit (loss)	13,100	15,223	2,123	16.2

Consolidated revenue in the Therapeutic Solutions Business amounted to ¥108,025 million (up 3.1% year on year), while operating profit amounted to ¥15,223 million (up 16.2% year on year).

Sales of new flexible ureteroscope products and single-use products of endo-therapy devices for use in endoscopic diagnosis and treatment of biliary and pancreatic ducts and others were strong. Additionally, sales of single-use products of the “THUNDERBEAT” integrated energy device with both advanced bipolar and ultrasonic energy continued to grow, leading to higher revenue year on year in the Therapeutic Solutions Business.

Operating profit in the Therapeutic Solutions Business rose mainly due to the contribution of increased revenue.

Scientific Solutions Business

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	47,304	49,739	2,435	5.1
Operating profit (loss)	2,800	5,380	2,580	92.1

Consolidated revenue in the Scientific Solutions Business amounted to ¥49,739 million (up 5.1% year on year), while operating profit amounted to ¥5,380 million (up 92.1% year on year).

Sales of products for hospitals and life science research were strong in all regions. Sales of industrial endoscopes were strong for the main markets such as aviation and infrastructure, and sales of non-destructive testing equipment also increased in the aviation market in North America and in the infrastructure market in China and other countries in Asia, leading to higher revenue year on year in the Scientific Solutions Business.

Operating profit in the Scientific Solutions Business increased due to the increase in revenue and improved cost-effectiveness.

Imaging Business

(Millions of yen)				
	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	25,678	21,302	(4,376)	(17.0)
Operating profit (loss)	(9,226)	(5,697)	3,529	–

Consolidated revenue in the Imaging Business amounted to ¥21,302 million (down 17.0% year on year), while operating loss amounted to ¥5,697 million (compared with an operating loss of ¥9,226 million in the same period of the previous fiscal year).

In addition to waiting to introduce new products, the effect of intensifying competition in the mirrorless market and other factors led to a decline in revenue in the Imaging Business.

Operating loss for the Imaging Business declined due to the recording of one-time costs associated with the restructuring of manufacturing locations in the same period of the previous fiscal year.

Others

(Millions of yen)				
	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase (Decrease)	Increase (Decrease) Ratio (%)
Revenue	3,229	3,334	105	3.3
Operating profit (loss)	(1,404)	(1,311)	93	–

Consolidated revenue in other businesses amounted to ¥3,334 million (up 3.3% year on year), while operating loss amounted to ¥1,311 million (compared with an operating loss of ¥1,404 million in the same period of the previous fiscal year).

Mainly biomedical materials business was solid, leading to higher revenue year on year.

Operating loss in other businesses declined due to improvements in the cost-effectiveness of activities of seeking out new business.

(2) Financial Position

As of the end of the second quarter under review, total assets increased by ¥29,841 million compared to the end of the previous fiscal year to ¥961,871 million.

As for total assets, cash and cash equivalents increased ¥20,790 million and property, plant and equipment increased ¥27,297 million primarily due to the impact of the application of IFRS 16 “Leases” from the fiscal year ending March 31, 2020, on the other hand, trade and other receivables in current assets decreased ¥18,086 million and intangible assets decreased ¥1,761 million.

Total liabilities increased in comparison to the end of the previous fiscal year by ¥109,377 million to ¥599,020 million, mainly as a net result of a ¥101,085 million increase in bonds and borrowings in current liabilities, a ¥22,890 million increase in other financial liabilities in current liabilities due to the impact of the application of IFRS 16 “Leases” from the fiscal year ending March 31, 2020, and a ¥9,262 million decrease in trade and other payables.

Total equity decreased in comparison to the end of the previous fiscal year by ¥79,536 million to ¥362,851 million. Its decrease was primarily the net result of an increase in retained earnings reflecting ¥36,063 million in profit attributable to owners of parent, a decrease in retained earnings reflecting ¥10,243 million of dividends, a ¥93,380 million decrease in purchase of treasury shares, and a ¥12,688 million decrease in other components of equity (exchange differences on translation of foreign operations, etc.).

As a result of the foregoing, equity attributable to owners of parent to total assets decreased from 47.3% as of the end of the previous fiscal year to 37.6%.

(3) Cash Flows

Cash and cash equivalents at the end of the second quarter under review reached ¥135,535 million, an increase of ¥20,972 million compared to the end of the previous fiscal year. The following are the cash flows for the six months ended September 30, 2019.

Cash flows from operating activities

Net cash provided by operating activities for the six months ended September 30, 2019 was ¥67,270 million (compared with ¥27,444 million provided for the six months ended September 30, 2018). The main sources of cash included a ¥48,569 million in profit before tax, an adjustment for noncash items of ¥33,398 million in depreciation and amortization, and a decrease in trade and other receivables of ¥9,714 million. The main uses of cash included a ¥11,465 million increase in inventories and ¥7,605 million of income taxes paid.

Cash flows from investing activities

Net cash used in investing activities for the six months ended September 30, 2019 was ¥31,413 million (compared with ¥31,433 million used for the six months ended September 30, 2018). The main uses of cash included ¥20,800 million in purchase of property, plant and equipment and ¥10,313 million in purchase of intangible assets.

Cash flows from financing activities

Net cash used in financing activities for the six months ended September 30, 2019 was ¥10,527 million (compared with ¥58,198 million used for the six months ended September 30, 2018). Increasing factors mainly included ¥149,398 million in net increase in short-term borrowings and commercial papers. Decreasing factors mainly included ¥7,863 million in repayments of lease liabilities, ¥48,000 million in repayments of long-term borrowings, ¥10,243 million in dividends paid and, ¥93,380 million in payments for purchase of treasury shares.

(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, 2020, the forecasts are unchanged from the forecasts announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019,” which was released on May 10, 2019.

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

	(Millions of yen)	
	As of March 31, 2019	As of September 30, 2019
ASSETS		
Current assets		
Cash and cash equivalents	114,426	135,216
Trade and other receivables	155,321	137,235
Other financial assets	2,155	2,798
Inventories	153,623	162,378
Income taxes receivable	7,931	4,458
Other current assets	16,867	17,006
Subtotal	450,323	459,091
Assets held for sale	5,709	5,272
Total current assets	456,032	464,363
Non-current assets		
Property, plant and equipment	176,908	204,205
Goodwill	101,188	97,920
Intangible assets	69,269	67,508
Retirement benefit asset	30,239	29,610
Investments accounted for using equity method	2,440	2,283
Trade and other receivables	14,618	17,754
Other financial assets	32,808	32,323
Deferred tax assets	47,267	43,947
Other non-current assets	1,261	1,958
Total non-current assets	475,998	497,508
Total assets	932,030	961,871

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	61,724	52,462
Bonds and borrowings	59,707	160,792
Other financial liabilities	9,391	20,055
Income taxes payable	8,043	8,270
Provisions	10,803	9,834
Other current liabilities	133,311	122,297
Subtotal	282,979	373,710
Liabilities directly associated with assets held for sale	4,532	4,434
Total current liabilities	287,511	378,144
Non-current liabilities		
Bonds and borrowings	121,628	120,796
Other financial liabilities	7,799	30,689
Retirement benefit liability	43,116	42,543
Provisions	6,468	7,187
Deferred tax liabilities	12,101	10,034
Other non-current liabilities	11,020	9,627
Total non-current liabilities	202,132	220,876
Total liabilities	489,643	599,020
Equity		
Share capital	124,606	124,643
Capital surplus	91,310	91,100
Treasury shares	(4,764)	(98,142)
Other components of equity	(8,234)	(20,922)
Retained earnings	238,275	264,945
Total equity attributable to owners of parent	441,193	361,624
Non-controlling interests	1,194	1,227
Total equity	442,387	362,851
Total liabilities and equity	932,030	961,871

(2) Condensed Consolidated Statements of Profit or Loss

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Revenue	381,849	389,189
Cost of sales	133,002	138,528
Gross profit	248,847	250,661
Selling, general and administrative expenses	212,387	196,712
Share of profit (loss) of investments accounted for using equity method	215	159
Other income	4,630	984
Other expenses	38,320	4,155
Operating profit	2,985	50,937
Finance income	1,208	943
Finance costs	6,974	3,311
Profit (loss) before tax	(2,781)	48,569
Income taxes	2,774	12,505
Profit (loss)	(5,555)	36,064
Profit (loss) attributable to:		
Owners of parent	(5,494)	36,063
Non-controlling interests	(61)	1
Profit (loss)	(5,555)	36,064
Earnings per share		
Basic earnings (loss) per share	¥(4.02)	¥26.93
Diluted earnings (loss) per share	¥(4.02)	¥26.92

(3) Condensed Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit (loss)	(5,555)	36,064
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,904	739
Remeasurements of defined benefit plans	(1,594)	829
Total of items that will not be reclassified to profit or loss	310	1,568
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	12,908	(13,497)
Cash flow hedges	387	205
Share of other comprehensive income of associates accounted for using equity method	(5)	(114)
Total of items that may be reclassified to profit or loss	13,290	(13,406)
Total other comprehensive income	13,600	(11,838)
Comprehensive income	8,045	24,226
Comprehensive income attributable to:		
Owners of parent	8,105	24,225
Non-controlling interests	(60)	1
Comprehensive income	8,045	24,226

(4) Condensed Consolidated Statements of Changes in Equity

Six months ended September 30, 2018

(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, 2018	124,560	91,502	(4,775)	(5,810)	237,316	442,793	1,466	444,259
Loss					(5,494)	(5,494)	(61)	(5,555)
Other comprehensive income				13,599		13,599	1	13,600
Comprehensive income	–	–	–	13,599	(5,494)	8,105	(60)	8,045
Purchase of treasury shares			(4)			(4)		(4)
Disposal of treasury shares		(14)	14			0		0
Dividends from surplus					(9,559)	(9,559)	(368)	(9,927)
Transfer from other components of equity to retained earnings				1,512	(1,512)	–		–
Share-based payment transactions	46	28				74		74
Equity transactions with non-controlling interests		(193)				(193)	193	–
Total transactions with owners	46	(179)	10	1,512	(11,071)	(9,682)	(175)	(9,857)
Balance at September 30, 2018	124,606	91,323	(4,765)	9,301	220,751	441,216	1,231	442,447

Six months ended September 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					36,063	36,063	1	36,064
Other comprehensive income				(11,838)		(11,838)		(11,838)
Comprehensive income	–	–	–	(11,838)	36,063	24,225	1	24,226
Purchase of treasury shares			(93,380)			(93,380)		(93,380)
Disposal of treasury shares		(2)	2			0		0
Dividends from surplus					(10,243)	(10,243)	(126)	(10,369)
Transfer from other components of equity to retained earnings				(850)	850	–		–
Share-based payment transactions	37	(50)				(13)		(13)
Equity transactions with non-controlling interests		(158)				(158)	158	–
Total transactions with owners	37	(210)	(93,378)	(850)	(9,393)	(103,794)	32	(103,762)
Balance at September 30, 2019	124,643	91,100	(98,142)	(20,922)	264,945	361,624	1,227	362,851

(5) Condensed Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit (loss) before tax	(2,781)	48,569
Depreciation and amortization	28,372	33,398
Interest and dividend income	(1,050)	(948)
Interest expenses	2,704	2,012
Loss related to securities litigation	19,226	-
Provision related to duodenoscopy investigation	9,653	-
Share of loss (profit) of investments accounted for using equity method	(215)	(159)
Decrease (increase) in trade and other receivables	25,708	9,714
Decrease (increase) in inventories	(10,408)	(11,465)
Increase (decrease) in trade and other payables	(3,271)	(4,866)
Increase (decrease) in retirement benefit liability	1,063	295
Decrease (increase) in retirement benefit asset	(1,657)	324
Other	(4,319)	(925)
Subtotal	63,025	75,949
Interest received	741	676
Dividends received	309	272
Interest paid	(2,782)	(2,022)
Loss on litigation paid	(19,028)	-
Income taxes paid	(14,821)	(7,605)
Net cash provided by operating activities	27,444	67,270
Cash flows from investing activities		
Purchase of property, plant and equipment	(23,518)	(20,800)
Proceeds from sale of property, plant and equipment	3,305	60
Purchase of intangible assets	(6,785)	(10,313)
Payments for loans receivable	(1,162)	(500)
Collection of loans receivable	0	642
Proceeds from sale of investments	274	60
Payments for acquisition of business	(3,473)	(462)
Other	(74)	(100)
Net cash used in investing activities	(31,433)	(31,413)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	25,818	149,398
Repayments of lease liabilities	–	(7,863)
Repayments of long-term borrowings	(56,518)	(48,000)
Proceeds from long-term borrowings	9,425	–
Dividends paid	(9,559)	(10,243)
Dividends paid to non-controlling interests	(368)	(126)
Redemption of bonds	(25,000)	–
Payments for purchase of treasury shares	(4)	(93,380)
Other	(1,992)	(313)
Net cash used in financing activities	(58,198)	(10,527)
Effect of exchange rate changes on cash and cash equivalents	1,798	(4,358)
Net increase (decrease) in cash and cash equivalents	(60,389)	20,972
Cash and cash equivalents at beginning of period	191,239	114,563
Cash and cash equivalents at end of period	130,850	135,535

(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 Yasushi Sakai on November 6, 2019.

(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 six months ended September 30, 2019 are the same as those applied for the fiscal year ended March 31, 2019 with exception of the items described below.

The Olympus Group has adopted IFRS 16 “Leases” (hereinafter, “IFRS 16”) from the first quarter ended June 30, 2019. IFRS 16 introduces a single lessee accounting model, instead of classifying leases into operating leases and finance leases. IFRS 16 requires a lessee to recognize right-of-use assets representing its rights to use the underlying leased assets and lease liabilities representing its obligations to make lease payments for all leases, in principle.

(1) Leases as lessee

Lease liabilities are measured at the present value of the total lease payments that are not paid at the commencement date. Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liabilities adjusted for any initial direct costs, prepaid lease payments and restoration

costs, etc. Right-of-use assets are depreciated on a straight-line method over the shorter of their estimated useful lives or lease terms.

The lease term is estimated based on the non-cancelable period and adjusted for optional periods for which the Olympus Group is reasonably certain to exercise an option to extend or terminate the lease. The Olympus Group classifies total lease payments into the principal portion of the lease liability and the interest portion of the lease payments and recognizes in profit or loss the amount allocated to the interest portion of the lease payments in each fiscal year that is calculated at a consistent interest rate on the outstanding lease liabilities.

If the contract transfers the right to control the use of an identified asset for a period of time in exchange for a consideration, at the start of the contract, the contract is deemed to be a lease or to contain a lease.

For short-term leases and leases for which the underlying asset is of low value (“low-value leases”), the Olympus Group does not recognize the right-of-use assets and lease liabilities but recognizes lease payments as expenses.

Right-of-use assets and lease liabilities are included in and presented as “Property, plant and equipment” and “Other financial liabilities” respectively on the consolidated statements of financial position.

(2) Leases as lessor

The Olympus Group classifies lease transactions involving transfer of substantially all the risks and rewards associated with the ownership of the leased assets into finance lease, while classifies other type of lease transactions into operating lease.

In finance lease transactions, the present value of gross investments in the leases is recognized as revenue at the commencement of the lease term, and the correspondent amount is recognized as lease receivables. Unearned finance income is apportioned at a constant rate on the net investment over the lease term and recognized as revenue in the period to which it is attributable.

In operating lease transactions, the relevant leased properties are recognized on the consolidated statements of financial position, and lease payments receivable are recognized in revenue over the lease terms on a straight-line method.

With the application of IFRS 16, the Olympus Group adopts the method whereby the cumulative effect allowed as a transition measure is recognized at the adoption date. As a result of adopting such method, instead of restating comparative information, the Olympus Group recorded ¥38,499 million of lease-related assets including right-of-use assets and ¥38,499 million of lease liabilities in the consolidated statements of financial position as of April 1, 2019.

There is no impact for the opening balance of retained earnings because, when recognizing lease liability, the Olympus Group recognized lease-related assets at an amount equal to the lease liability.

In addition, the Olympus Group measures the aforementioned lease liabilities at the present value by discounting the remaining lease payments at the lessee’s incremental borrowing rate (rate that would apply for a borrowing from an external source separately) as of the adoption date. The weighted average of the lessee’s incremental borrowing rates applied to the lease liabilities recognized in the consolidated statements of financial position as of the adoption date is 1.13%.

Reconciliation of non-cancelable operating lease agreements applying IAS 17 at the end of the previous fiscal year and lease liabilities recognized on the consolidated statements of financial position as of the adoption date is as follows:

	(Millions of yen)
Operating lease agreements disclosed on March 31, 2019	44,262
Operating lease agreements disclosed on March 31, 2019 (after discounting with the incremental borrowing rate)	42,232
Finance lease obligations (March 31, 2019)	9,035
Short-term leases and low-value leases	(896)
Options to extend or terminate the lease that the lessee is reasonably certain to exercise	13,539
Lease agreements entered into before the lease commencement date (Executing date)	(19,896)
Others	3,520
Lease liabilities as of April 1, 2019	47,534

In the application of IFRS 16, the Olympus Group has adopted the following practical expedients.

- Applied a single discount rate to a portfolio of lease assets with similar characteristics
- Accounted in the same way as short-term leases for leases with a lease term of 12 months or less
- Excluded initial direct costs from the measurement as of the adoption date for the right-of-use assets that existed at the beginning of the fiscal year ending March 31, 2020
- Used hindsight on exercising options to extend or terminate the lease when determining the lease term

(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.

(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 reorganized its medical business on April 1, 2019, and separated the previous Medical Business into the Endoscopic Solutions Business and Therapeutic Solutions Business. Consequently, the Olympus Group has changed four reportable segments: Medical Business, Scientific Solutions Business, Imaging Business and Others into five segments: Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, Imaging Business and Others.

Segment information for the six months ended September 30, 2018 has been modified according to the new classification.

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.”

Six months ended September 30, 2018

	Reportable Segment						Adjustment (Note 2)	Amount on condensed consolidated financial statements
	Endoscopic	Therapeutic	Scientific	Imaging	Others	Total		
Revenue								
Revenue from outside customers	200,812	104,826	47,304	25,678	3,229	381,849	—	381,849
Revenue among segments (Note 1)	—	—	20	—	262	282	(282)	—
Total revenue	200,812	104,826	47,324	25,678	3,491	382,131	(282)	381,849
Operating profit (loss)	41,590	13,100	2,800	(9,226)	(1,404)	46,860	(43,875)	2,985
Finance income								1,208
Finance costs								6,974
Loss before tax								(2,781)
Other items								
Share of profit (loss) of investments accounted for using equity method	215	—	0	—	—	215	—	215
Depreciation and amortization	13,833	8,158	3,457	794	241	26,483	1,889	28,372
Impairment losses (non-financial assets)	—	—	—	—	—	—	105	105

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.

Six months ended September 30, 2019

	Reportable Segment						Adjustment (Note 2)	Amount on condensed consolidated financial statements
	Endoscopic	Therapeutic	Scientific	Imaging	Others	Total		
Revenue								
Revenue from outside customers	206,789	108,025	49,739	21,302	3,334	389,189	—	389,189
Revenue among segments (Note 1)	—	—	32	1	256	289	(289)	—
Total revenue	206,789	108,025	49,771	21,303	3,590	389,478	(289)	389,189
Operating profit (loss)	59,816	15,223	5,380	(5,697)	(1,311)	73,411	(22,474)	50,937
Finance income								943
Finance costs								3,311
Profit before tax								48,569
Other items								
Share of profit (loss) of investments accounted for using equity method	202	(43)	—	—	—	159	—	159
Depreciation and amortization	16,164	9,246	3,562	829	348	30,149	3,249	33,398
Impairment losses (non-financial assets)	—	377	—	1,042	—	1,419	223	1,642

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.