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Your Vision, Our Future

Olympus Group
Consolidated Financial Results for the 2nd Quarter of the
Fiscal Year Ending March 31, 2016

Hiroyuki Sasa
President and Representative Director
Olympus Corporation

November 6, 2015

Highlights

First-Half Performance

YoY : Massive increases in all income figures due to double-digit net sales growth and improved profitability

In comparison with targets :Impressive performance, forecasts exceeded for net sales and all income figures

Medical Business

4th consecutive year of record-breaking first-half performance drives overall consolidated performance improvements

Performance Forecasts

Full-year forecasts for each income figures not revised due to such concerns as slowdown in Chinese market

2Q of Fiscal 2016—Consolidated Financial Results

- 1 Strong Medical Business performance drives consolidated performance improvements, new post-Lehman Shock record for first-half operating income set at ¥50.1 billion
- 2 Massive increases in ordinary income and net income, both figures exceed forecasts

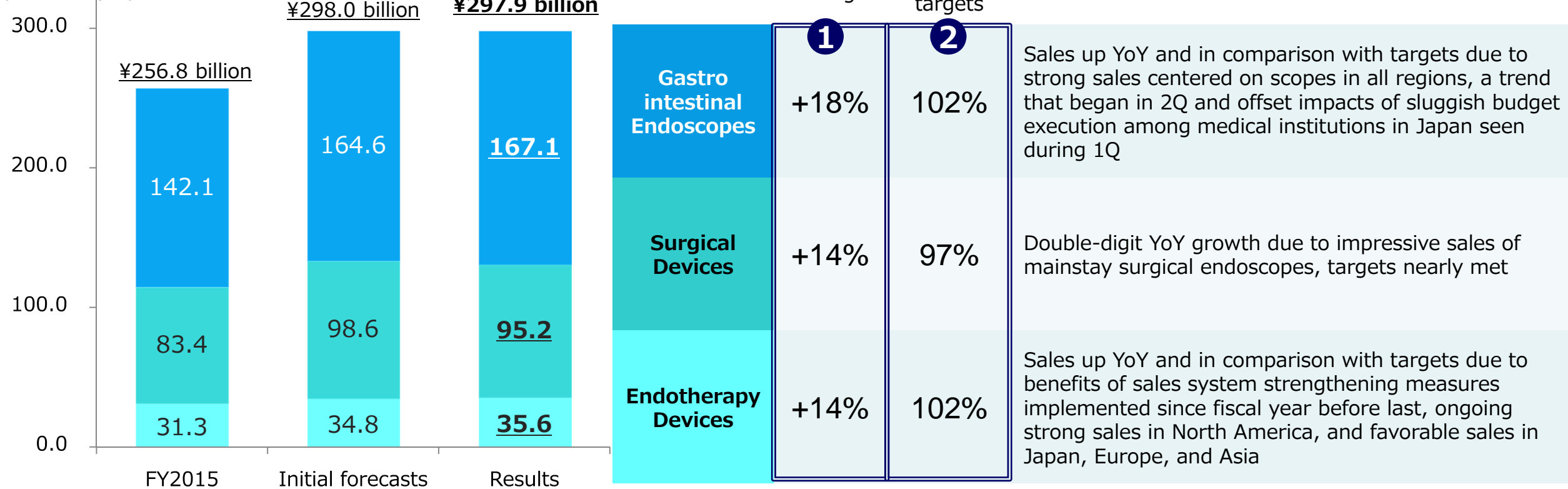
(Billions of yen)	FY2015 1H (Apr.-Sep.) <u>(Results)</u>	FY2016 1H (Apr.-Sep.) <u>(Initial forecasts)</u>	FY2016 1H (Apr.-Sep.) <u>(Results)</u>	YoY change (%)	Compared to forecast (%)
Net sales	355.0	390.0	395.8	+ 12%	+ 1%
Operating income (% of sales)	38.4 (10.8%)	45.0 (11.5%)	50.1 (12.7%)	+ 30%	+ 11%
Ordinary income (% of sales)	29.7 (8.4%)	37.0 (9.5%)	43.5 (11.0%)	+ 47%	+ 18%
Net income (*) (% of sales)	22.3 (6.3%)	28.0 (7.2%)	35.8 (9.0%)	+ 60%	+ 28%

Medical Business: Reasons behind Strong First-Half Performance

- ① YoY: Double-digit growth in all fields due to impressive sales centered on mainstay gastrointestinal endoscopes
- ② In comparison with targets: Sales performance slightly lower than lofty targets in surgical devices field, but overall targets met as gastrointestinal endoscopes and endotherapy device sales compensated

[Net Sales (YoY / In comparison with targets)]

(Billions of yen)



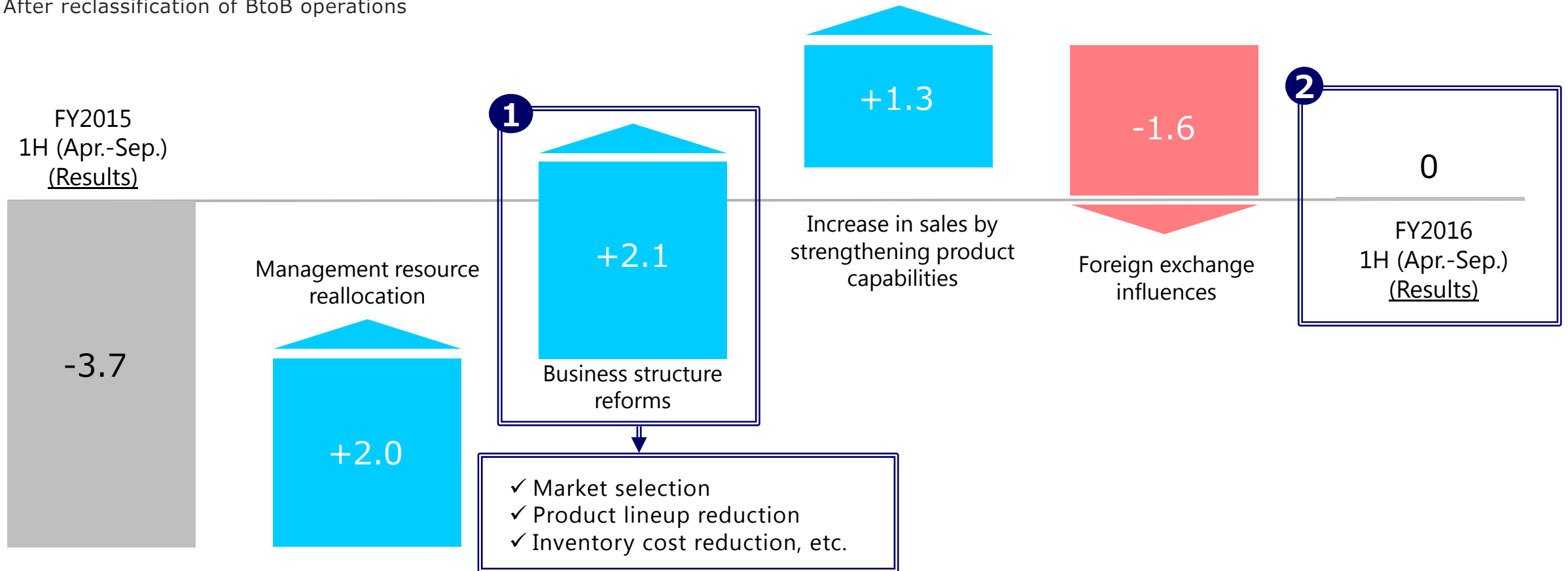
Imaging Business: Progress of Business Structure Reforms

- ① Due to the SG&A expense reductions resulting from business structure reforms, ¥2.1 billion of income improvement revealed
- ② First-half operating income recorded for the first time in 6 years, improved ¥3.8 billion YoY

【Analysis of Factors Affecting Operating Income】

* After reclassification of BtoB operations

(Billions of yen)



Forecasts of Consolidated Financial Results for Fiscal 2016

- ❶ Full-year forecasts for each income figures not revised due to such concerns as slowdown in Chinese market
- ❷ Operating income forecast to exceed ¥100 billion for the first time in 8 years
- ❸ Net income forecast to reach record high of ¥56 billion

(Billions of yen)	FY2015 Full year (Results)	FY2016 Full year (New forecasts)	YoY change	YoY (%)
Net sales	764.7	816.0	+51.3	+7%
Operating income (% of sales)	91.0 (11.9%)	100.0 (12.3%)	+9.0 (+0.4pt)	+10%
Ordinary income (% of sales)	72.8 (9.5%)	86.0 (10.5%)	+13.2 (+1.0pt)	+18%
Net income (% of sales)	-8.7 (-)	56.0 (6.9%)	+64.7 (-)	-

Second-Half Operating Environment and Initiatives for Medical Business

- Despite lingering concern for possibility of temporary slowdown in Chinese market, stable growth anticipated due to improved sales

Second-Half Sales Targets
(YoY)

Domestic

¥59.3 billion
(+9%)

Overseas

¥257.8 billion
(+4%)

N. America

Europe

Asia

- Sluggish budget execution but ongoing growth for diagnosis and treatment figures due to aging of society
- Improved sales due to accelerated replacements via VPP* program and introduction of new strategic products (new 4K surgical endoscopy system and energy device products)
- Second-half foreign exchange assumptions: ¥/US\$ = ¥115 and ¥/Euro = ¥130
- Approx. 7% increase in sales without impacts of foreign exchange influences
- Stable endoscope replacement demand and upward trend in demand for use of endoscopes in operating rooms continuing from first half
- Strong performance continuing from first half in all fields in Germany, U.K., Italy, and other principal countries
- Concern for slowdown due to recession and ongoing anticorruption activities in China
- Medium-to-long-term forecast of expanded endoscope demand in China unchanged, continuing sales growth through sales of new products

Next Medium-Term Plan (Corporate Strategic Plan)

- Five-year plan beginning in April 2016
- Management resource allocation focused on medical field, realization of sustainable growth

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Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2016

Yasuo Takeuchi
Director, Senior Executive Managing Officer
Head of Corporate Management Office, CFO
Olympus Corporation

November 6, 2015

Consolidated Financial Results and Business Overview for the 2Q of Fiscal 2016 (FY Ending March 31, 2016)

2Q of Fiscal 2016 (1) Consolidated Financial Results

Massive improvement
in profitability

- ① Record-high operating margin for first half and 2Q
- ② Ratio of gross profit to net sales improves substantially (+2.9 pt) and absorbs rise in ratio of SG&A expenses to net sales stemming from strategic investments

(Billions of yen)	1H (Apr.-Sep.)				2Q (Jul.-Sep.)		
	FY2015	FY2016	YoY change	YoY (%)	FY2015	FY2016	YoY (%)
Net sales	355.0	395.8	+40.8	+12%	188.0	208.2	+11%
Gross profit (% of sales)	225.4 (63.5%)	262.8 (66.4%)	+37.4 (+2.9pt)	+17%	119.0 (63.3%)	141.0 (67.7%)	+19%
SG&A expenses (% of sales)	187.0 (52.7%)	212.7 (53.7%)	+25.7 (+1.0pt)	+14%	95.6 (50.9%)	108.1 (51.9%)	+13%
Operating income (% of sales)	38.4 (10.8%)	50.1 (12.7%)	+11.7 (+1.9pt)	+30%	23.4 (12.4%)	32.9 (15.8%)	+41%
Ordinary income (% of sales)	29.7 (8.4%)	43.5 (11.0%)	+13.8 (+2.6pt)	+47%	18.5 (9.8%)	26.8 (12.9%)	+45%
Net income ^(*) (% of sales)	22.3 (6.3%)	35.8 (9.0%)	+13.5 (+2.7pt)	+60%	14.2 (7.5%)	19.1 (9.2%)	+34%
¥/US\$	¥103	¥122	¥19 (yen depreciation)				
¥/Euro	¥139	¥135	¥4 (yen appreciation)				
Impact on net sales	-	+¥26.3 billion					
Impact on operating income	-	+¥9.3 billion					

2Q of Fiscal 2016 (2) Results by Business Segment

① New post-FY2013 record for Medical Business performance (net sales: ¥297.9 billion, operating income: ¥67.9 billion)

② Higher sales and income in Medical, Scientific Solutions and Imaging Business (Imaging Business improved ¥3.8 billion YoY)

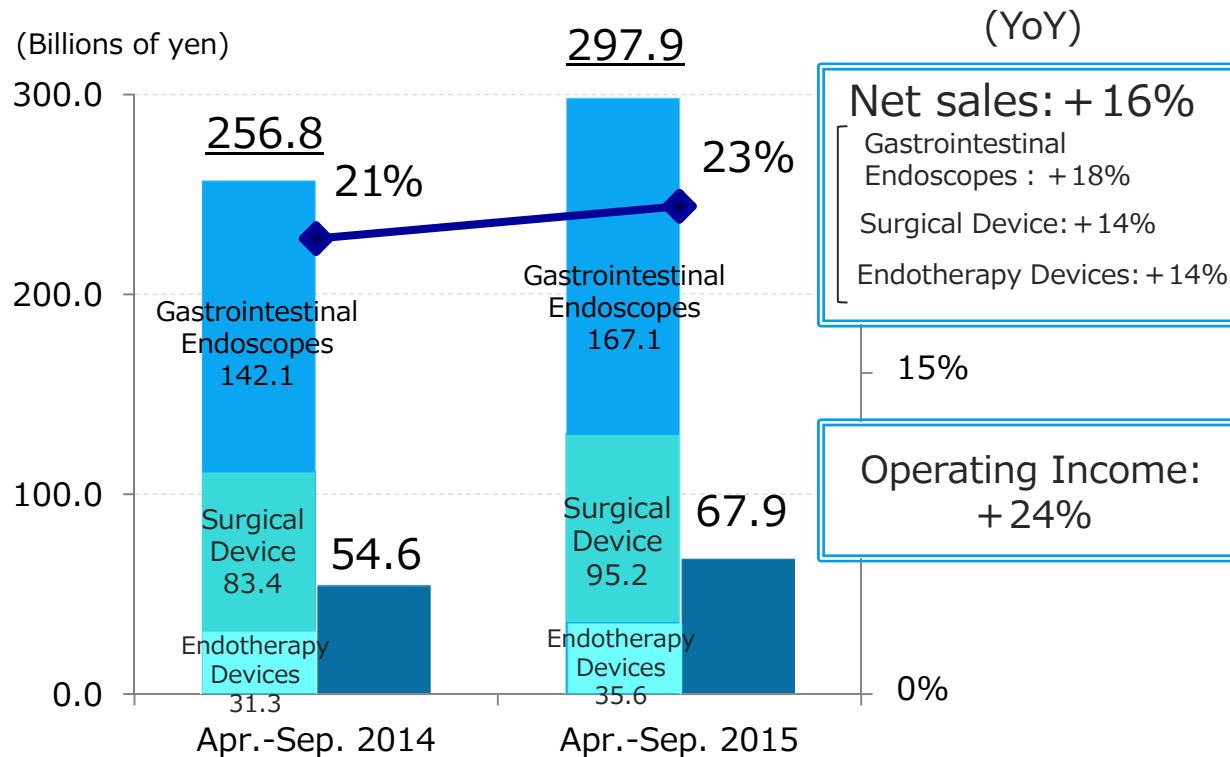
(Billions of yen)		1H (Apr.-Sep.)				2Q (Jul.-Sep.)			
		FY2015	FY2016	YoY change	YoY (%)	FY2015	FY2016	YoY change	YoY (%)
Medical	Net sales	256.8	297.9	+41.2	+16%	135.9	158.5	+22.6	+17%
	Operating income	54.6	67.9	+13.3	+24%	30.4	42.8	+12.4	+41%
Scientific Solutions	Net sales	46.7	48.5	+1.8	+4%	25.6	25.7	+0.1	+1%
	Operating income	1.3	3.3	+2.1	+165%	1.5	2.6	+1.0	+68%
Imaging ^(*)	Net sales	37.7	41.5	+3.8	+10%	19.1	20.0	+0.9	+5%
	Operating income	-3.7	0	+3.8	-	-1.8	-1.1	+0.7	-
Others ^(*)	Net sales	13.9	7.9	-6.0	-43%	7.4	4.0	-3.4	-47%
	Operating income	-0.1	-3.3	-3.1	-	-0.2	-1.9	-1.7	-
Elimination and corporate	Net sales	-	-	-	-	-	-	-	-
	Operating income	-13.6	-17.9	-4.3	-	-6.6	-9.5	-3.0	-
Total	Net sales	355.0	395.8	+40.8	+12%	188.0	208.2	+20.2	+11%
	Operating income	38.4	50.1	+11.7	+30%	23.4	32.9	+9.5	+41%

2Q of Fiscal 2016 (3) Medical Business

- Double-digit growth in net sales and operating income due to higher sales of endoscopes, surgical devices, and endotherapy devices
- Massive earnings improvements compensate for higher expenses due to strategic investments, operating margin rises 1.5 pt

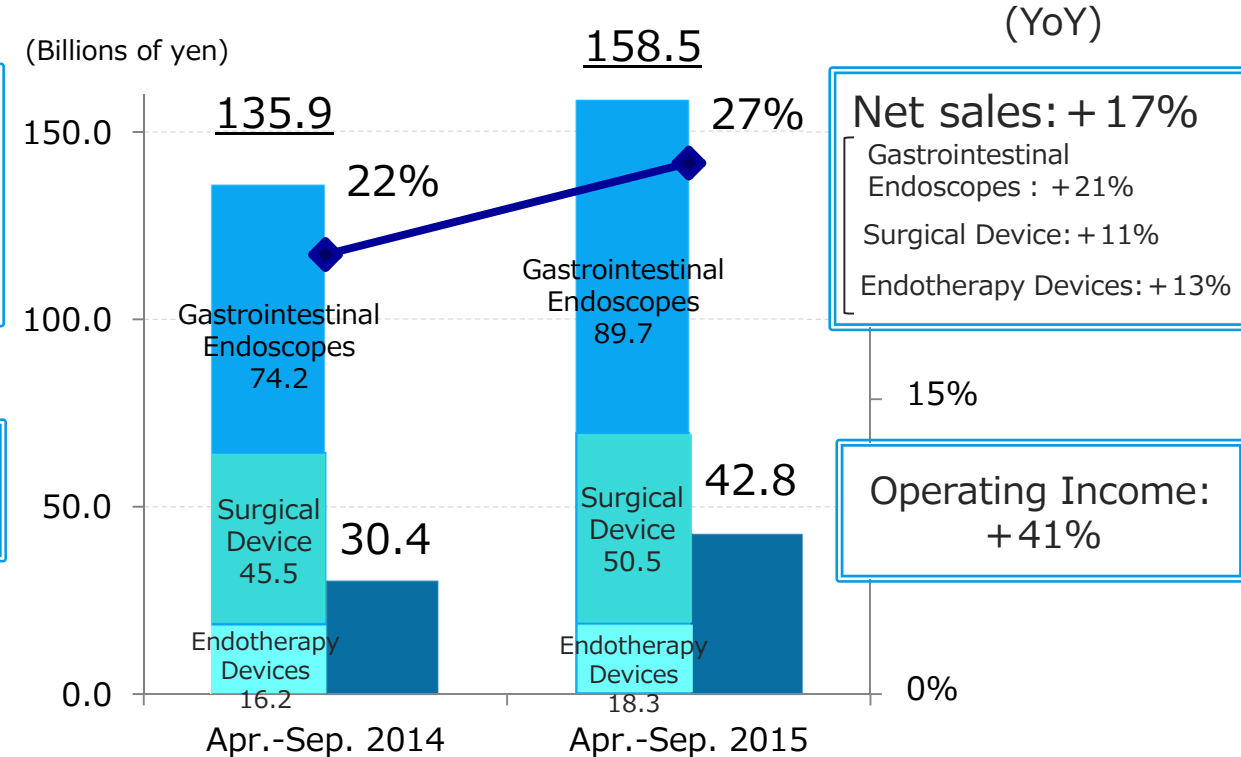
1H (Apr.-Sep.)

Net sales Operating income Operating margin



2Q (Jul.-Sep.)

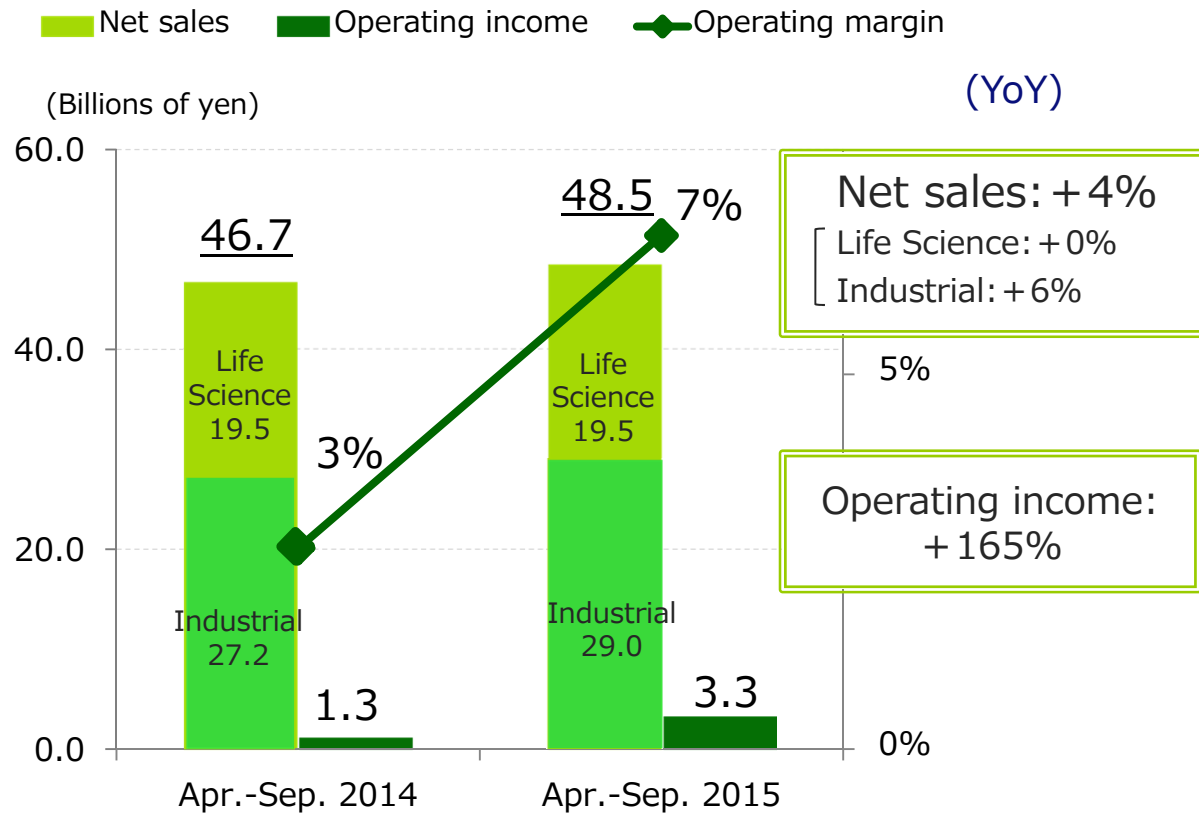
Net sales Operating income Operating margin



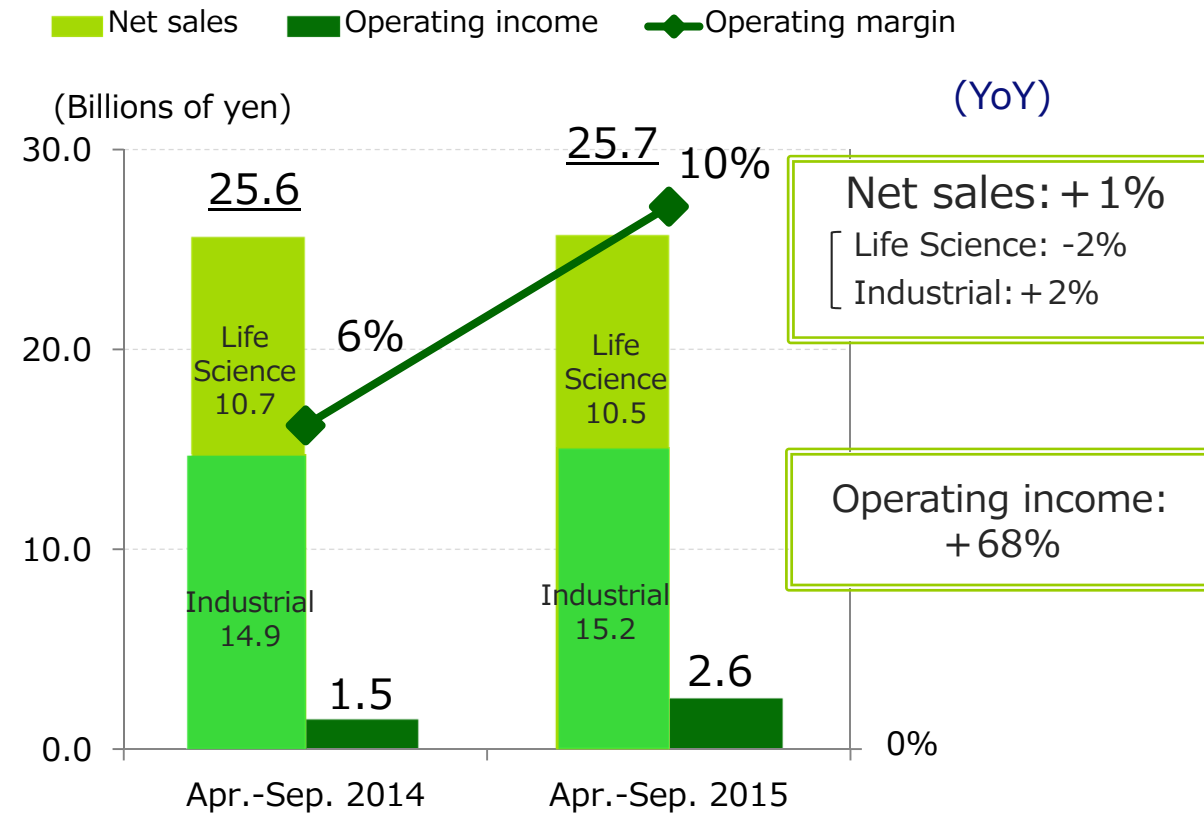
2Q of Fiscal 2016 (4) Scientific Solution Business

- Higher sales and income as sales of industrial microscopes for smartphone market drive overall performance
- Substantial improvement in operating margin due to benefits of ongoing cost-cutting measures, including reduction in ratio of manufacturing costs to net sales

1H (Apr.-Sep.)



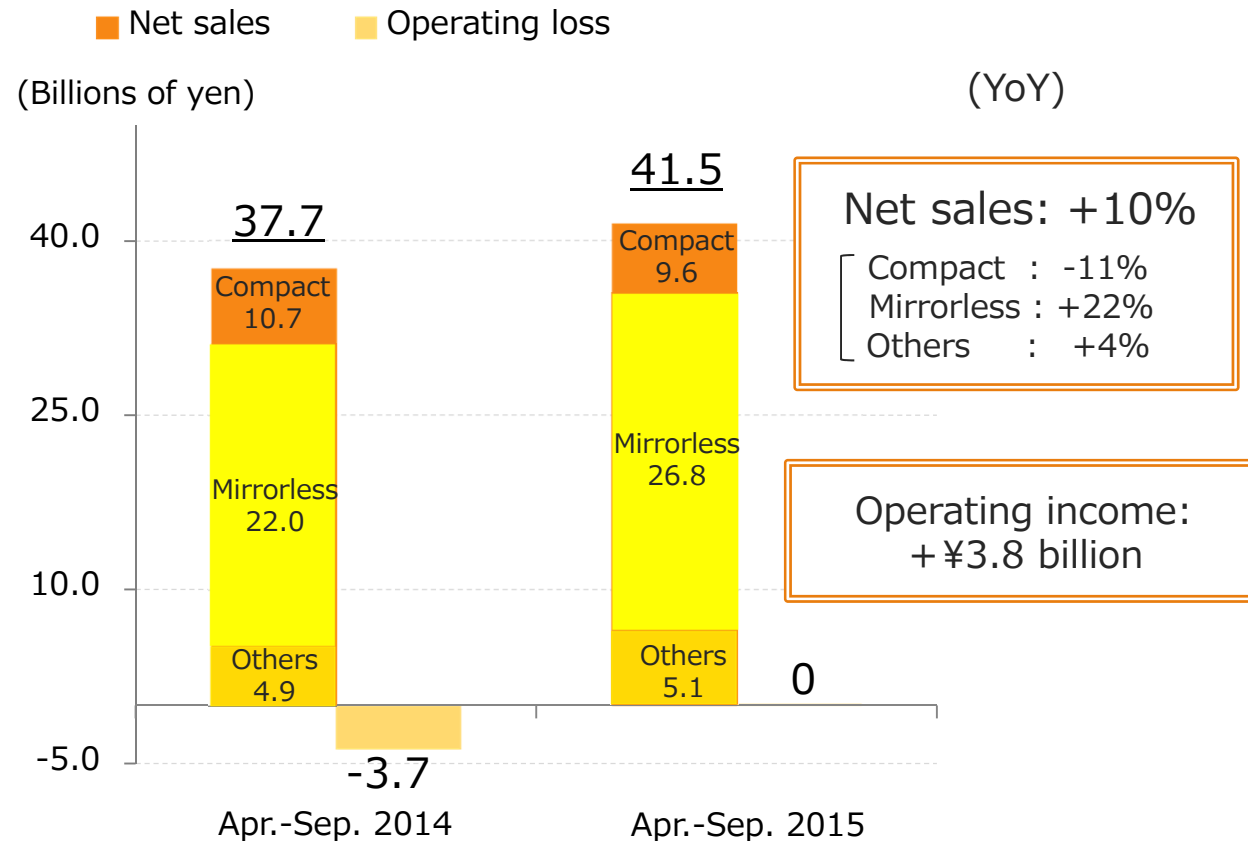
2Q (Jul.-Sep.)



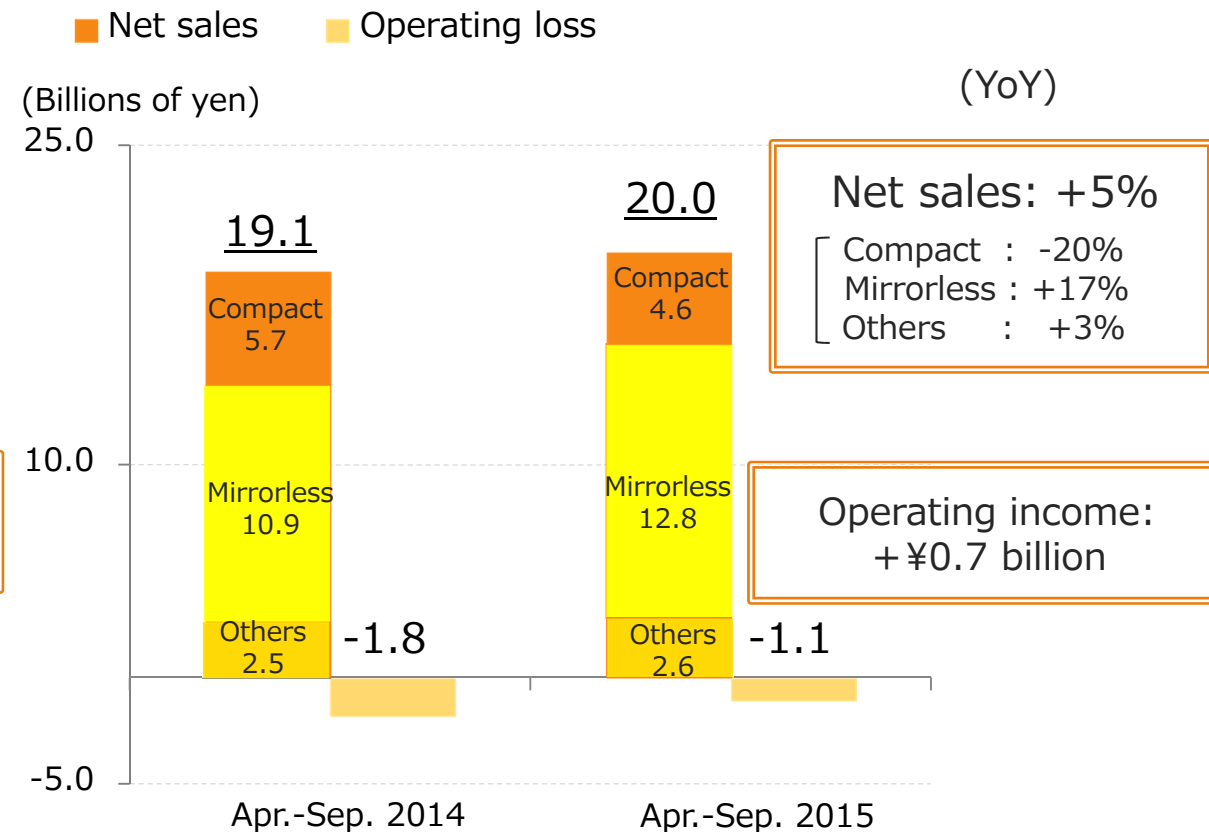
2Q of Fiscal 2016 (5) Imaging Business

- Mirrorless camera sales up 22% YoY (sales volumes up 21% YoY) due to impressive sales of OM-D and PEN series cameras in Japan and Europe
- Operating income recorded as negative foreign exchange influences (equivalent to ¥1.6 billion reduction) were absorbed by higher mirrorless camera sales and reduced SG&A expenses

1H (Apr.-Sep.)



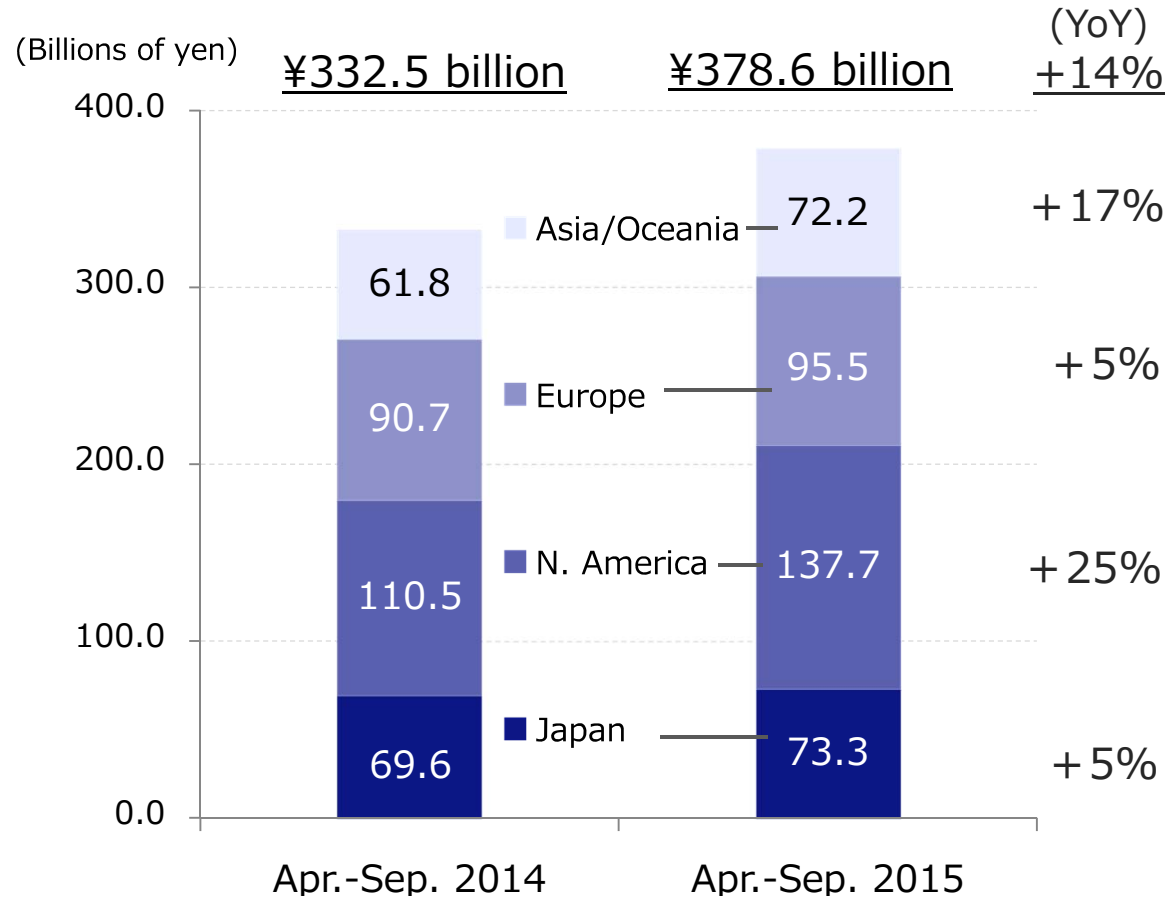
2Q (Jul.-Sep.)



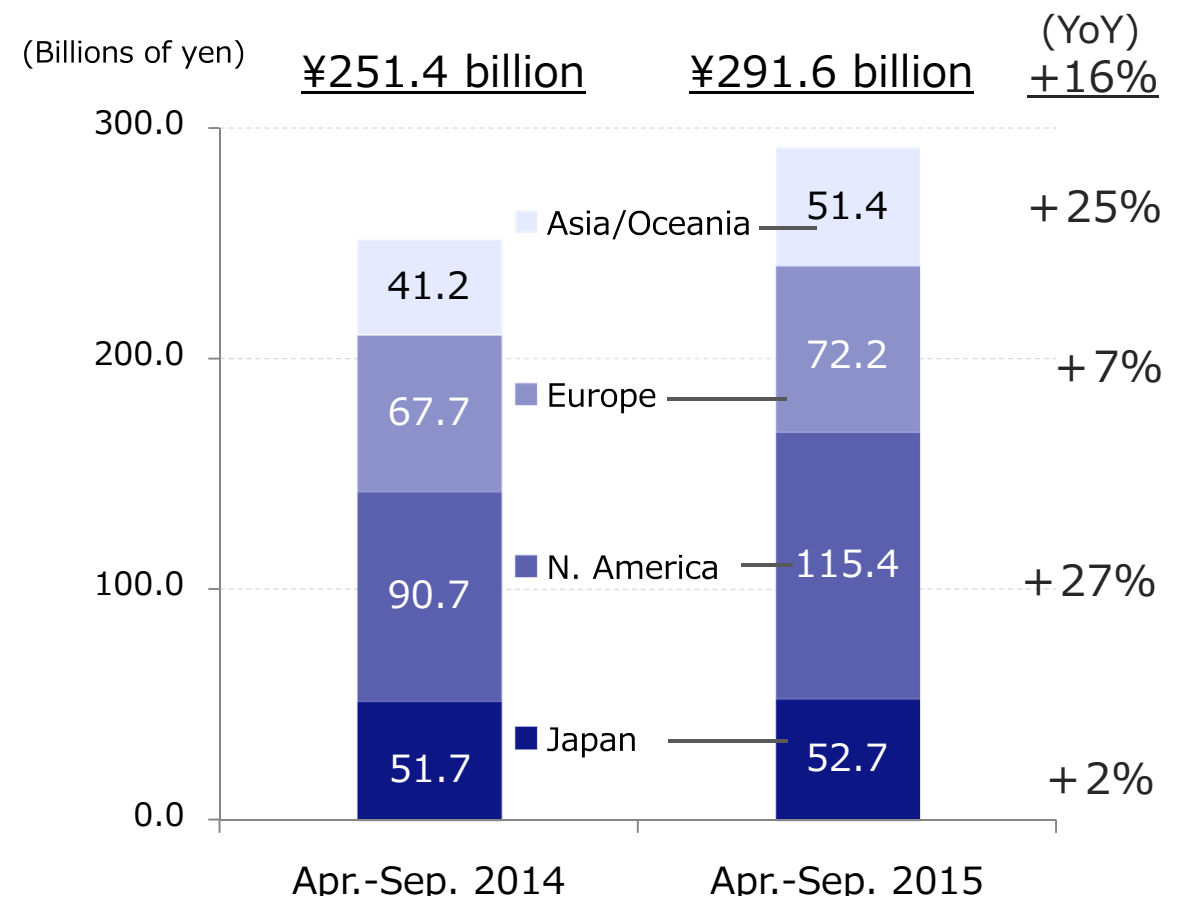
2Q of Fiscal 2016 (6) Net Sales by Region

- Consolidated: Strong Medical Business performance drives consolidated performance, sales increases in all regions
- Medical Business: Favorable performance overseas, sales up in all regions
(Japan: Sluggish medical institution budget execution trend seen in 1Q improves in 2Q, sales up)

Consolidated (Apr.-Sep.)^(*)



Medical Business (Apr.-Sep.)



Consolidated Balance Sheet (End of September 2015)

- ① Equity ratio of 36.9%, interest-bearing debt down approx. ¥38.0 billion
- ② Digital camera inventory reductions progressing as planned, down ¥4.8 billion, to ¥18.9 billion

(Billions of yen)	End Mar. 2015	End Sep. 2015	Change		End Mar. 2015	End Sep. 2015	Change
Current assets (Digital camera inventories)	577.5 (23.7)	548.5 (18.9)	-29.0 (-4.8)	Current liabilities	374.8	344.5	-30.3
Property, plant and equipment	150.1	161.1	+11.0	Non-current liabilities (Incl. bonds/long-term loans payable)	349.5 (253.3)	319.9 (224.1)	-29.6 (-29.2)
Intangible assets	180.6	170.6	-10.1	Net assets	357.3	392.1	+34.9
Investments and other assets	173.2	176.3	+3.1	(Equity ratio)	(32.9%)	(36.9%)	(4.0pt)
Total assets	1,081.6	1,056.5	-25.0	Total liabilities and net assets	1,081.6	1,056.5	-25.0

① Interest-bearing debt : ¥316.1 billion (-¥38.3 billion from March 31, 2015)

Net interest-bearing debt: ¥121.3 billion (-¥23.3 billion from March 31, 2015)

Cash Flows (April to September 2015)

① Free cash flow: Up 1.8 times YoY, to ¥27.4 billion, primarily due to strong business earnings

(Billions of yen)	FY2015 2Q	FY2016 2Q	Change
Net sales	355.0	395.8	+40.8
Operating income	38.4	50.1	+11.7
(% of sales)	10.8%	12.7%	+1.9pt
CF from operating activities	29.6	54.9	+25.3
CF from investing activities	-14.3	-27.5	-13.2
CF from financing activities	-59.7	-43.1	+16.5
Cash flow	-44.4	-15.7	+28.6
Free cash flow	15.3	27.4	+12.1
Cash and cash equivalents at end of year	208.6	194.9	-13.8
Depreciation and amortization	17.4	19.4	+2.0
Amortization of goodwill	4.5	5.0	+0.5
Capital expenditures	17.4	31.8	+14.4

Forecast for Fiscal 2016

Forecasts of Consolidated Financial Results for Fiscal 2016

- No change in all income figures from initially released forecasts

(Billions of yen)	FY2015 (Results)	FY2016 (New forecasts)	Change	YoY (%)	FY2016 Full year (Initial forecasts)
Net sales	764.7	816.0	+51.3	+7%	810.0
Operating income (% of net sales)	91.0 (11.9%)	100.0 (12.3%)	+9.0 (+0.4pt)	+10%	100.0 (12.4%)
Non-operating income/expenses	-18.2	-14.0	+4.2	—	-14.0
Ordinary income (% of net sales)	72.8 (9.5%)	86.0 (10.5%)	+13.2 (+1.0pt)	+18%	86.0 (10.6%)
Net income (% of net sales)	-8.7 (—)	56.0 (6.9%)	+64.7 (—)	—	56.0 (6.9%)

¥/US\$	¥110	¥118	¥8 (yen depreciation)
¥/Euro	¥139	¥132	¥7 (yen appreciation)
Impact on net sales	-	+¥16.1 billion	
Impact on operating income	-	+¥5.7 billion	

* Second-half foreign exchange assumptions

¥/US\$: ¥115

¥/Euro : ¥130

Segment Forecasts for Fiscal 2016

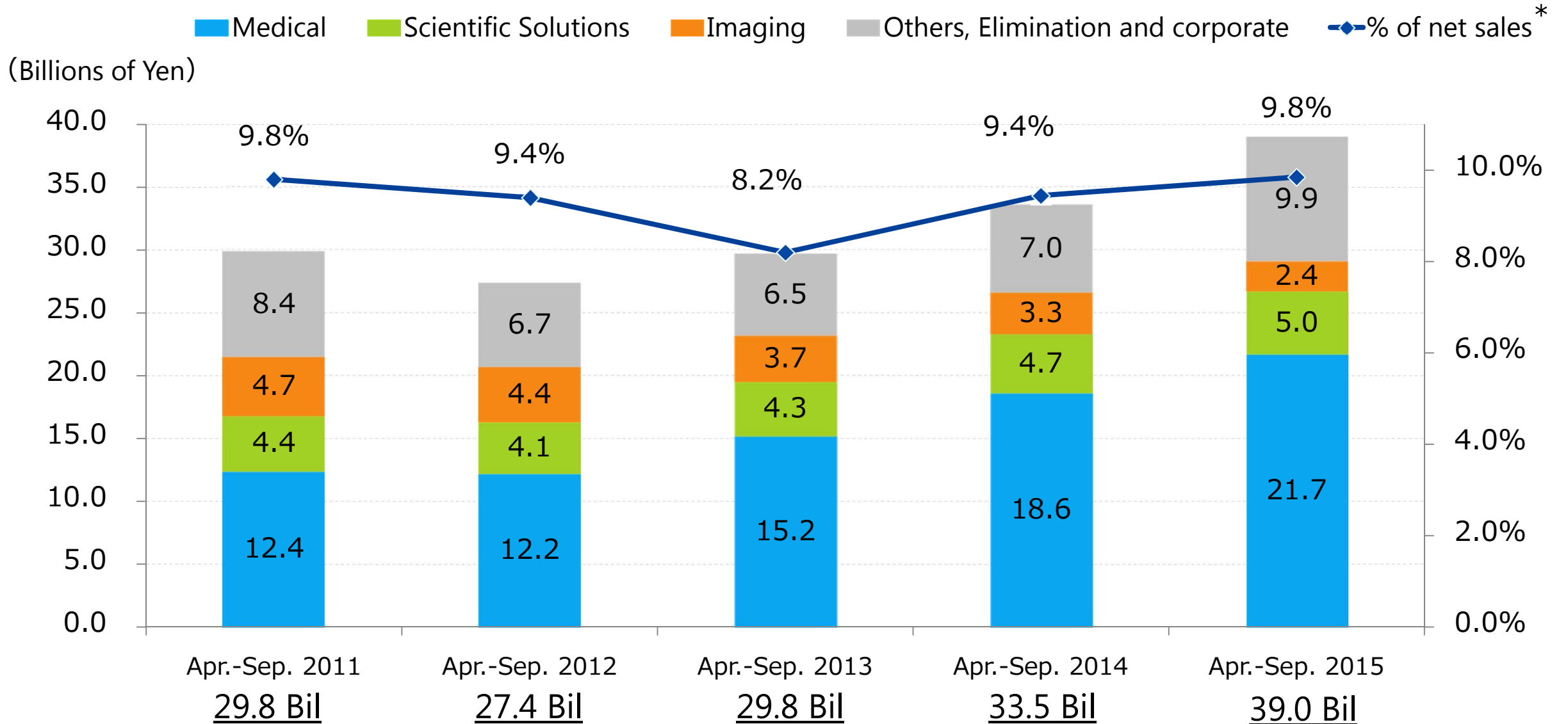
- Medical Business performance to drive consolidated performance
- Imaging Business reflects the first half increase in sales, the second half of the forecast deferred

	(Billions of yen)	FY2015 (Results)	FY2016 (New forecasts)	Change	YoY (%)	FY2016 Full year (Initial forecasts)
Medical	Net sales	558.3	615.0	+56.7	+10%	615.0
	Operating income	124.9	137.0	+12.1	+10%	137.0
Scientific Solutions	Net sales	103.9	110.0	+6.1	+6%	110.0
	Operating income	6.8	8.0	+1.2	+17%	8.0
Imaging(*)	Net sales	79.4	76.0	-3.4	-4%	70.0
	Operating income	-11.7	0	+11.7	-%	0
Others(*) (New Business)	Net sales	23.0	15.0	-8.0	-35%	15.0
	Operating income	-1.0	-12.0	-11.0	-%	-12.0
Elimination and corporate	Net sales	-	-	-	-%	-
	Operating income	-28.1	-33.0	-4.9	-%	-33.0
Consolidated total	Net sales	764.7	816.0	+51.3	+7%	810.0
	Operating income	91.0	100.0	+9.0	+10%	100.0

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Supplementary Materials

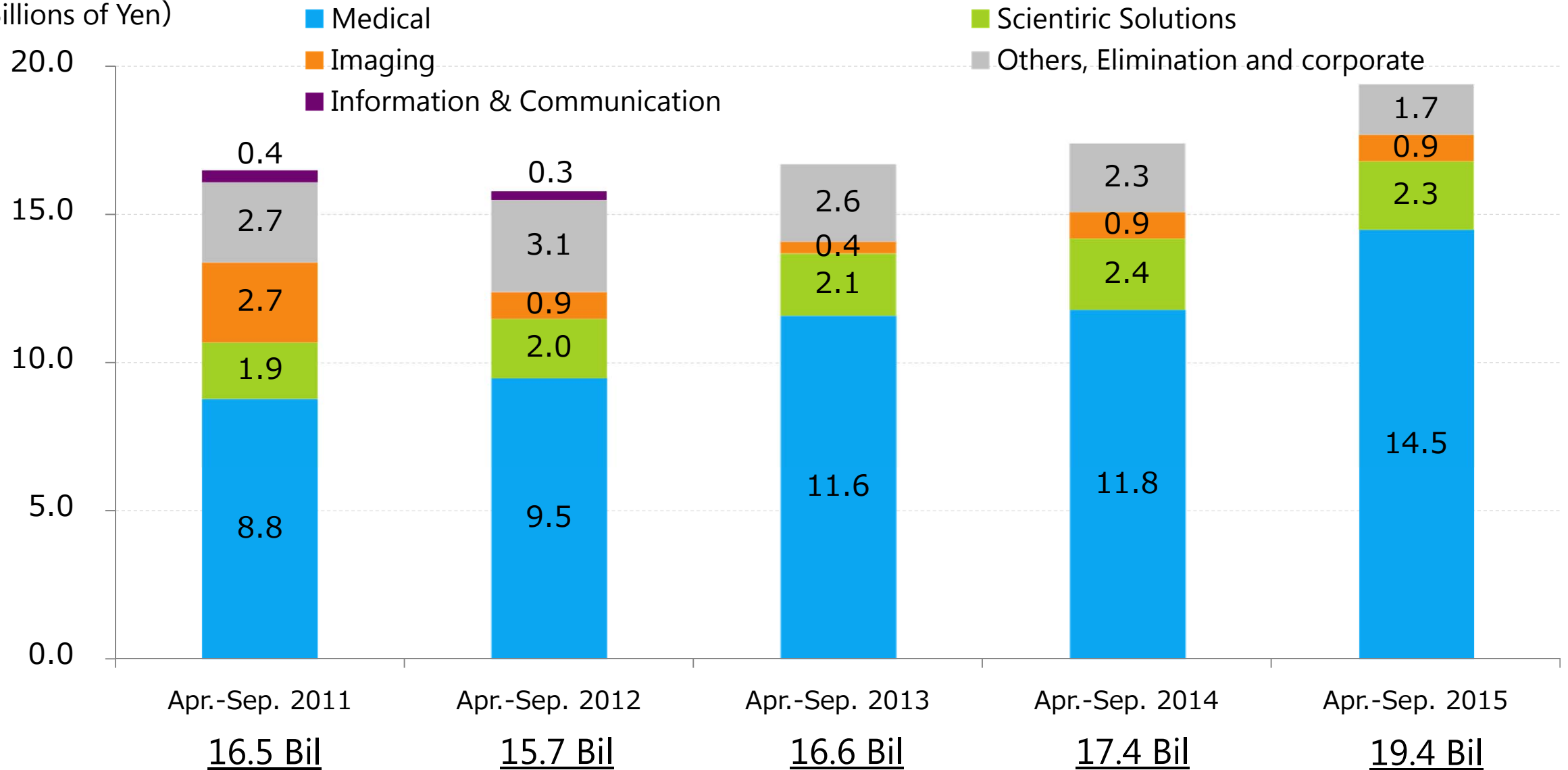
【Supplementary Materials】 R&D Expenditures



*Excluded net sales of Information & Communication Business

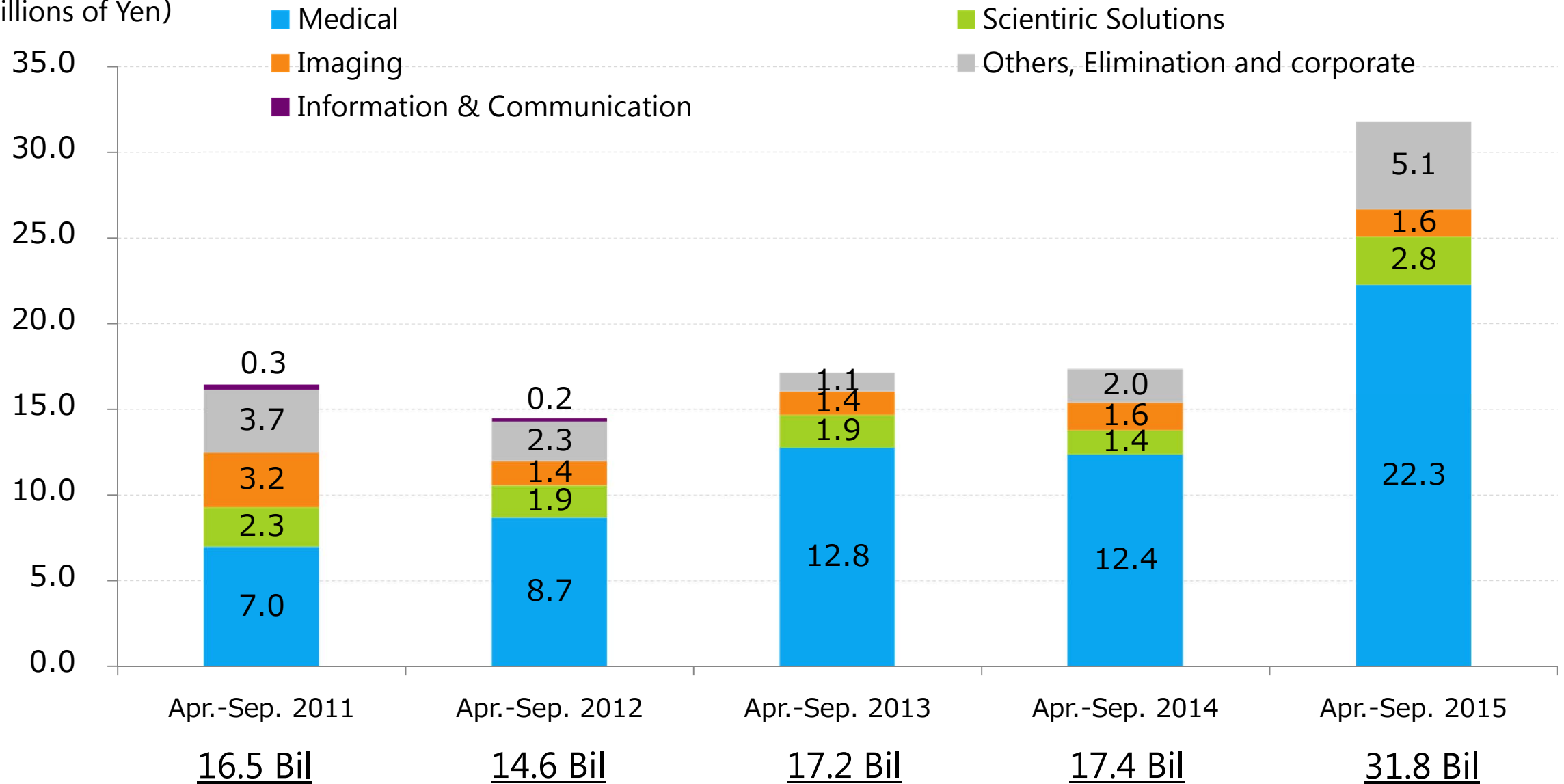
【Supplementary Materials】 Depreciation and Amortization

(Billions of Yen)



【Supplementary Materials】 Capital Expenditures

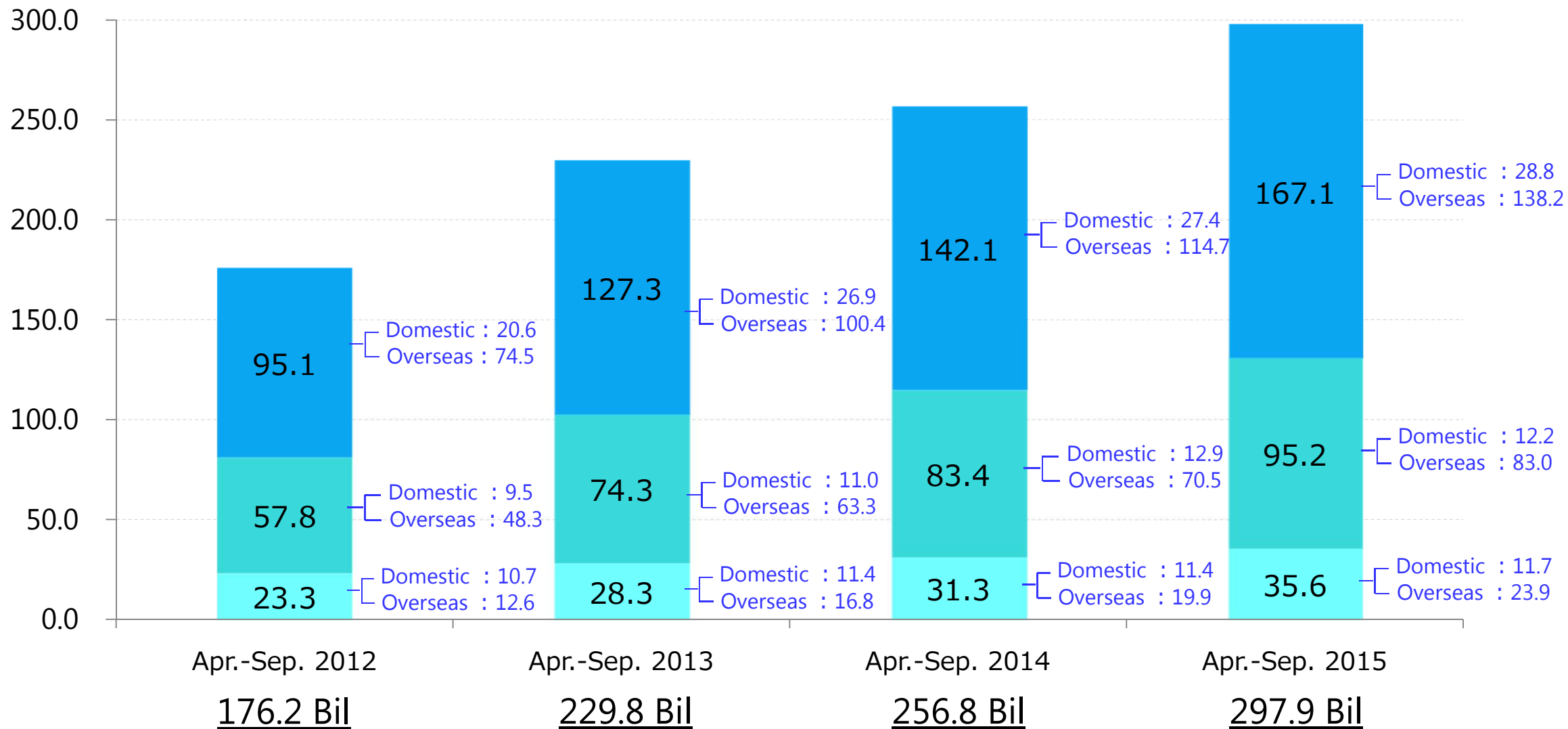
(Billions of Yen)



【Supplementary Materials】 Sales by product (Medical)

(Billions of Yen)

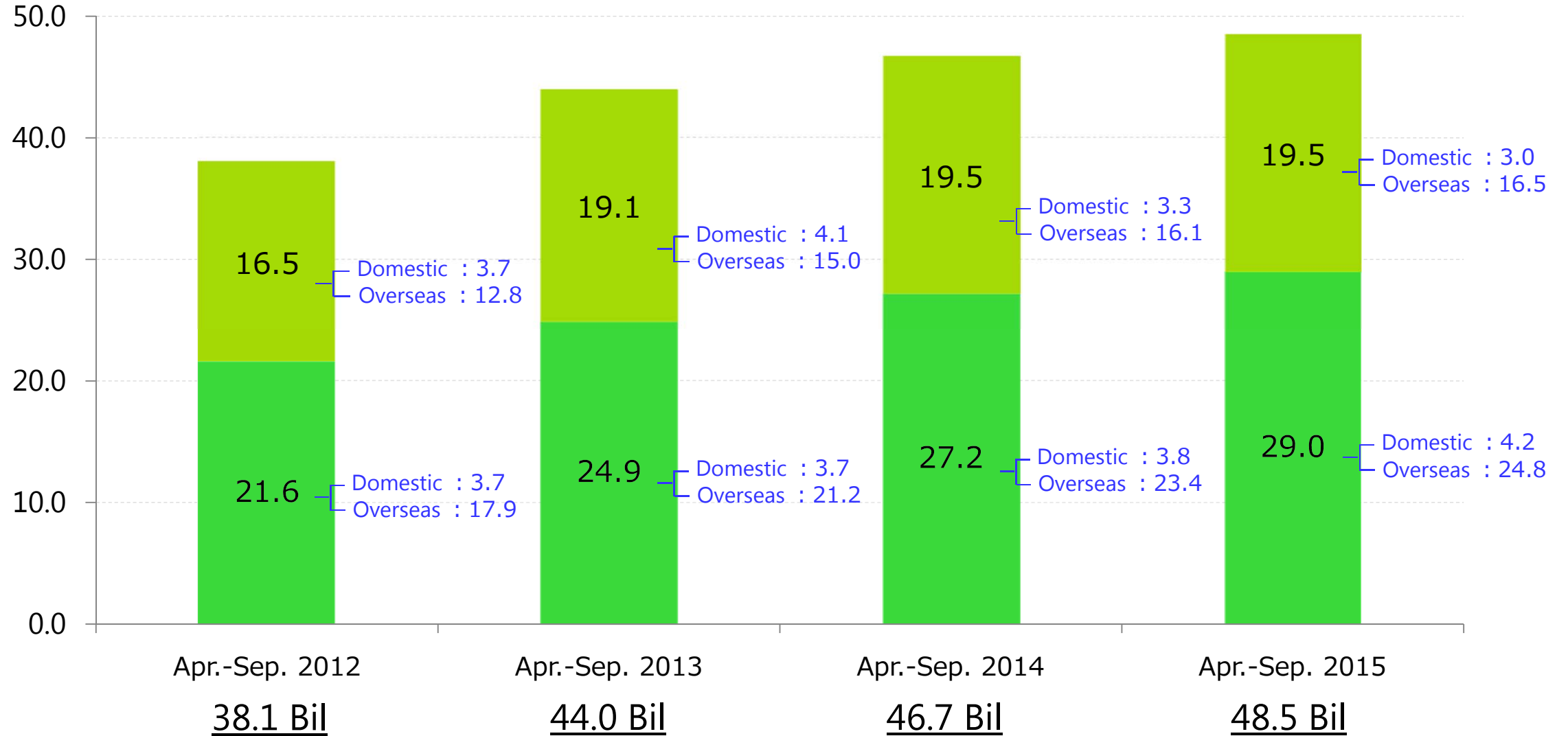
Endotherapy Surgical Endoscopes



【Supplementary Materials】 Sales by product (Scientific Solutions)

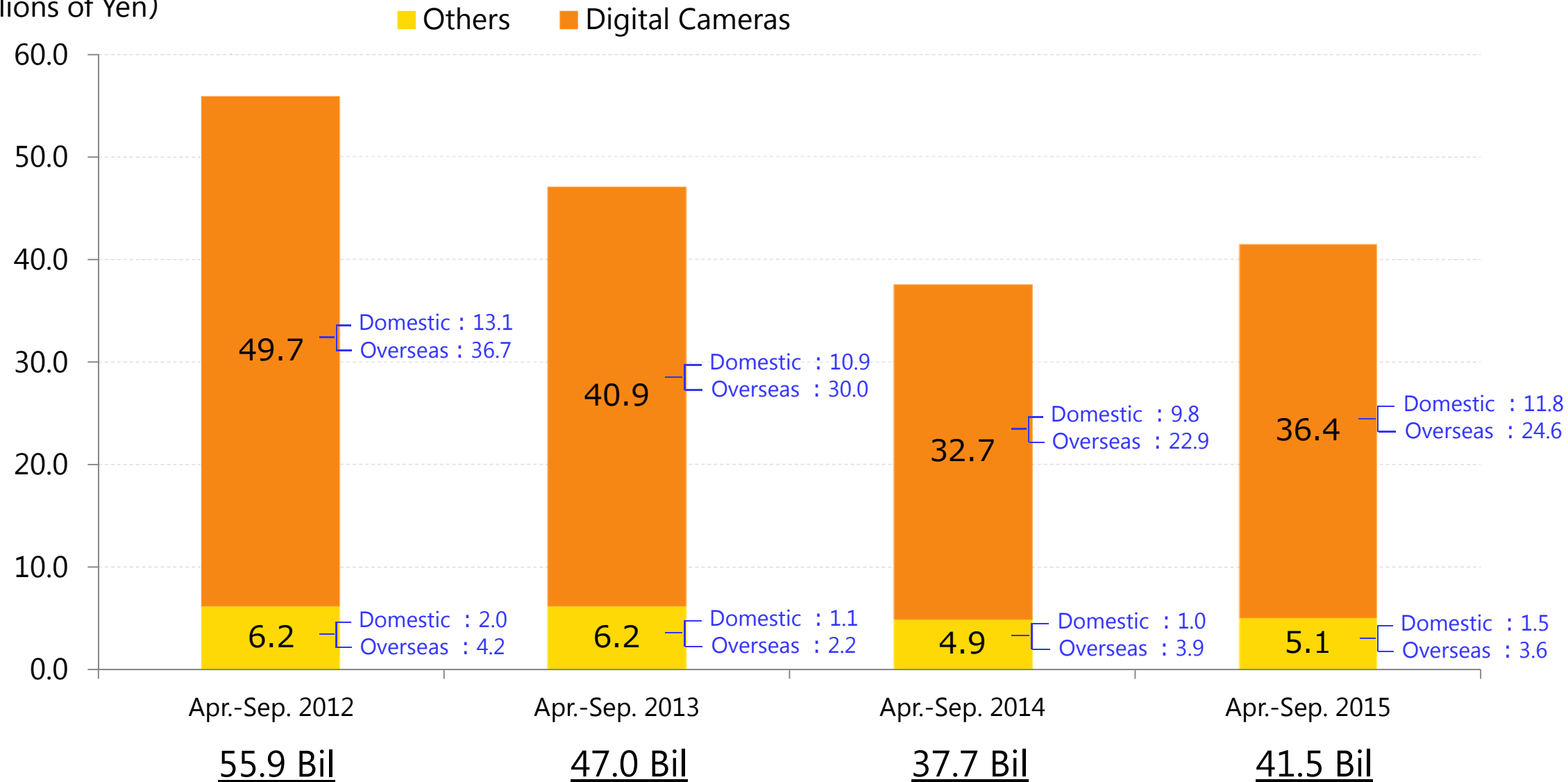
(Billions of Yen)

■ Industrial ■ Life Science



【Supplementary Materials】 Sales by product (Imaging)

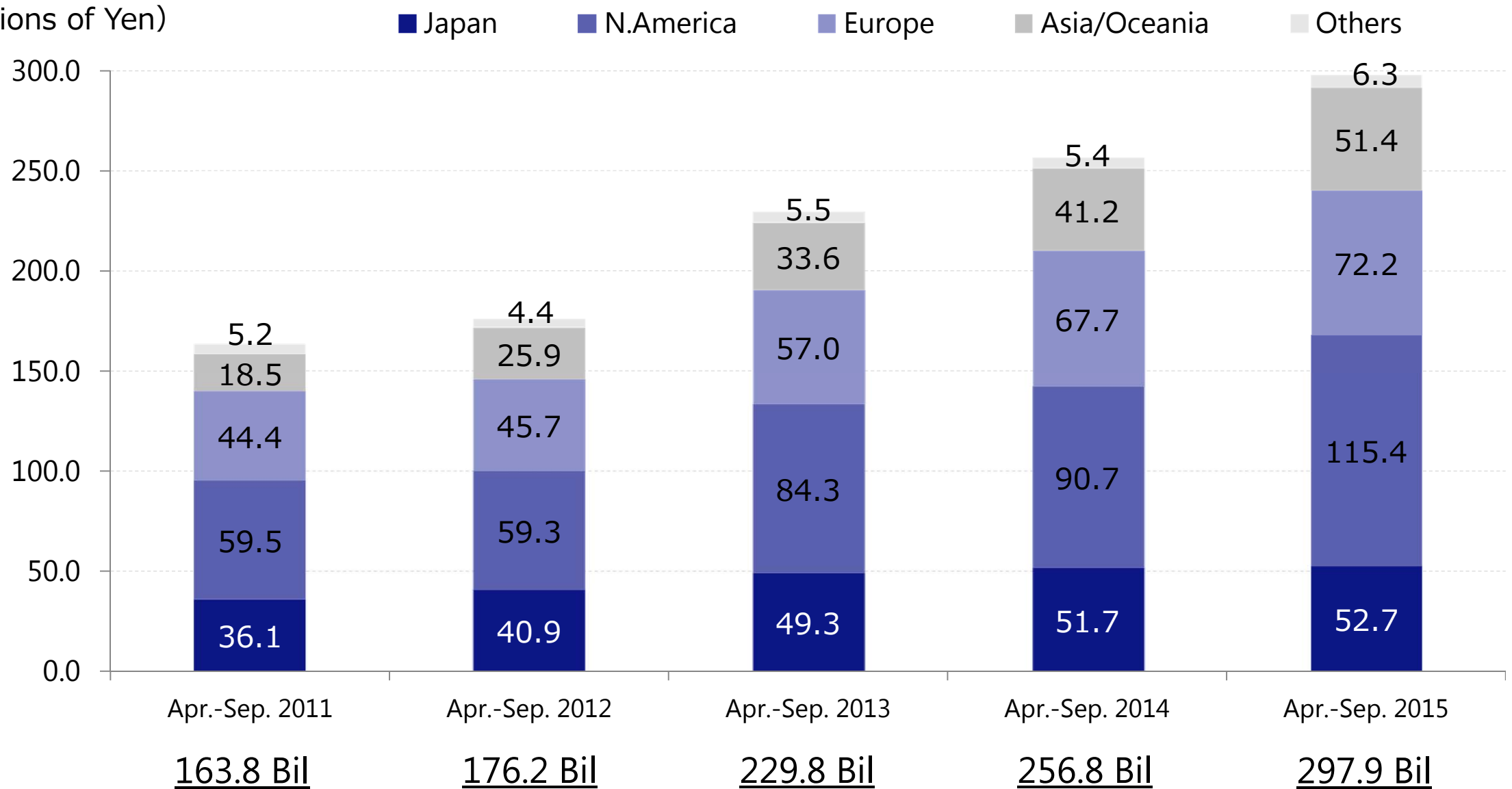
(Billions of Yen)



(*) The new business previously included under the Imaging Business are now included in Others. Figures for FY 2015 have been restated to reflect this change.

【Supplementary Materials】 Sales by Reign (Medical)

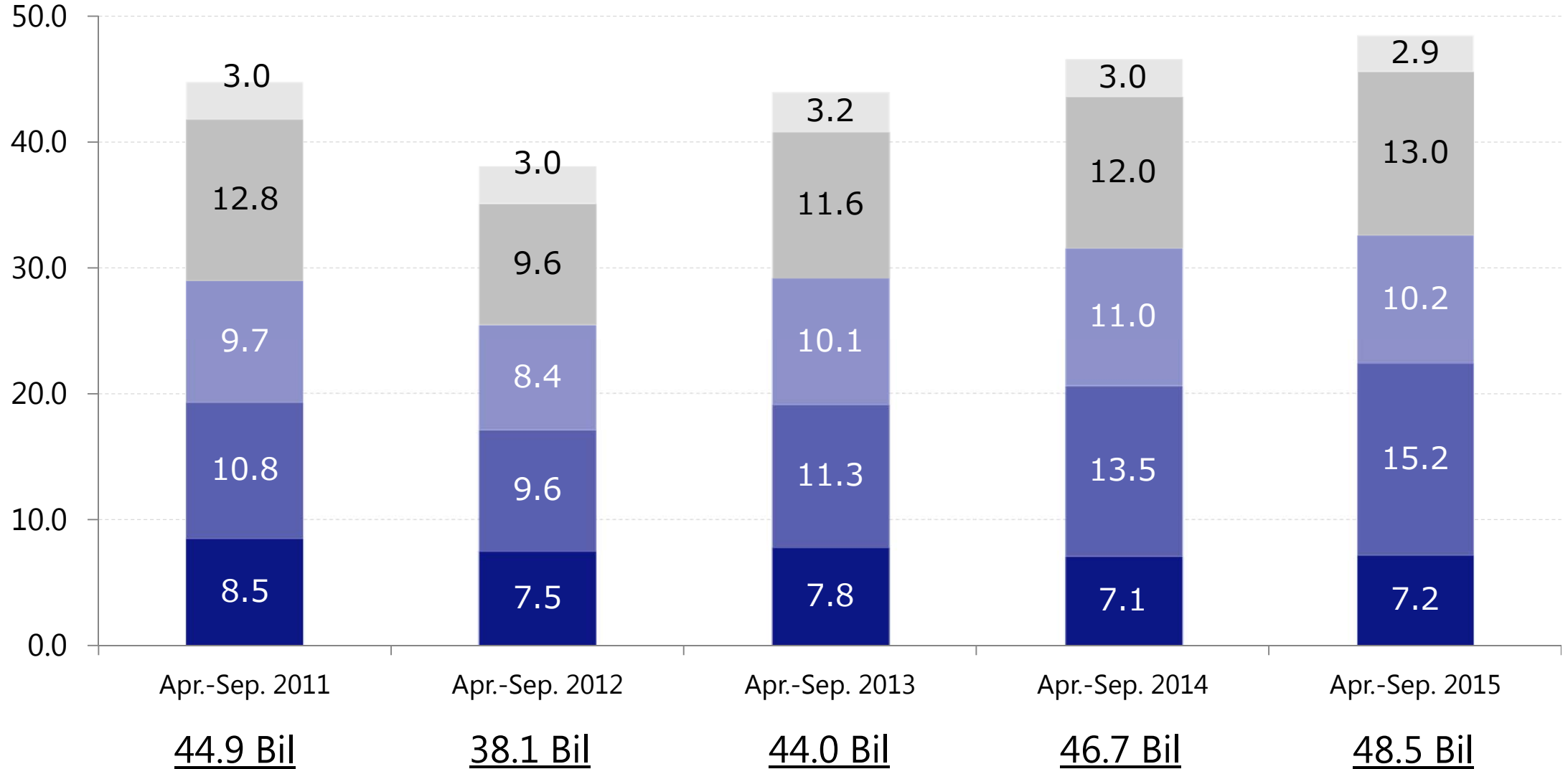
(Billions of Yen)



【Supplementary Materials】 Sales by Reign (Scientific Solutions)

(Billions of Yen)

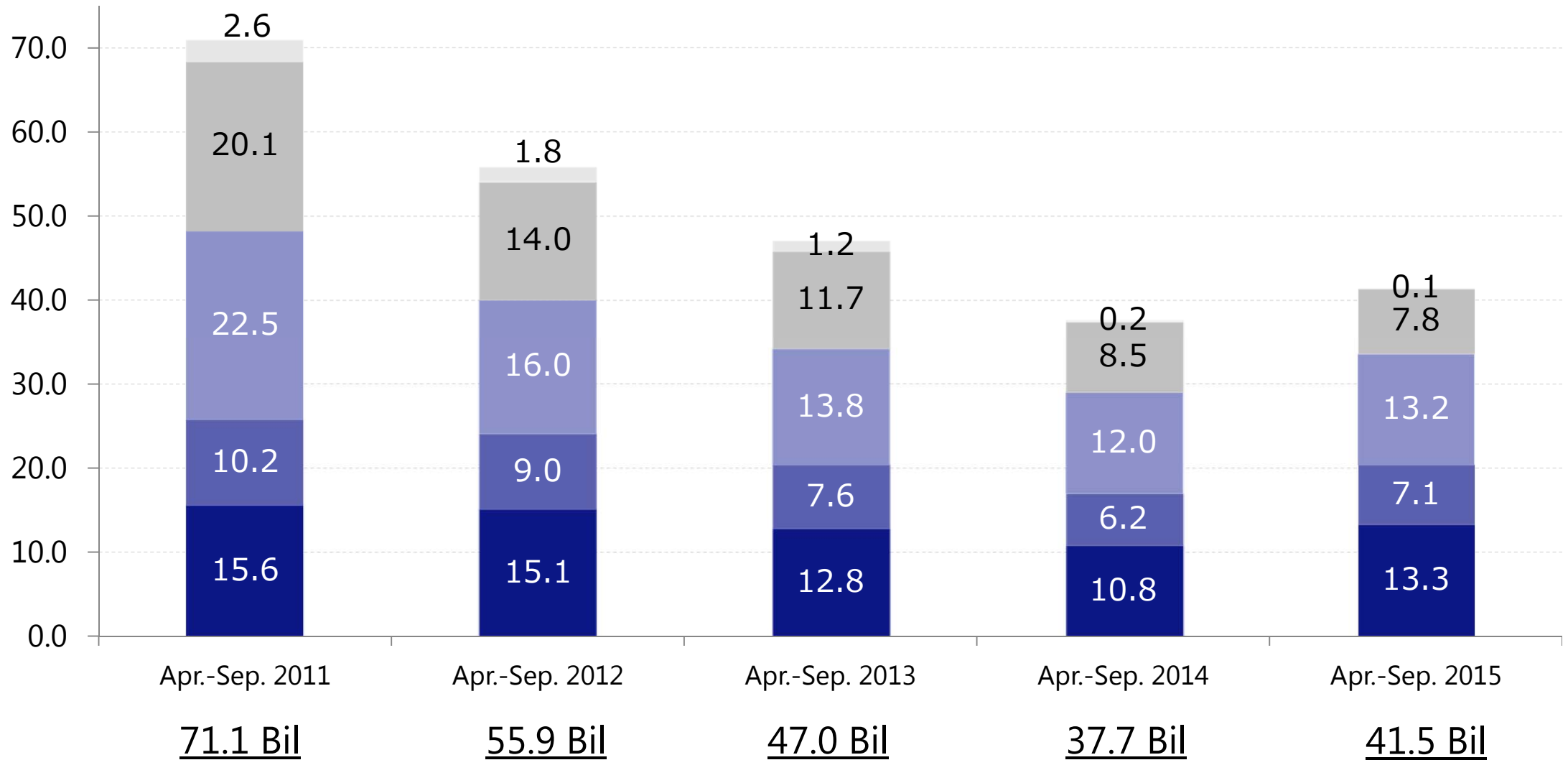
■ Japan ■ N.America ■ Europe ■ Asia/Oceania ■ Others



【Supplementary Materials】 Sales by Reign (Imaging)

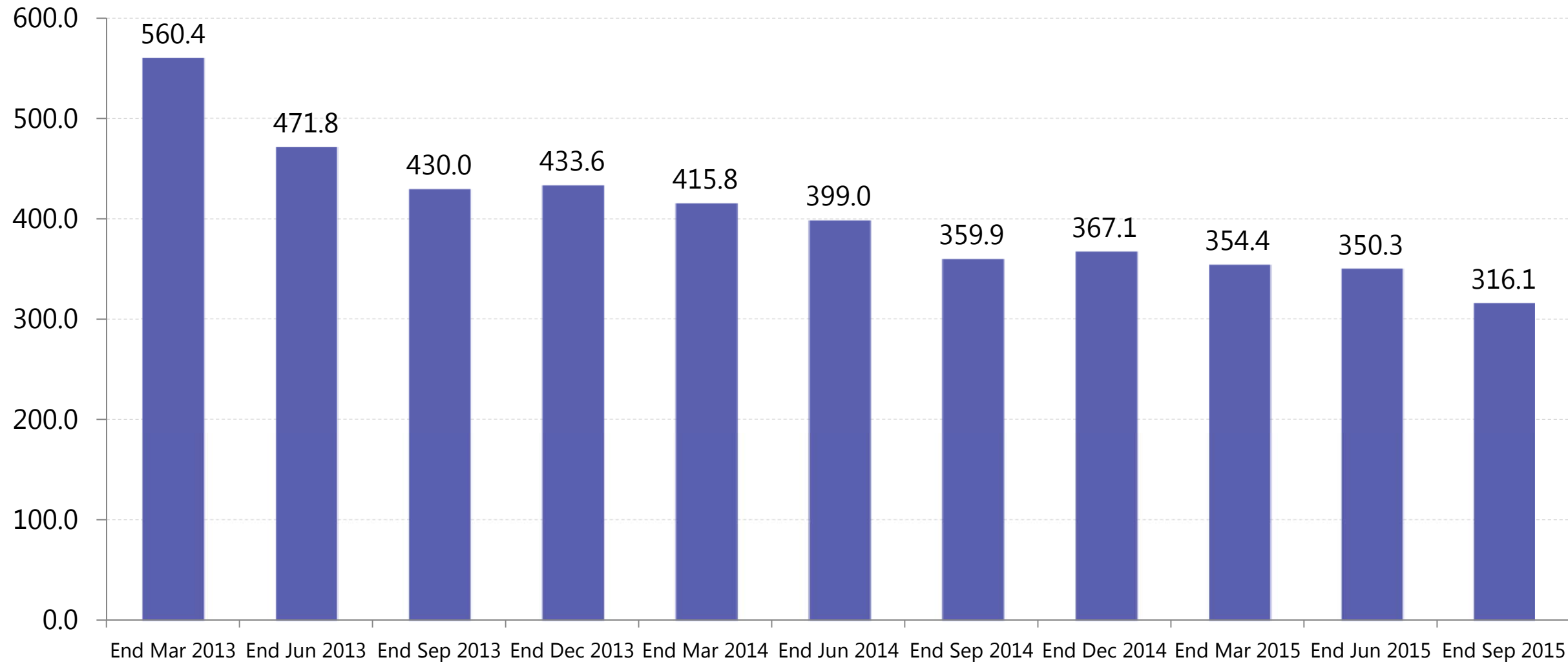
(Billions of Yen)

■ Japan ■ N.America ■ Europe ■ Asia/Oceania ■ Others

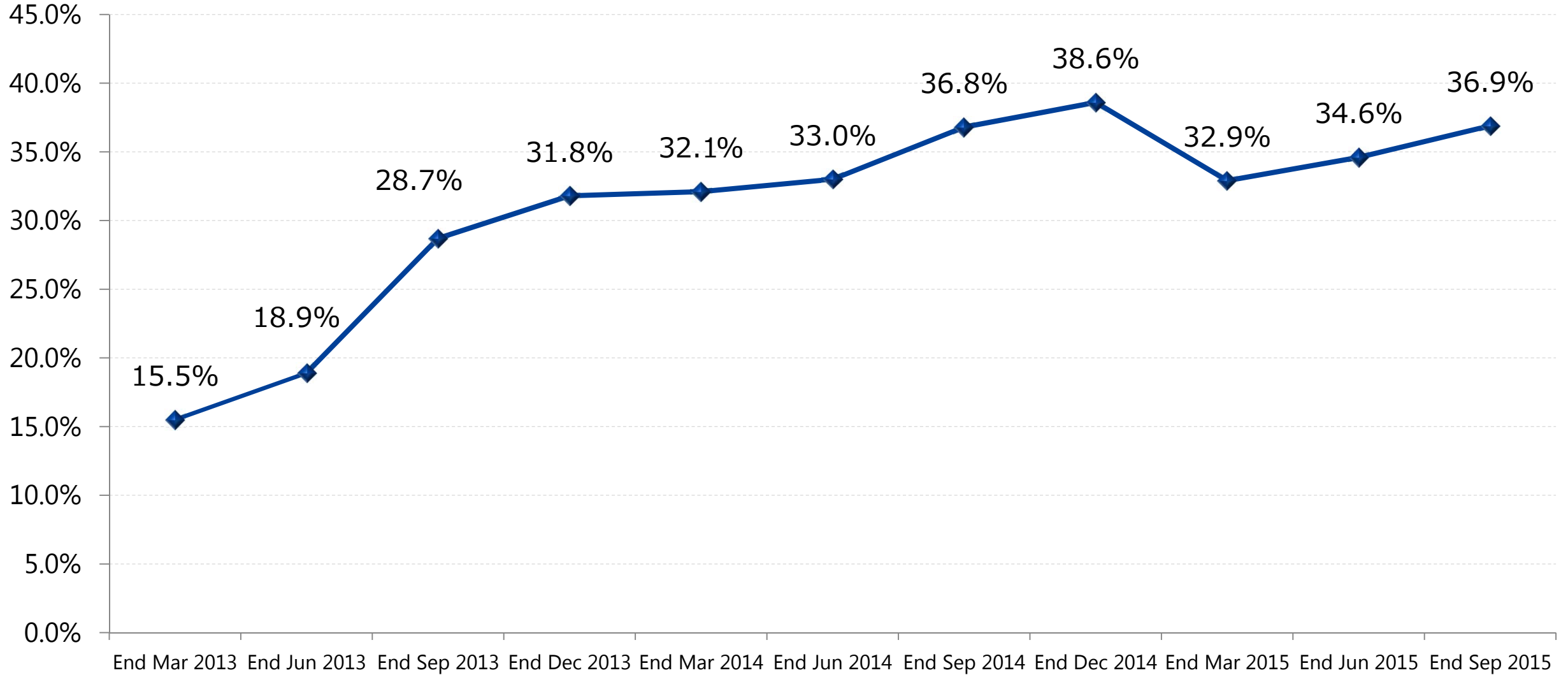


【Supplementary Materials】 Interest-bearing Debt

(Billions of Yen)



【Supplementary Materials】 Equity Ratio



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