

**OLYMPUS**

Your Vision, Our Future

# Management Policies for Fiscal 2017

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Olympus Corporation  
May 2, 2016

# Presentation Points

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## Fiscal 2016 Performance

- Consolidated operating income exceeds ¥100 billion for 1st time in 8 years and record-breaking net income posted
- ROE exceeds 15% management goal of 16CSP\* (approx. 17% in fiscal 2016)

## Operating Environment

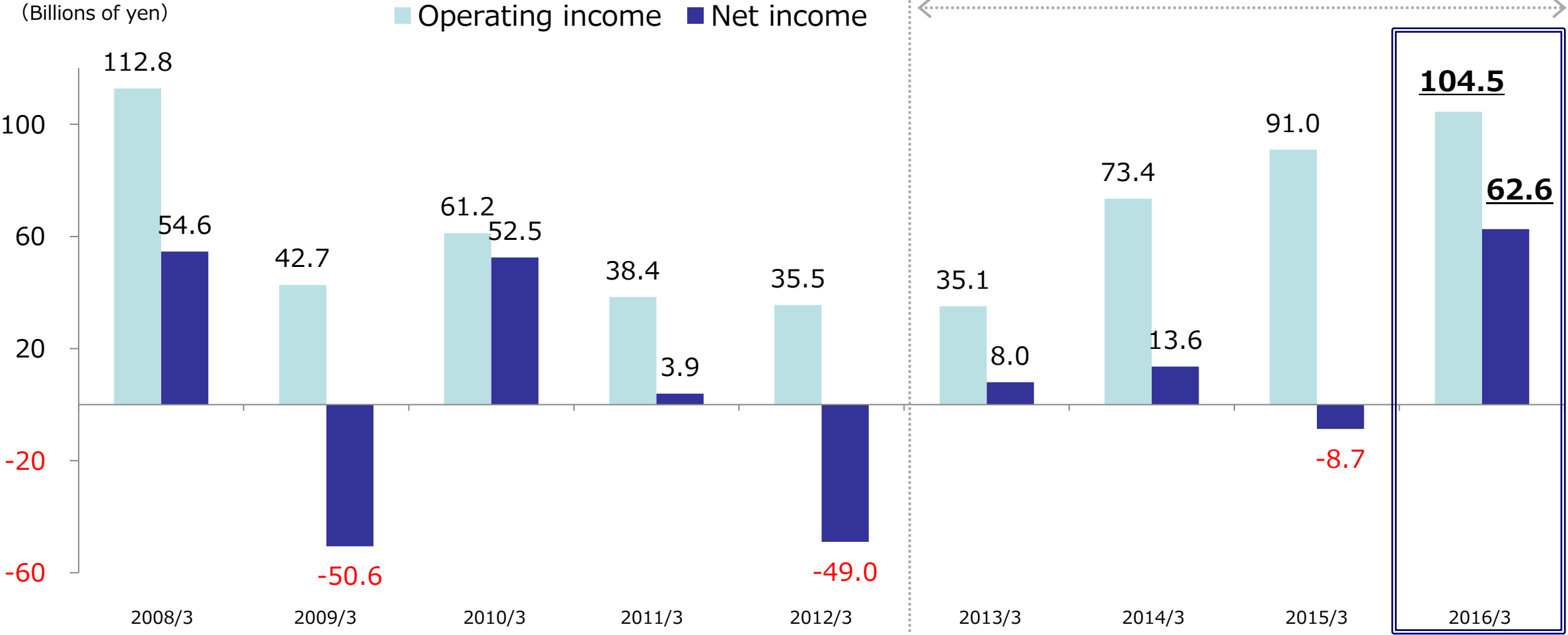
- Increasing sense of uncertainty due to slowed economic growth overseas and other factors
- Ongoing trend of yen appreciation

## Fiscal 2017 Management Policies • Full-Year Forecasts

- Advancement of strategic measures to achieve final-year targets of 16CSP and reformation of operating processes to improve corporate constitution
- Reduced operating income forecast due to impacts of strong yen, but growth rate of 7% (in line with 16CSP) anticipated when foreign exchange influences are excluded
- 2nd consecutive year of record-breaking net income to be realized by absorbing impacts of worsening operating environment

# Fiscal 2016 Consolidated performance (Operating income/Net income)

- Strong performance of Medical Business drives consolidated performance and operating income exceeds ¥100 billion for 1st time in 8 years since fiscal 2008
- Record-breaking net income\* of ¥62.6 billion



# 16CSP Management Goals: Fiscal 2016 Performance and 16CSP Goals

- YoY improvements in all indices, ROE exceeds 15% management goal of 16CSP

	2015/3 (Results)	2016/3 (Results)	16CSP Management Goals
Capital Efficiency ROE	-2.6%	17%	15%
Profitability Operating Margin	12%	13%	15%
Business Growth EBITDA	¥141.6 billion	Growth of 9%	Double digit CAGR
Financial Soundness Equity ratio	33%	38%	50%

# Operating Environment

- 1 Fiscal 2017: Increasing sense of uncertainty due to slowed economic growth overseas and other factors  
Ongoing trend of yen appreciation
- 2 16CSP period: No significant changes to operating environment directly impacting Olympus' business

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## Operating Environment in Fiscal 2017

- Slowing economic growth rates in China and other emerging countries
- Progressive trend of yen appreciation
- Declining birthrates and aging populations
- Rising medical needs
- Growing pressure to limit medical costs
- Increase in case numbers and decrease in facility numbers
- Diversification of customer needs in Scientific Solutions Business
- Contraction of digital camera market

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## Operating Environment during 16CSP Period

# Management Policies for Fiscal 2017

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## Management Policy

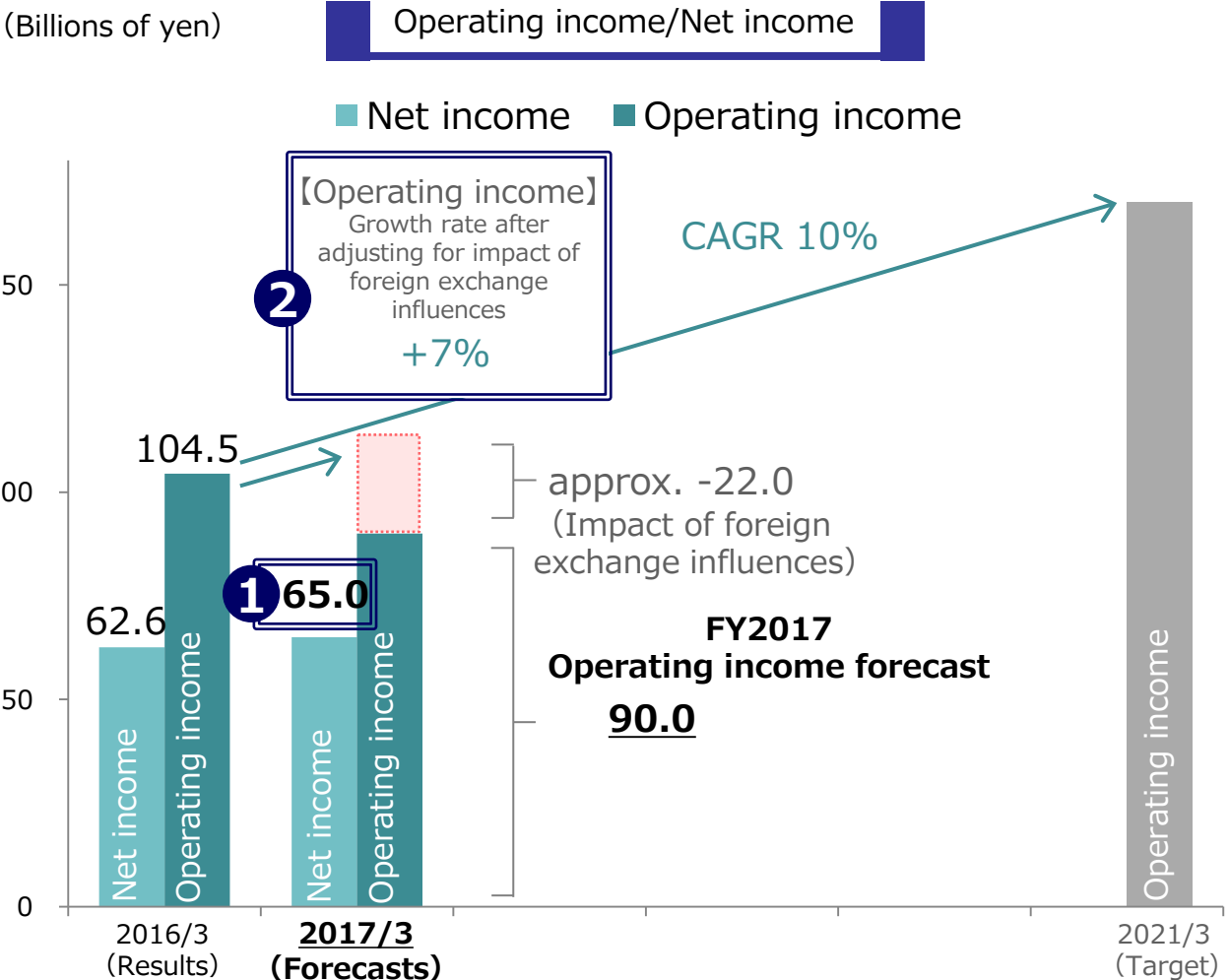
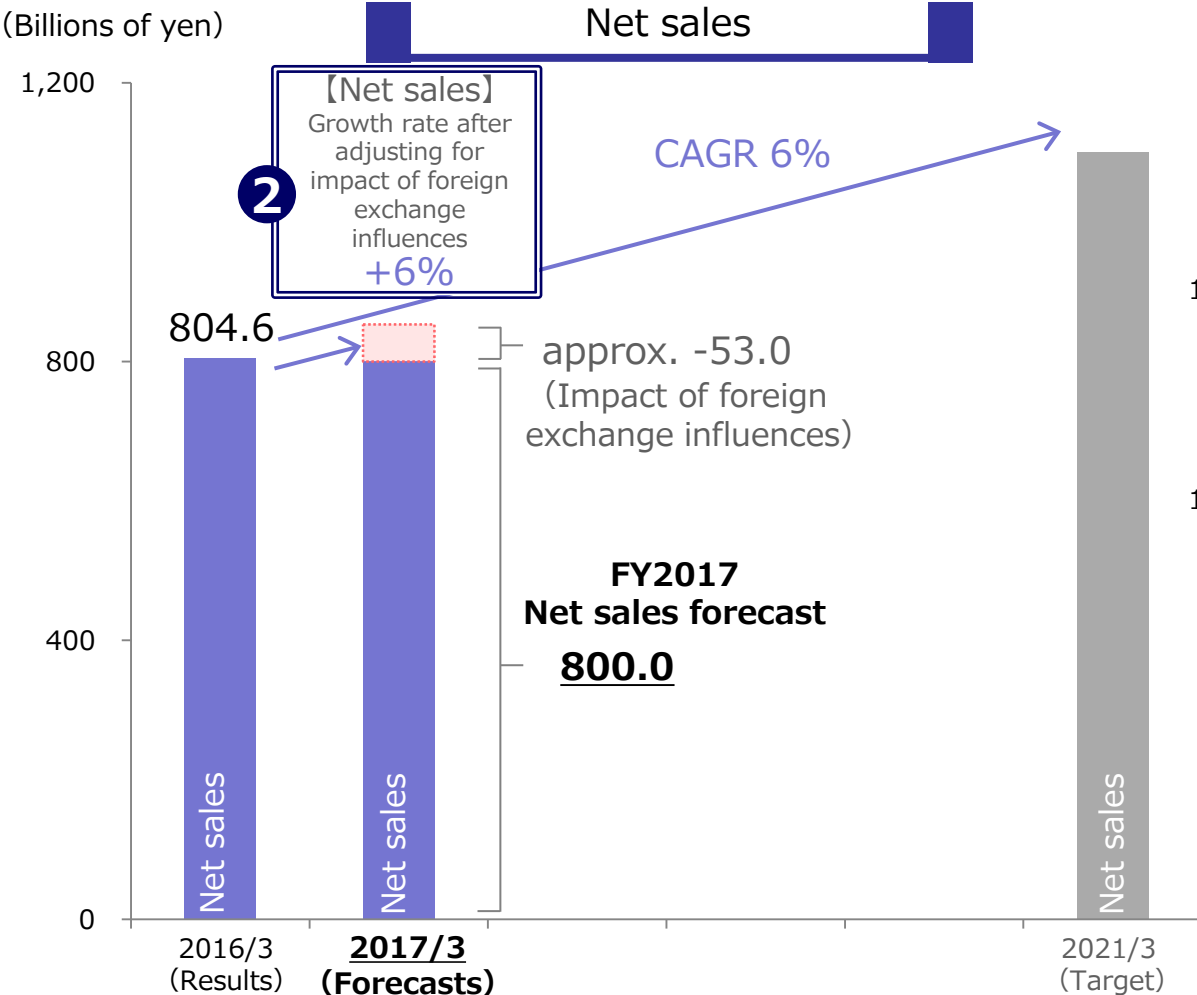
Advancement of measures to achieve final-year targets of 16CSP (fiscal 2021) and reformation of operating processes to improve corporate constitution

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- Implement measures to expand operations and strengthen constitution presupposing full utilization of management resources
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- Manufacturing staff associated with plant redevelopment for boosting production capacity
  - Service staff for strengthening maintenance systems
  - Strengthen QA/RA, internal controls, compliance, etc.
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- Improve operational efficiency and productivity through operation process reforms conducted on global basis
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# Forecasts for Fiscal 2017

- ① Operating income to decline YoY due to impacts of strong yen, but record-breaking net income of ¥65.0 billion to be recorded (2nd consecutive year of record-breaking net income)
- ② YoY increases in sales and income and progress in line with 16CSP when foreign exchange influences are excluded



# Fiscal 2017 Strategies by Business

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## Medical

- Achieve stable growth and reinforce earnings foundations in gastrointestinal endoscope field
- Increase sales and improve profitability in general surgery field

### <Strategies by BU>

- GIR: Improve profitability by reducing cost of sales and raising efficiency of SG&A expenses
- GS: Step up initiatives in disposal device operations and improve profitability
- UG: Steadily increase sales by utilizing competitive products
- ENT: Expand endoscopic sinus surgery (ESS) operations centered on DIEGO ELITE
- MS: Provide optimal services by strengthening contacts with customers

## Scientific Solutions

- Continue implementing strategies for strengthening contacts with customers

## Imaging

- Reduce expenses to level matched to scale of sales by stepping up coordination with functional axis



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# Consolidated Financial Results for Fiscal 2016 Full-Year Forecasts for Fiscal 2017

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Director, Vice President and CFO  
Olympus Corporation  
May 2, 2016

# Fiscal 2016 – Consolidated Financial Results

Record-breaking profit margins

- ① Record-high operating margin of 13% following cost of sales ratio reductions
- ② Record-breaking ordinary income ratio and net income ratio

(Billions of yen)	Full Year (Apr.-Mar.)				4Q (Jan.-Mar.)		
	2015/3	2016/3	YoY Change	YoY(%)	2015/3	2016/3	YoY Change
Net Sales	764.7	<b>804.6</b>	+39.9	+5%	214.7	<b>212.0</b>	-1%
Cost of sales (% of sales)	274.8 (35.9%)	<b>269.3</b> <b>① (33.5%)</b>	-5.5 (-2.4pt)	-2%	75.2 (35.1%)	<b>70.6</b> <b>① (33.3%)</b>	-6%
SG&A expenses (% of sales)	398.9 (52.2%)	<b>430.8</b> <b>(53.5%)</b>	+31.9 (+1.3pt)	+8%	110.5 (51.4%)	<b>110.6</b> <b>(52.2%)</b>	+0%
Operating income (% of sales)	91.0 (11.9%)	<b>104.5</b> <b>① (13.0%)</b>	+13.5 (+1.1pt)	+15%	28.9 (13.5%)	<b>30.8</b> <b>(14.5%)</b>	+7%
Ordinary income (% of sales)	72.8 (9.5%)	<b>90.9</b> <b>② (11.3%)</b>	+18.1 (+1.8pt)	+25%	24.6 (11.5%)	<b>26.2</b> <b>② (12.3%)</b>	+7%
Net income* (% of sales)	-8.7 (-%)	<b>62.6</b> <b>② (7.8%)</b>	+71.3 (-pt)		-40.7 (-%)	<b>19.7</b> <b>② (9.3%)</b>	-0%
EPS (Yen)	-26	<b>183</b>	+209				
¥/US\$	¥110	<b>¥120</b>	¥10 (Yen depreciation)				
¥/Euro	¥139	<b>¥133</b>	-¥6 (Yen appreciation)				
Impact on net sales	-	<b>+¥19.2 billion</b>					
Impact on operating income	-	<b>+¥11.3 billion</b>					

# Fiscal 2016 – Results by Business Segment

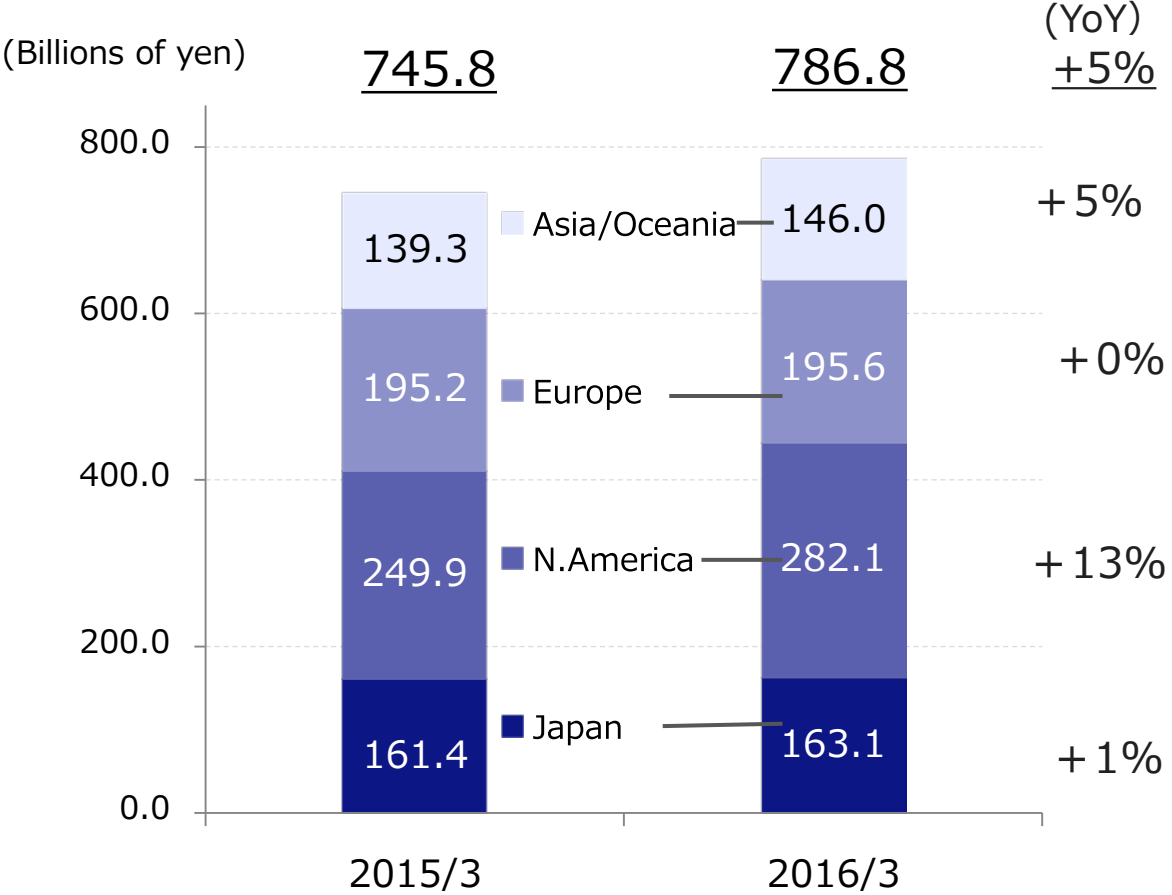
- ① Medical Business: Record-breaking net sales and operating income
- ② Scientific Solutions Business: Lower net sales due to worsening of operating environment, but increased operating income following reduced ratio of manufacturing costs to net sales and ongoing cost cutting measures
- ③ Imaging Business: Massive reduction in operating loss due to benefits of restructuring measures

(Billions of yen)		Full Year (Apr.-Mar.)				4Q (Jan.-Mar.)			
		2015/3	2016/3	YoY Change	YoY (%)	2015/3	2016/3	YoY Change	YoY (%)
Medical	Net Sales	558.3	<b>608.9</b>	+50.6	+9%	160.2	<b>163.7</b>	+3.5	+2%
	Op. income	124.9	<b>140.2</b>	+15.3	+12%	40.9	<b>41.6</b>	+0.7	+2%
Scientific Solutions	Net Sales	103.9	<b>101.6</b>	-2.3	-2%	31.1	<b>28.1</b>	-3.0	-10%
	Op. income	6.8	<b>8.5</b>	+1.6	+24%	3.3	<b>2.9</b>	-0.3	-11%
Imaging*	Net Sales	79.4	<b>78.3</b>	-1.2	-1%	18.8	<b>16.3</b>	-2.6	-14%
	Op. income	-11.7	<b>-2.1</b>	+9.6	-	-6.8	<b>-2.2</b>	+4.6	-
Others*	Net Sales	23.0	<b>15.8</b>	-7.2	-32%	4.5	<b>4.0</b>	-0.5	-12%
	Op. income	-1.0	<b>-5.8</b>	-4.8	-	-0.6	<b>-1.0</b>	-0.4	-
Elimination and corporate	Net Sales	-	-	-	-	-	-	-	-
	Op. income	-28.1	<b>-36.4</b>	-8.3	-	-7.9	<b>-10.6</b>	-2.7	-
Consolidated Total	Net Sales	764.7	<b>804.6</b>	+39.9	+5%	214.7	<b>212.0</b>	-2.6	-1%
	Op. income	91.0	<b>104.5</b>	+13.5	+15%	28.9	<b>30.8</b>	-1.9	+7%

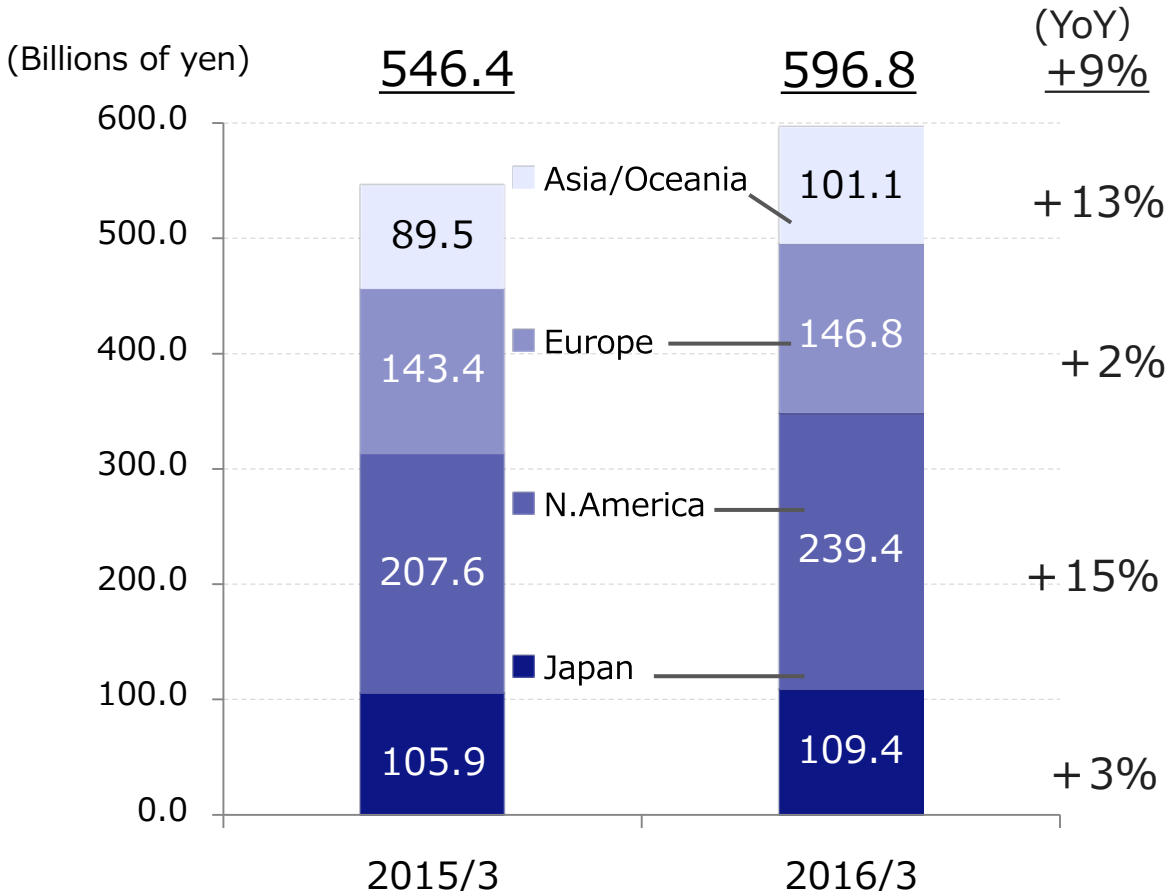
# Fiscal 2016 – Net Sales by Region

- Consolidated: Strong Medical Business performance drives consolidated performance, sales increases in all regions
- Medical Business: Favorable performance overseas, sales up in all regions

**Consolidated (Apr.-Mar.)**



**Medical Business (Apr.-Mar.)**



# Consolidated Balance Sheet (End of March 2016)

- ① Interest-bearing debt down approx. ¥33.0 billion, equity ratio of 38.2%
- ② Digital camera inventory reductions progressing as planned, down ¥9.3 billion, to ¥14.4 billion

(Billions of yen)	End Mar. 2015	<b>End Mar. 2016</b>	Change		End Mar. 2015	<b>End Mar. 2016</b>	Change
Current assets (Digital camera inventories)	577.5 (23.7)	<b>520.7</b> <b>(14.4)</b>	-56.8 (-9.3)	Current liabilities	374.8	<b>266.6</b>	-108.2
Property, plant and equipment	150.1	<b>166.1</b>	+15.9	Non-current liabilities (Incl. bonds/long-term loans payable)	349.5 (253.3)	<b>349.7</b> <b>(264.5)</b>	+0.2 (+11.2)
Intangible assets	180.6	<b>150.8</b>	-29.9	Net assets	357.3	<b>384.3</b>	+27.0
Investments and other assets	173.2	<b>163.1</b>	-10.2	(Equity ratio)	(32.9%)	<b>(38.2%)</b>	(5.3pt)
Total assets	1,081.6	<b>1,000.6</b>	-80.9	Total liabilities and net assets	1,081.6	<b>1,000.6</b>	-80.9

① Interest-bearing debt : ¥321.1 billion (-¥33.3 billion from March 31, 2015)

Net interest-bearing debt : ¥154.6 billion(+¥10.0 billion from March 31, 2015)

# Consolidated Cash Flows (April 2015 to March 2016)

- ① Negative free cash flow resulted primarily from criminal penalties and civil fines (approx. ¥72.5 billion) paid in relation to settlement with U.S. DOJ

(Billions of yen)	2015/3	2016/3	Change
Net Sales	764.7	<b>804.6</b>	+39.9
Operating income	91.0	<b>104.5</b>	+13.5
(% of sales)	11.9%	<b>13.0%</b>	+1.1pt
CF from operating activities	66.8	<b>48.6</b>	-18.2
CF from investing activities	-39.6	<b>-52.9</b>	-13.3
CF from financing activities	-70.2	<b>-33.9</b>	+36.3
Cash flow	-43.0	<b>-38.1</b>	+4.8
Free cash flow	27.2	<b>-4.3</b>	-31.5
Cash and cash equivalents at end of year	209.8	<b>166.3</b>	-43.5
Depreciation and amortization	41.2	<b>39.9</b>	-1.3
Amortization of goodwill	9.4	<b>9.9</b>	+0.4
Capital expenditures	47.7	<b>64.4</b>	+16.7

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# Full-Year Forecasts for Fiscal 2017

# Forecasts for Fiscal 2017 (Full Year)

- Forecasts of ¥800.0 billion for net sales and ¥90.0 billion for operating income in consideration of impacts of strong yen
- Ongoing investments to achieve final-year targets of 16CSP
- Record-breaking net income of ¥65.0 billion forecast due to improved non-operating income and expenses and extraordinary income and loss

(Billions of yen)	2016/3 (Results)	2017/3 (Forecasts)	YoY Change	YoY (%)	After foreign exchange adjustment
Net sales	804.6	<b>800.0</b>	-4.6	-1%	<b>+6%</b>
Cost of sales (% of net sales)	269.3 (33.5%)	<b>269.0</b> <b>(33.6%)</b>	-0.3 (+0.1pt)	-0%	-
SG&A expenses (% of net sales)	430.8 (53.5%)	<b>441.0</b> <b>(55.1%)</b>	+10.2 (+1.6pt)	+2%	-
Operating income (% of net sales)	104.5 (13.0%)	<b>90.0</b> <b>(11.3%)</b>	-14.5 (-1.7pt)	-14%	<b>+7%</b>
Ordinary income (% of net sales)	90.9 (11.3%)	<b>80.0</b> <b>(10.0%)</b>	-10.9 (-1.3pt)	-12%	
Net income* (% of net sales)	62.6 (7.8%)	<b>65.0</b> <b>(8.1%)</b>	+2.4 (+0.3pt)	+4%	
EPS (Yen)	183	190	+7	+4%	
¥/US\$	¥120	¥108	-¥12 (Yen appreciation)		
¥/Euro	¥133	¥120	-¥13 (Yen appreciation)		



# Segment Forecasts for Fiscal 2017 (Full Year)

- 1 Medical Business: Ongoing driver of consolidated performance, despite lower income due to impacts of strong yen; growth rates in line with 16CSP when excluding foreign exchange influences
- 2 Imaging Business: Breakeven to be achieved by reducing SG&A expenses to level matching business scale

	(Billions of yen)	2016/3 (Results)	2017/3 (Forecasts)	YoY Change	YoY (%)	Growth rate after adjusting for impact of foreign exchange influences
Medical	Net sales	608.9	<b>610.0</b>	+1.1	+0%	<b>1</b> +7%
	Op. income	140.2	<b>127.0</b>	-13.2	-9%	+5%
Scientific Solutions	Net sales	101.6	<b>100.0</b>	-1.6	-2%	+5%
	Op. income	8.5	<b>6.0</b>	-2.5	-29%	+7%
Imaging	Net sales	78.3	<b>70.0</b>	-8.3	-11%	-6%
	Op. income	-2.1	<b>0</b>	+2.1	-%	-%
Others (New Businesses)	Net sales	15.8	<b>20.0</b>	+4.2	+27%	+29%
	Op. income	-5.8	<b>-6.0</b>	+0.2	-%	-%
Elimination and corporate	Net sales	—	—	—	—	—
	Op. income	-36.4	<b>-37.0</b>	-0.6	-%	-%
Consolidated Total	Net sales	804.6	<b>800.0</b>	-4.6	-1%	+6%
	Op. income	104.5	<b>90.0</b>	-14.5	-14%	+7%

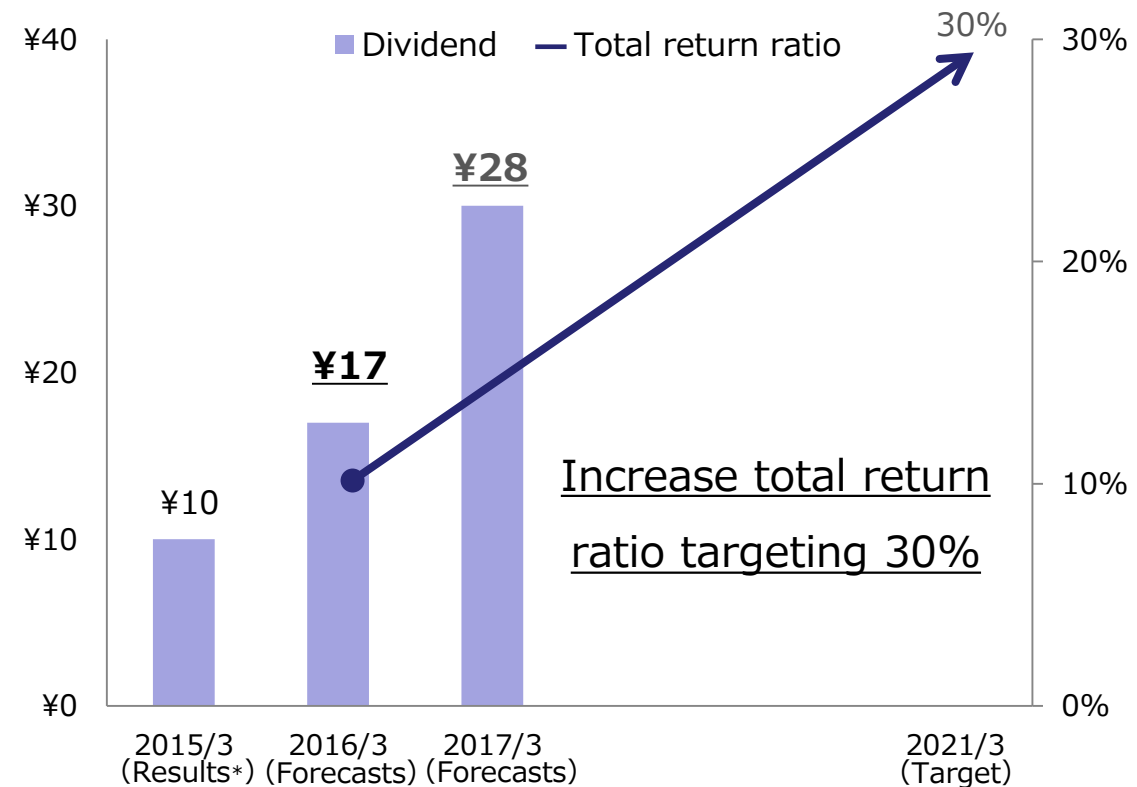
# Fiscal 2017 Financial Measures

16CSP Directive



Fiscal 2017 Financial Measures

- Secure stable equity capital levels
  - Strategically control interest-bearing debt
  - Realize phased increase in shareholder returns
- Dividend Forecast
- |        |  |
|--------|--|
| 2016/3 | Year-end dividend payment of ¥17 per share |
| 2017/3 | Annual dividend of ¥28 per share           |



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# Supplementary Materials

# 【Supplementary Materials】 Forecasts for FY2017 (1H and 2H)

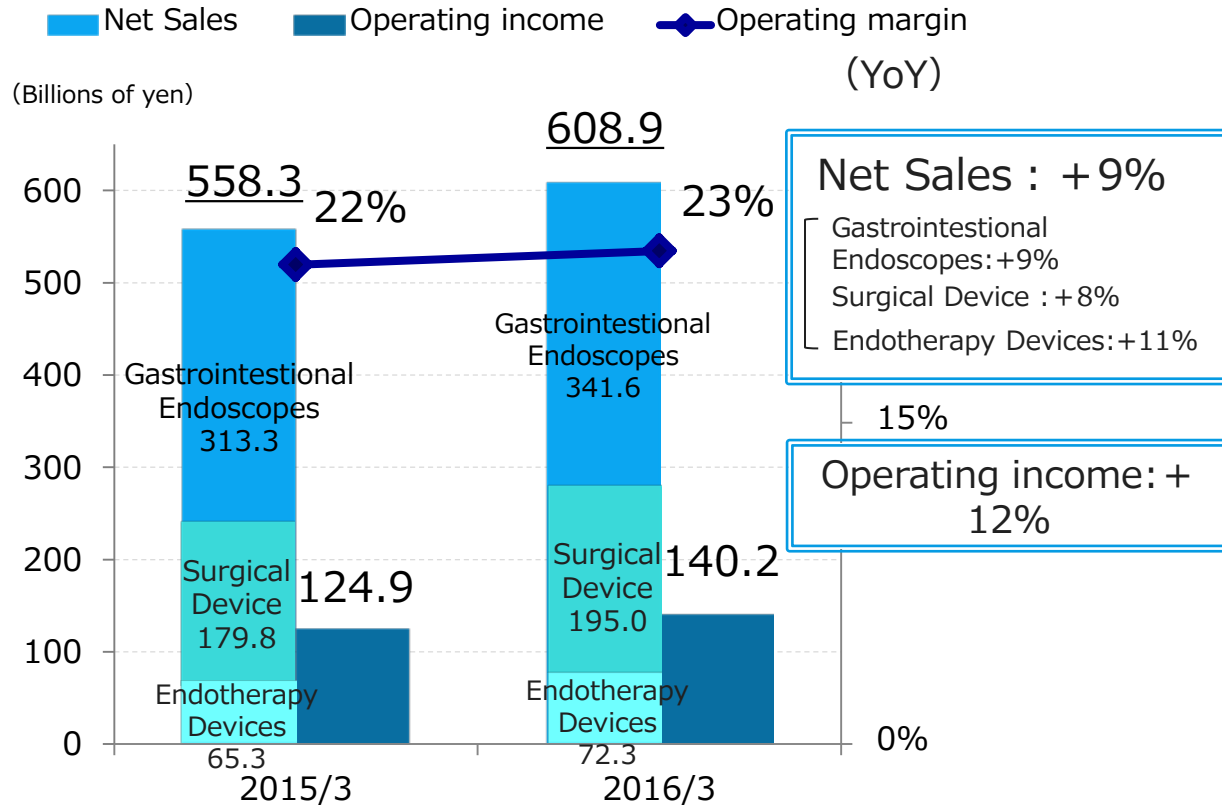
(Billions of Yen)	FY2016 (Results)		FY2017 (Forecast)		YoY (%)	
	1H	2H	1H	2H	1H	2H
Net Sales	395.8	408.8	<b>380.0</b>	<b>420.0</b>	-4%	+3%
Operating income (% of net sales)	50.1 (12.7%)	54.4 (13.3%)	<b>37.0</b> <b>(9.7%)</b>	<b>53.0</b> <b>(12.6%)</b>	-26%	-3%
Non-operating Income and expenses	-6.6	-7.0	<b>-5.0</b>	<b>-5.0</b>	-	-
Ordinary income (% of net sales)	43.5 (11.0%)	47.4 (11.3%)	<b>32.0</b> <b>(8.4%)</b>	<b>48.0</b> <b>(11.4%)</b>	-26%	+1%
Net income (% of net sales)	35.8 (9.0%)	26.8 (6.6%)	<b>27.0</b> <b>(7.1%)</b>	<b>38.0</b> <b>(9.1%)</b>	-25%	+42%

# 【Supplementary Materials】 Segment Forecasts for FY2017 (1H and 2H)

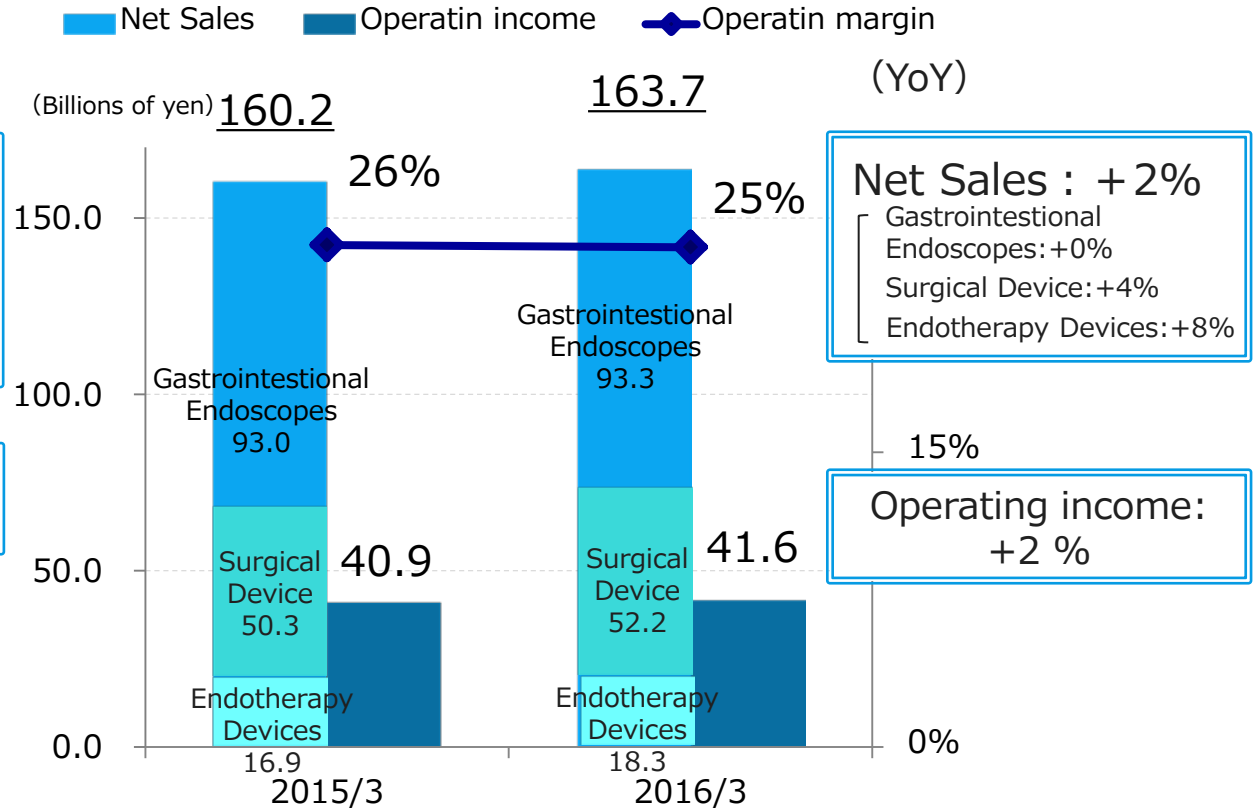
(Billions of yen)		FY2016 (Results)		FY2017 (Forecast)		YoY (%)	
		1H	2H	1H	2H	1H	2H
Medical	Net Sales	297.9	311.0	<b>292.0</b>	<b>318.0</b>	-2%	+2%
	Op. income	67.9	72.3	<b>59.0</b>	<b>68.0</b>	-13%	-6%
Scientific Solutions	Net Sales	48.5	53.1	<b>47.0</b>	<b>53.0</b>	-3%	-0%
	Op. income	3.3	5.2	<b>1.0</b>	<b>5.0</b>	-70%	-3%
Imaging	Net Sales	41.5	36.8	<b>32.0</b>	<b>38.0</b>	-23%	+3%
	Op. income	0	-2.1	<b>-2.0</b>	<b>2.0</b>	-	-
Others (New Business)	Net Sales	7.9	7.9	<b>9.0</b>	<b>11.0</b>	+14%	+40%
	Op. income	-3.3	-2.6	<b>-3.0</b>	<b>-3.0</b>	-	-
Elimination and corporate	Net Sales	-	-	-	-	-	-
	Op. income	-17.9	-18.5	<b>-18.0</b>	<b>-19.0</b>	-	-
Consolidated Total	Net Sales	395.8	408.8	<b>380.0</b>	<b>420.0</b>	-4%	+3%
	Op. income	50.1	54.4	<b>37.0</b>	<b>53.0</b>	-26%	-3%

# 【Supplementary Materials】 FY2016 Results (Medical)

## Full Year

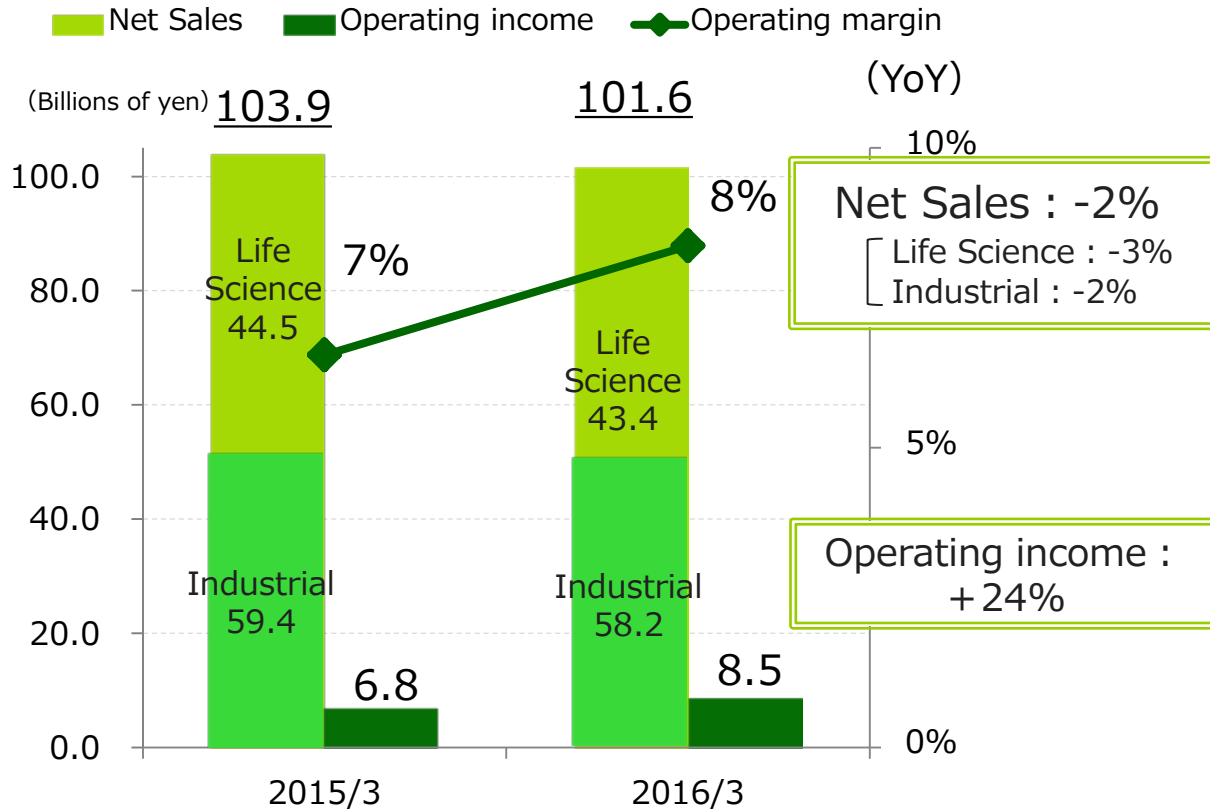


## 4Q (Jan-Mar)

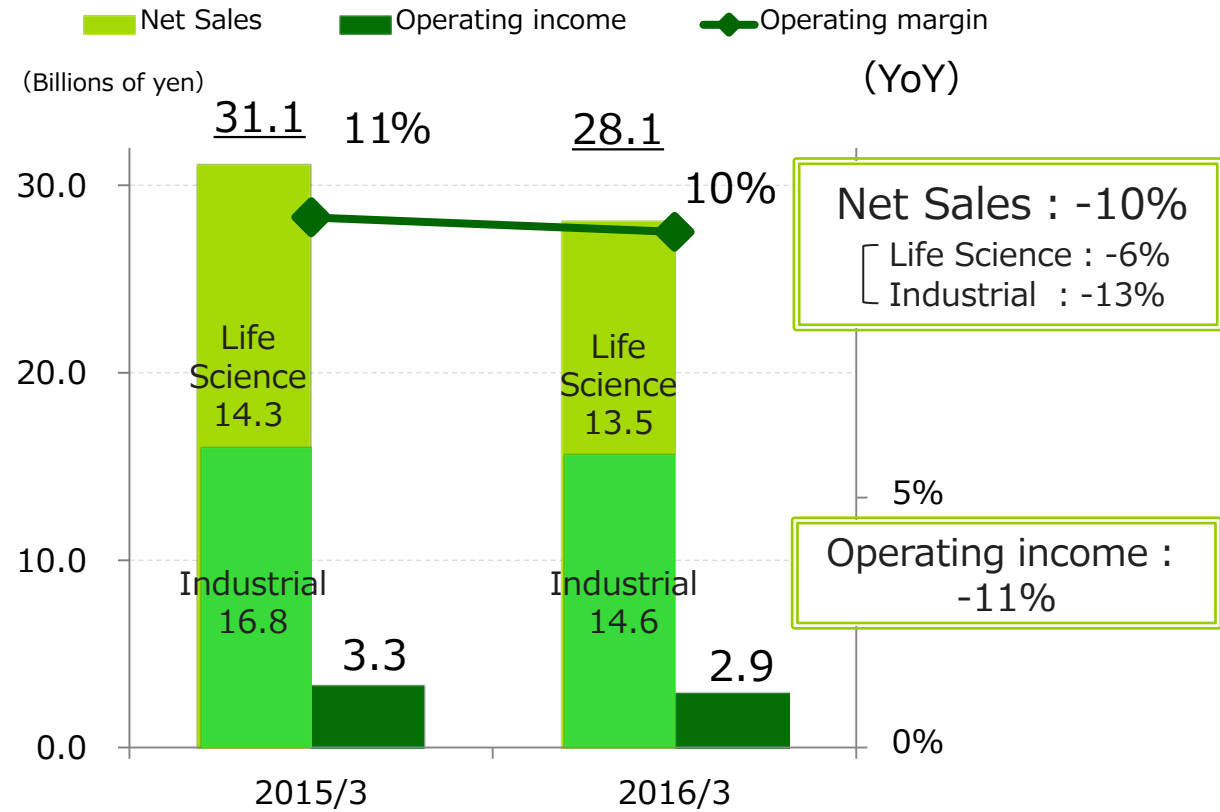


# [Supplementary Materials] FY2016 Results (Scientific Solutions)

## Full Year



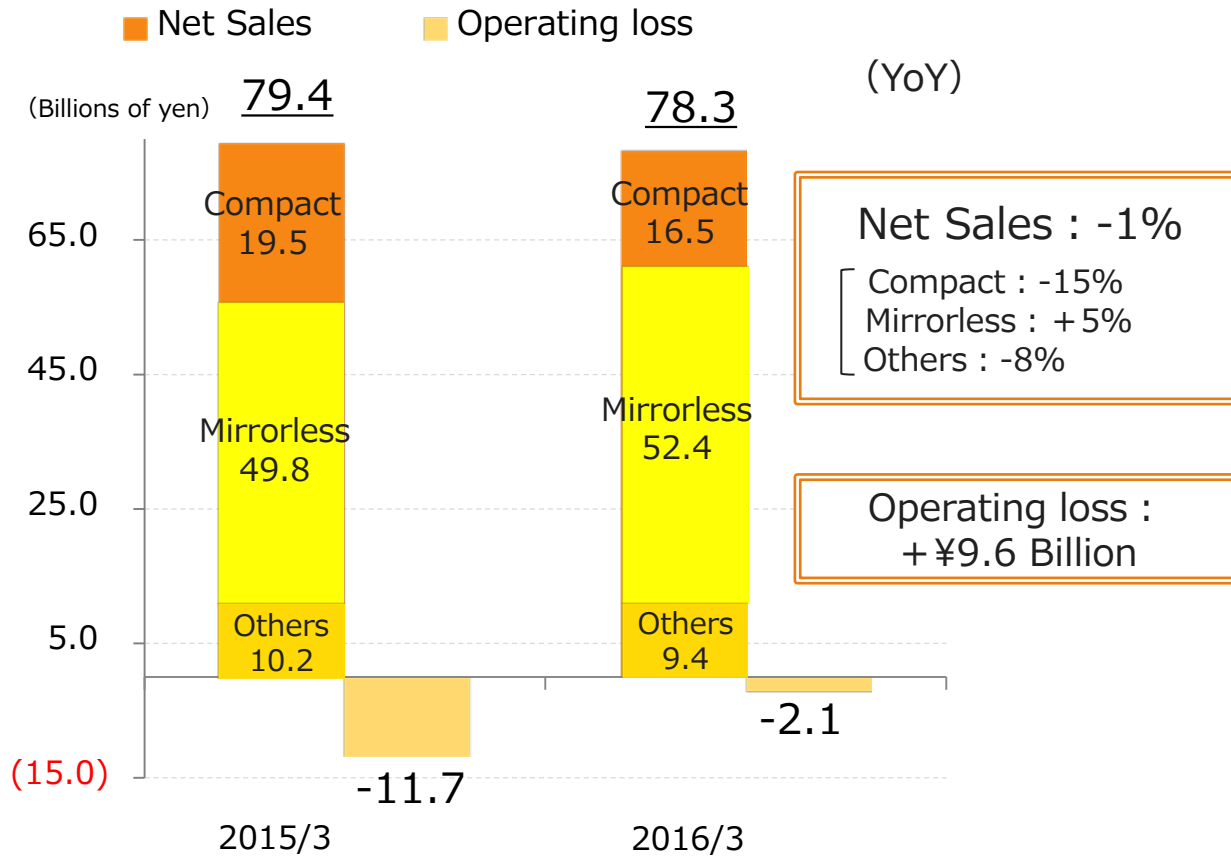
## 4Q (Jan-Mar)



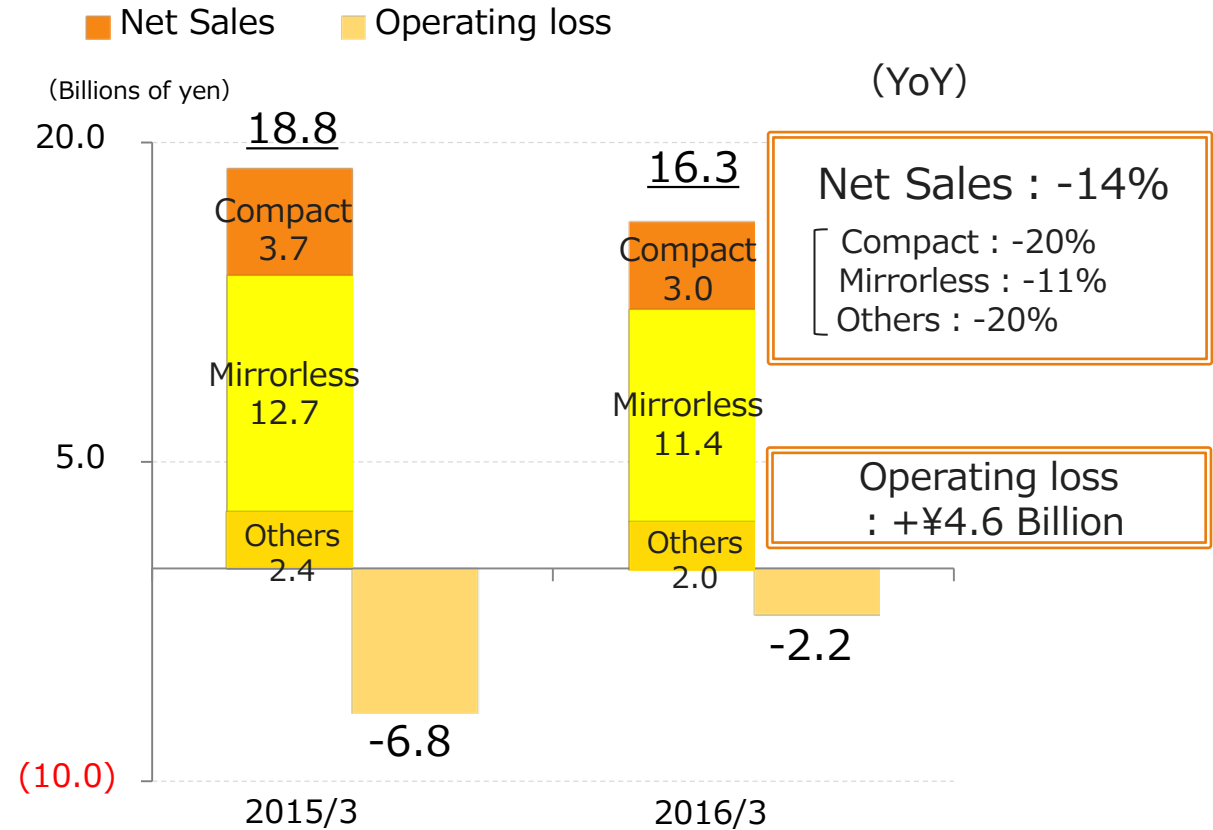


# [Supplementary Materials] FY2016 Results (Imaging)

## Full Year



## 4Q (Jan-Mar)



\* The new business previously included under the Imaging Business is now included in Others. Figures for FY2015 have been restated to reflect this change.



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