

Consolidated Financial Results for the 3rd Quarter of the Fiscal 2014 and the Full-year Forecast

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(1) Consolidated Financial Results and Overview by Segment for 3Q of the Fiscal 2014

3Q Highlights

Operating Environment

- Global economy: Gentle recovery trend continues centered on U.S., but future of China and other emerging markets and European sovereign debt crisis warrant caution
- Japanese economy: Improved perception of domestic economy drove rises in capital expenditures and consumer spending, but consumption rush projected to occur before scheduled consumption tax hike must be carefully monitored

1. Consolidated Results: Operating income doubles YoY due to strong performance of Medical Business

2. Medical Business: Ongoing strong performance leads to record-high net sales and operating income

3. Financial Position: Equity ratio exceeds 30%, medium-term plan goal achieved ahead of schedule

3Q of FY2014 (YoY) - (1)Consolidated Financial Results

◆ Pronounced 3Q (Oct-Dec) rise in sales and income:

Operating income→Tripled, Net income→Reached ¥13.8 billion

(Billions of yen)	FY 2013 9M (Apr-Dec)	FY 2014 9M (Apr-Dec)	YoY Change	YoY (%)	FY2013 3Q (Oct-Dec)	FY2014 3Q (Oct-Dec)	YoY (%)
Net sales	561.2	513.7	-47.6	-9%	155.5	179.8	+16%
SG&A expenses (% to sales)	250.3 (44.6%)	267.4 (52.1%)	+17.1 (+7.5pt)	+7%	80.9 (52.1%)	91.1 (50.6%)	+13%
Operating income (% to sales)	24.6 (4.4%)	49.9 (9.7%)	+25.3 (+5.3pt)	+103%	6.6 (4.2%)	21.4 (11.9%)	+226%
Ordinary income (% to sales)	8.7 (1.6%)	34.1 (6.6%)	+25.4 (+5.0pt)	+290%	1.3 (0.9%)	17.2 (9.5%)	+1,176%
Net income (% to sales)	7.6 (1.4%)	5.8 (1.1%)	-1.8 (-0.3pt)	-23%	-0.4 (-)	13.8 (7.7%)	-

[Foreign exchange rates and impact]

¥/US\$	¥80	¥99	¥19 (yen depreciation)
¥/Euro	¥102	¥132	¥30 (yen depreciation)
Impact on net sales	-	+¥78.7 billion	
Impact on operating income	-	+¥19.5 billion	

3Q of FY2014 (YoY) - (2) Results by Business Segment

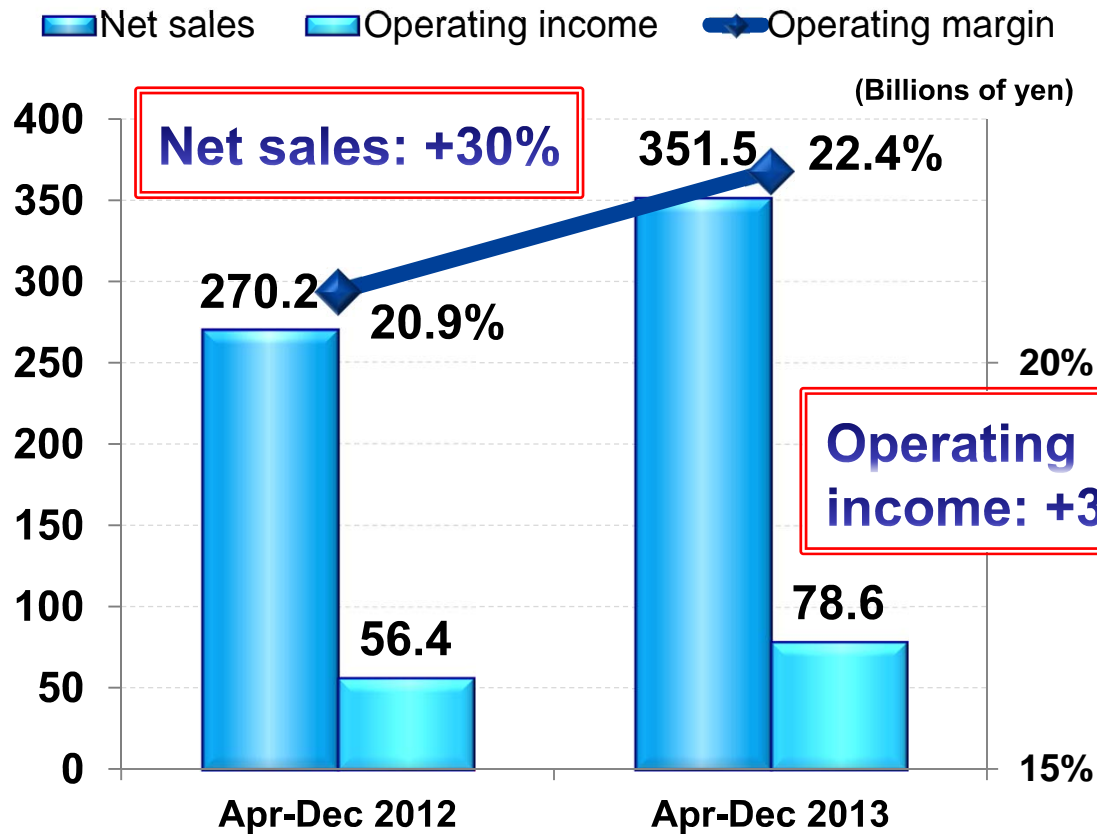
◆ Operating income rose significantly due to higher income from core 3 businesses

(Billions of yen)		FY 2013 9M (Apr-Dec)	FY 2014 9M (Apr-Dec)	YoY Change	YoY change (%)
Medical	Net sales	270.2	351.5	+81.2	+30%
	Operating income	56.4	78.6	+22.2	+39%
Life Science & Industrial	Net sales	57.5	67.6	+10.1	+18%
	Operating income	1.2	2.1	+0.9	+75%
Imaging	Net sales	86.9	75.0	-11.9	-14%
	Operating loss	-8.8	-4.4	+4.4	-
Information & Communication	Net sales	114.2	-	-114.2	-
	Operating income	1.7	-	-1.7	-
Others	Net sales	32.4	19.6	-12.7	-39%
	Operating loss	-3.3	-4.4	-1.1	-
Elimination and corporate	Net sales	-	-	-	-
	Operating loss	-22.6	-22.0	+0.6	-
Consolidated Total	Net sales	561.2	513.7	-47.6	-9%
	Operating income	24.6	49.9	+25.3	+103%

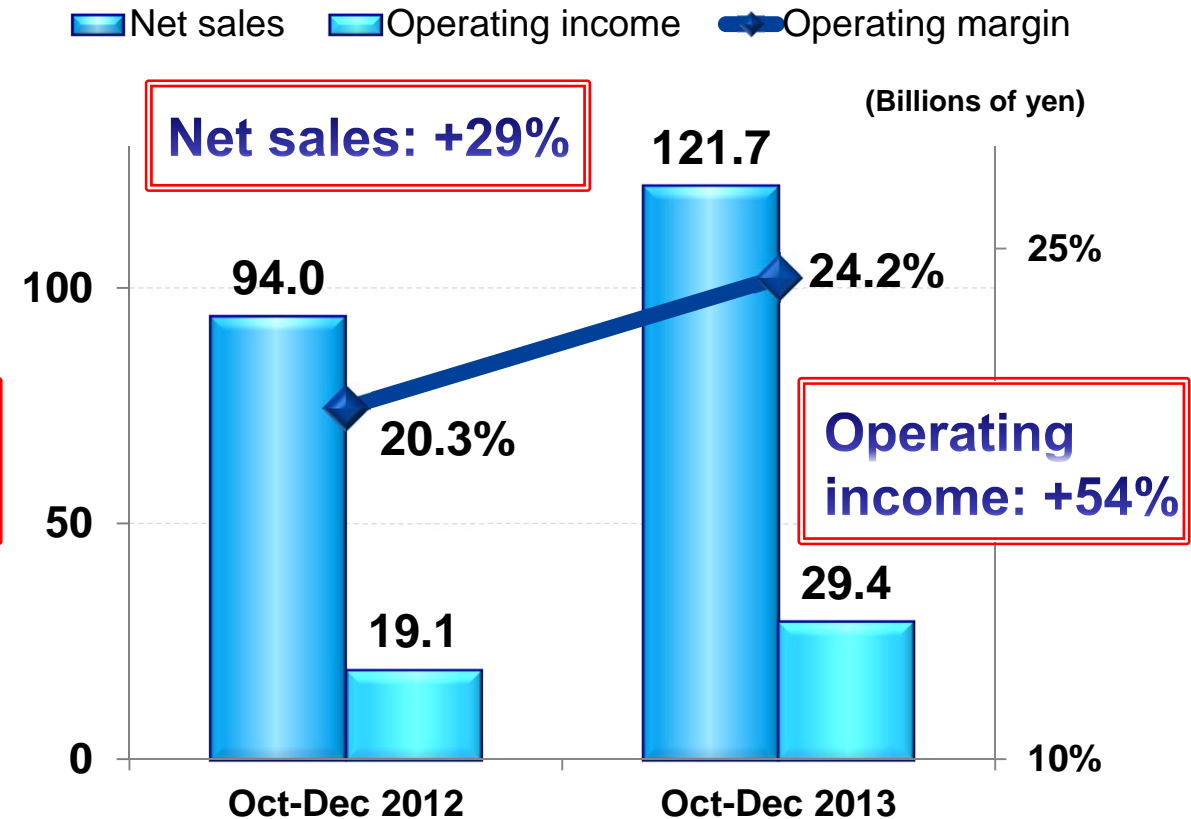
3Q of FY2014 (YoY) - (3) Medical Business

- ◆ Record highs posted for net sales and operating income in 3 months and 9 months due to benefits of new products
- ◆ Strong growth in domestic market continued, signs of bottoming out of European market seen

9M (Apr-Dec)



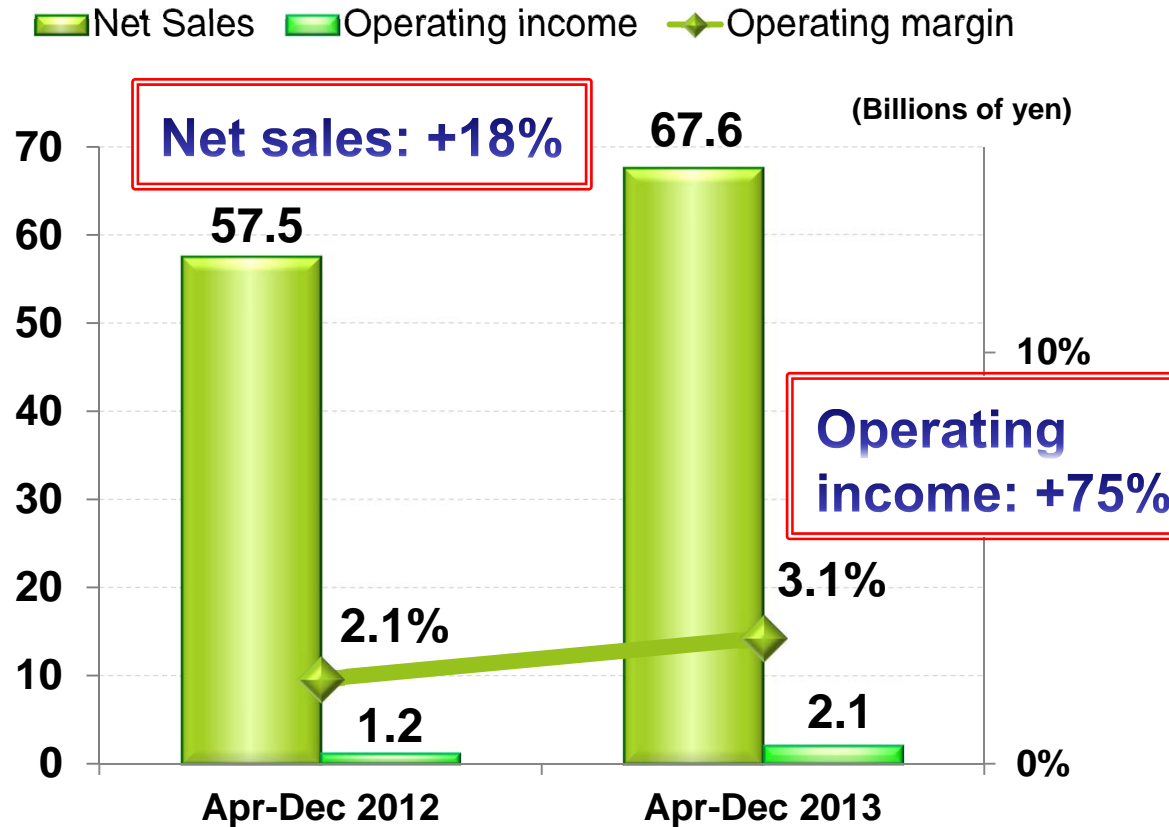
3Q (Oct-Dec)



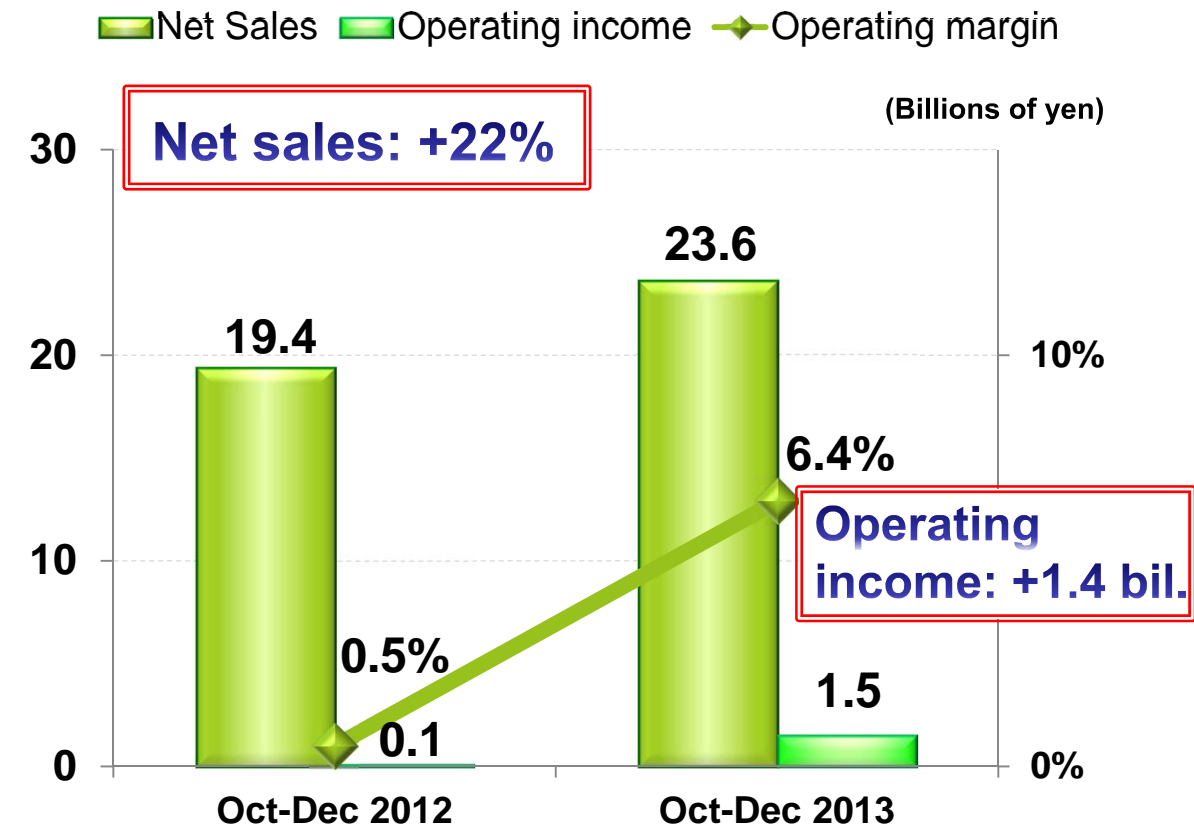
3Q of FY2014 (YoY) - (4) Life Science & Industrial Business

- ◆ Higher sales and income due to brisker domestic market and sales contributions from new product
- ◆ Pronounced 3Q(Oct-Dec) rise in sales and income: Net sales: +22%, OP : +¥1.4 billion

9M (Apr-Dec)



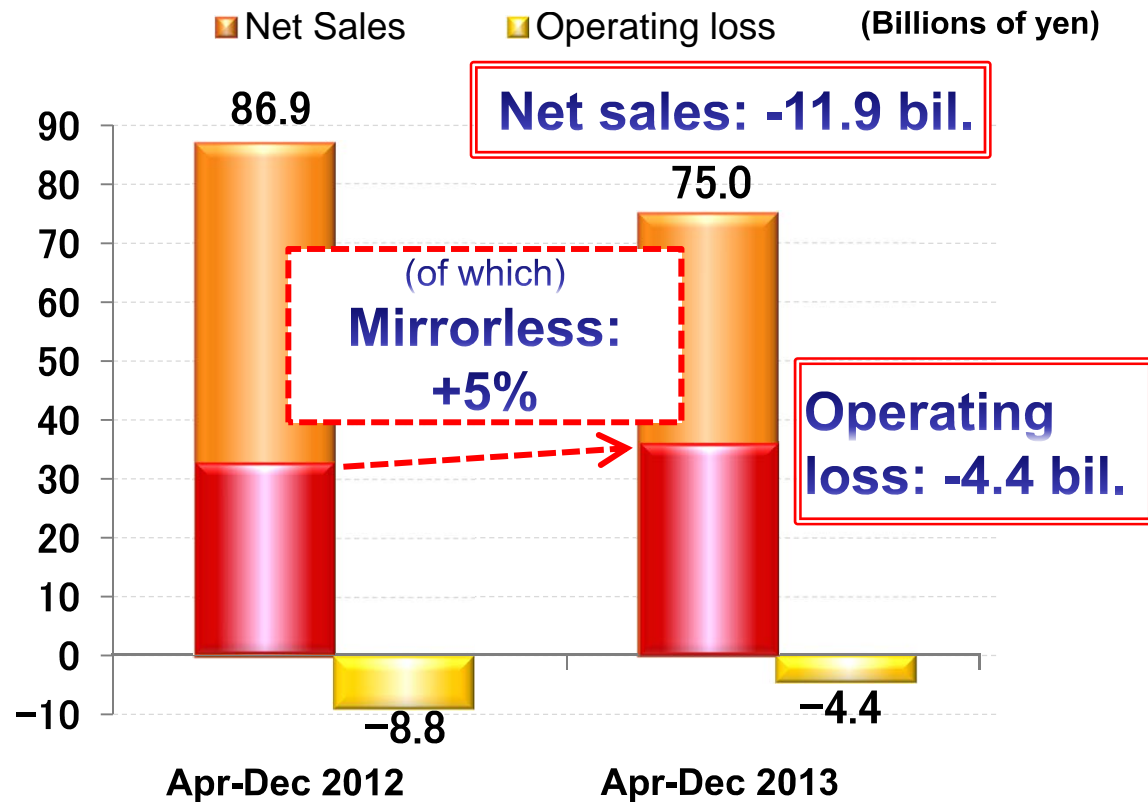
3Q (Oct-Dec)



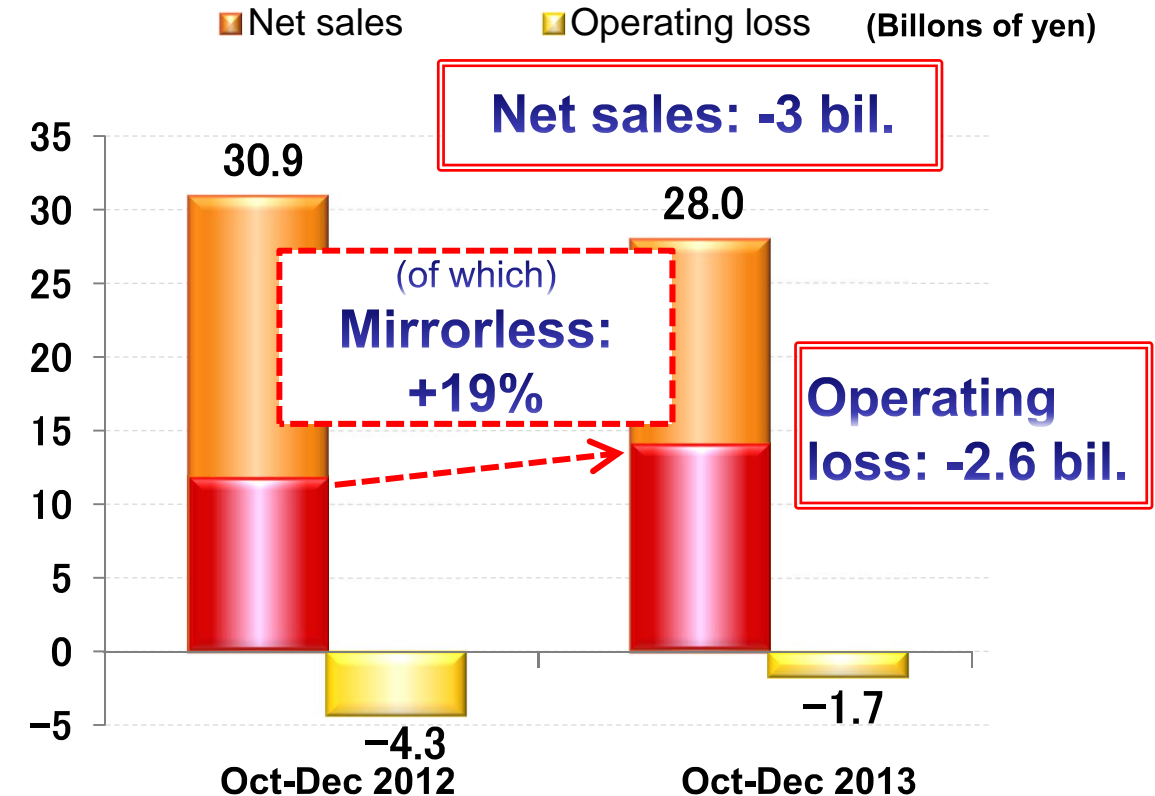
3Q of FY2014 (YoY) - (5) Imaging Business

- ◆ Cost cutting and other effective cost control measures instituted, significant decrease in operating loss
- ◆ 3Q (Oct- Dec) mirrorless camera sales up 19% on back of sales of new OM-D E-M1 ↓
Rise in percentage of sales from mirrorless cameras, sales of interchangeable lenses up

9M (Apr-Dec)



3Q (Oct-Dec)



3Q of FY2014 (YoY) - (5) Imaging Business

Income-Related Factors (9M: Apr–Dec)

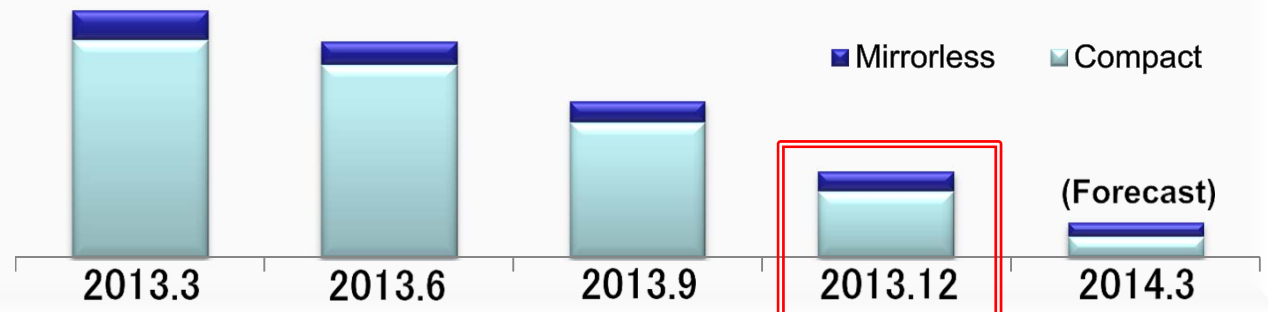
- Increased percentage of sales from mirrorless cameras*
 - ✓ New high-spec model OM-D E-M1 contributes to increased percentage of sales from mirrorless cameras, gross profit up, cost of sales down (*FY2013: 35% ⇒ FY2014: 43%)
 - ✓ Unit sales of interchangeable lenses up more than 30% YoY
- Progress of cost reduction measures
 - ✓ Yen depreciation boosts expenses, but SG&A expenses down due to cost reduction measures

(Billions of yen)	FY2013	FY2014	Change
Net Sales	86.9	75.0	-11.9
Compact camera	46.0	33.3	-13.3
SLR (mirrorless)	30.7	32.4	+1.7
Others (IC recorder)	9.5	9.3	-0.2
Gross profit	32.2	33.7	+1.4
SG&A expenses	41.0	38.0	-2.9
Operating loss	-8.8	-4.4	+4.4

Risk Minimization

- Progress of inventory reduction measures
 - ✓ Compact camera inventories down 70% from March 31, 2013, on unit basis (Older model inventories down more than 90%)

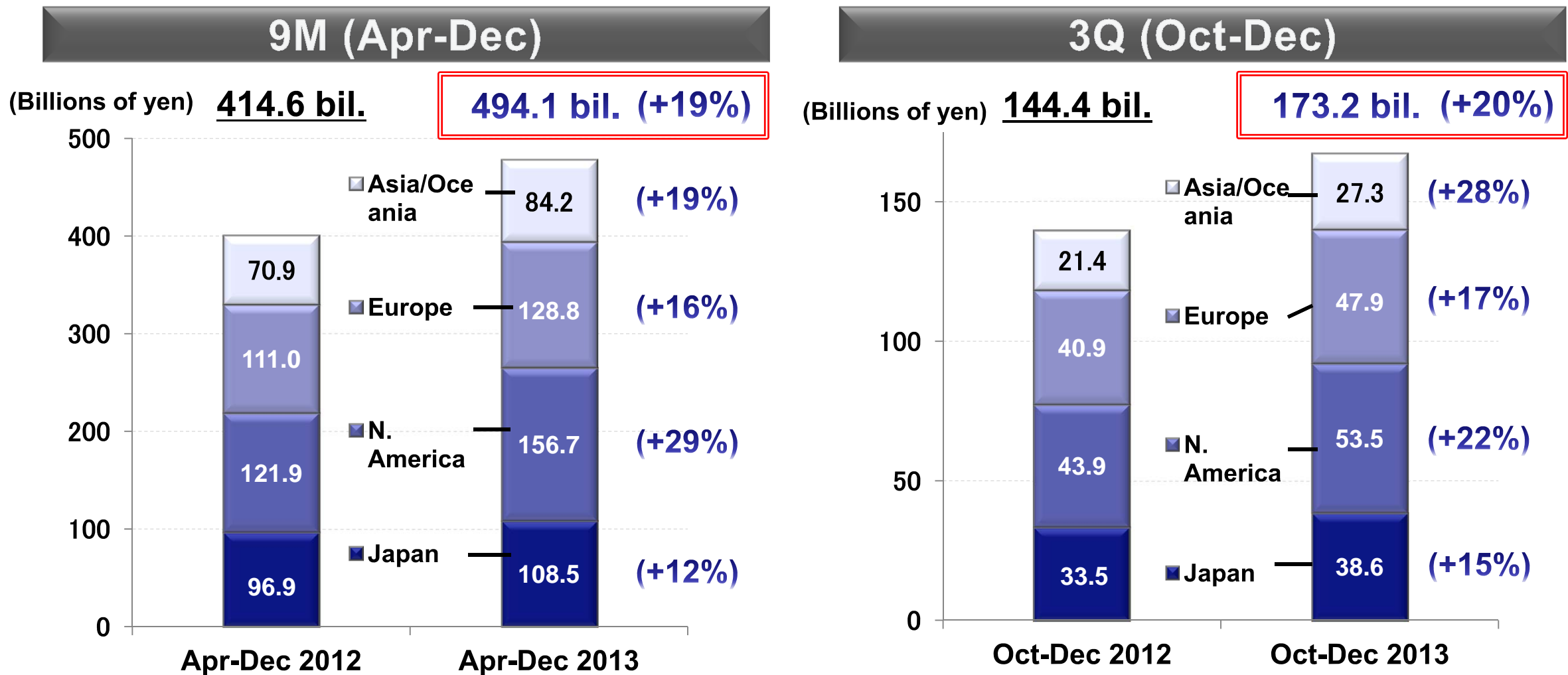
[Inventory on Unit Basis]



3Q of 2014 (YoY) - (6) Net Sales by Region (Core Three Businesses)

◆ Sales up in all regions due to strong performance of Medical Business

(Growth of Medical Business during 9 months: Japan +23%, North America +37%, Europe +25%, Asia/Oceania +36%)



Progress toward Full-year Forecast in 3Q of FY2014 (9M : Apr–Dec)

Medical	<u>Net sales</u>	Target met because strong performance in Japan compensated for declines due to impacts of anti-corruption movements in China and failure to meet high sales targets in North America
	<u>Operating income</u>	Target met due to strong performance of new, high-margin gastrointestinal endoscopes
Life Science & Industrial	<u>Net sales</u>	Target met as sales in Japan exceeded forecasts due to brisk domestic market and sales contributions from new products, which compensated for failure to meet sales targets in Europe and U.S. due to government budget cuts
	<u>Operating income</u>	Target met because sales targets were met, cost of sales was down, and SG&A expenses decreased
Imaging	<u>Net sales</u>	Target unmet because lower sales volumes of PEN series, counteracted strong sales of OM-D series
	<u>Operating income</u>	Target met because SG&A expenses declined and because increased percentage of sales from high-margin OM-D products contributed to higher gross profit and lower cost of sales

Balance Sheet (End of December 2013)

◆ Equity ratio improved to more than 30%, end goal of medium-term vision (for FY2017) achieved ahead of schedule

(Billions of yen)	End Mar 2013	End Dec 2013	Change		End Mar 2013	End Dec 2013	Change
Current assets (Digital camera inventories)	541.0 (23.6)	568.2 (21.8)	+27.2 (-1.7)	Current liabilities	316.9	263.3	-53.6
Property, plant and equipment	129.8	142.0	+12.2	Non-current liabilities (Incl. bonds/ long-term loans payable)	491.5 (422.9)	435.5 (357.0)	-56.0 (-65.8)
Intangible assets	174.6	181.6	+7.0	Net assets	151.9	328.9	+177.0
Investments and other assets	114.8	135.8	+21.0	(Equity ratio)	(15.5%)	(31.8%)	(+16.3pt)
Total assets	960.2	1,027.6	+67.4	Total liabilities and net assets	960.2	1,027.6	+67.4

Interest-bearing debt: **¥433.6 billion** (-¥126.8 billion from March 2013)

Net interest-bearing debt: **¥184.4 billion** (-¥146.4 billion from March 2013)

Cash Flows (April–December)

(Billions of yen)	FY2013 9M (Apr-Dec)	FY2014 9M (Apr-Dec)	Change
Net sales	561.2	513.7	-47.6
Operating income	24.6	49.9	+25.3
(%)	4.4	9.7	+5.3pt
CF from operating activities	0	43.8	+43.8
CF from investing activities	35.4	-13.9	-49.3
CF from financing activities	-31.4	-21.7	+9.7
Cash flow	4.0	8.2	+4.2
Free cash flow	35.4	29.9	-5.5
Cash and cash equivalents at end of year	207.7	248.4	+40.6
Depreciation and amortization	24.3	26.1	+1.9
Amortization of goodwill	7.4	7.0	-0.4
Capital expenditures	20.6	26.3	+5.7

(2) Forecasts for Fiscal 2014

Forecasts of Consolidated Financial Results for Fiscal 2014

◆ Consolidated financial results in line with forecasts up to 3Q, no revision to full-year forecasts released at end of 2Q

(Billions of yen)	FY2013 Full-year (Results)	FY2014 Full-year (Current forecast)	YoY Change	YoY (%)
Net sales	743.9	720.0	-23.9	-3%
Operating income (% to net sales)	35.1 (4.7%)	72.5 (10.1%)	37.4 (+5.4pt)	+107%
Ordinary income (% to net sales)	13.0 (1.8%)	50.0 (6.9%)	37.0 (+5.1pt)	+284%
Net income (% to net sales)	8.0 (1.1%)	13.0 (1.8%)	5.0 (+0.7pt)	+62%
[Foreign exchange rates and impact]				
¥/US\$	¥83	¥99	+¥16(yen depreciation)	
¥/Euro	¥107	¥133	+¥26(yen depreciation)	
Impact on net sales	-	+¥92.5 bil.		
Impact on operating income	-	+¥24.0 bil.		

Segment Forecasts for Fiscal 2014

◆ No revision to full-year segment forecasts released at end of 2Q

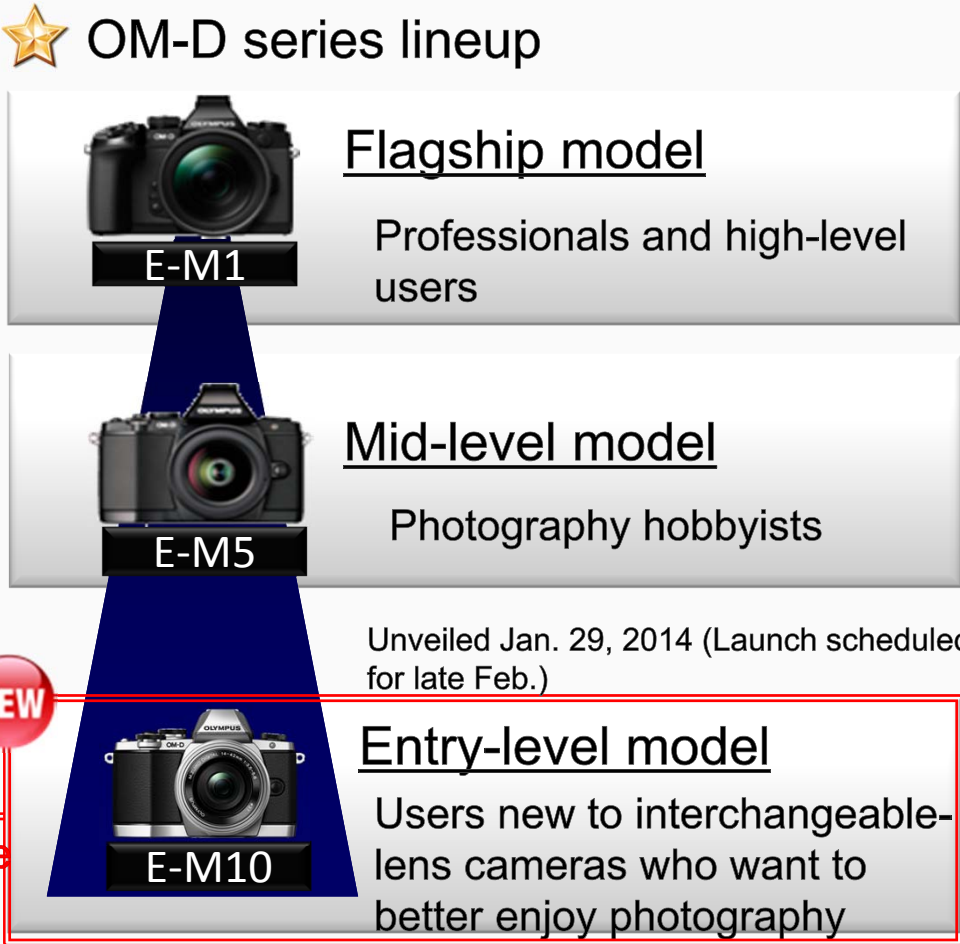
(Billions of yen)		FY2013 Full-year (Results)	FY2014 Full-year (Current forecast)	YoY Change	YoY (%)
Medical	Net sales	394.7	490.0	+95.3	+24%
	Operating income	87.1	110.0	+22.9	+26%
Life Science & Industrial	Net sales	85.5	100.0	+14.5	+17%
	Operating income	3.5	4.5	+1.0	+29%
Imaging	Net sales	107.6	104.0	-3.6	-3%
	Operating loss	-23.1	-5.0	+18.1	-
Others	Net sales	41.7	26.0	-15.7	-38%
	Operating loss	-4.9	-5.0	-0.1	-
Elimination and corporate	Net sales	-	-	-	-
	Operating loss	-29.3	-32.0	-2.7	-
Consolidated Total	Net sales	743.9	720.0	-23.9	-3%
	Operating income	35.1	72.5	+37.4	+107%

FY2014 Performance—Imaging Business in 4Q

- Increase percentage of sales from mirrorless by strengthening OM-D series and lens
- Enhance OM-D series lineup, which is highly regarded in Europe and U.S.

- ✓ Strengthen lens business
Improve gross profit and business profitability through strategy focused on OM-D series cameras, which are often purchased with lenses
- ✓ Invigorate European and U.S. markets
Expand sales in European and U.S. markets by leveraging newly introduced E-M10 and drawing on successful experience with OM-D E-M1

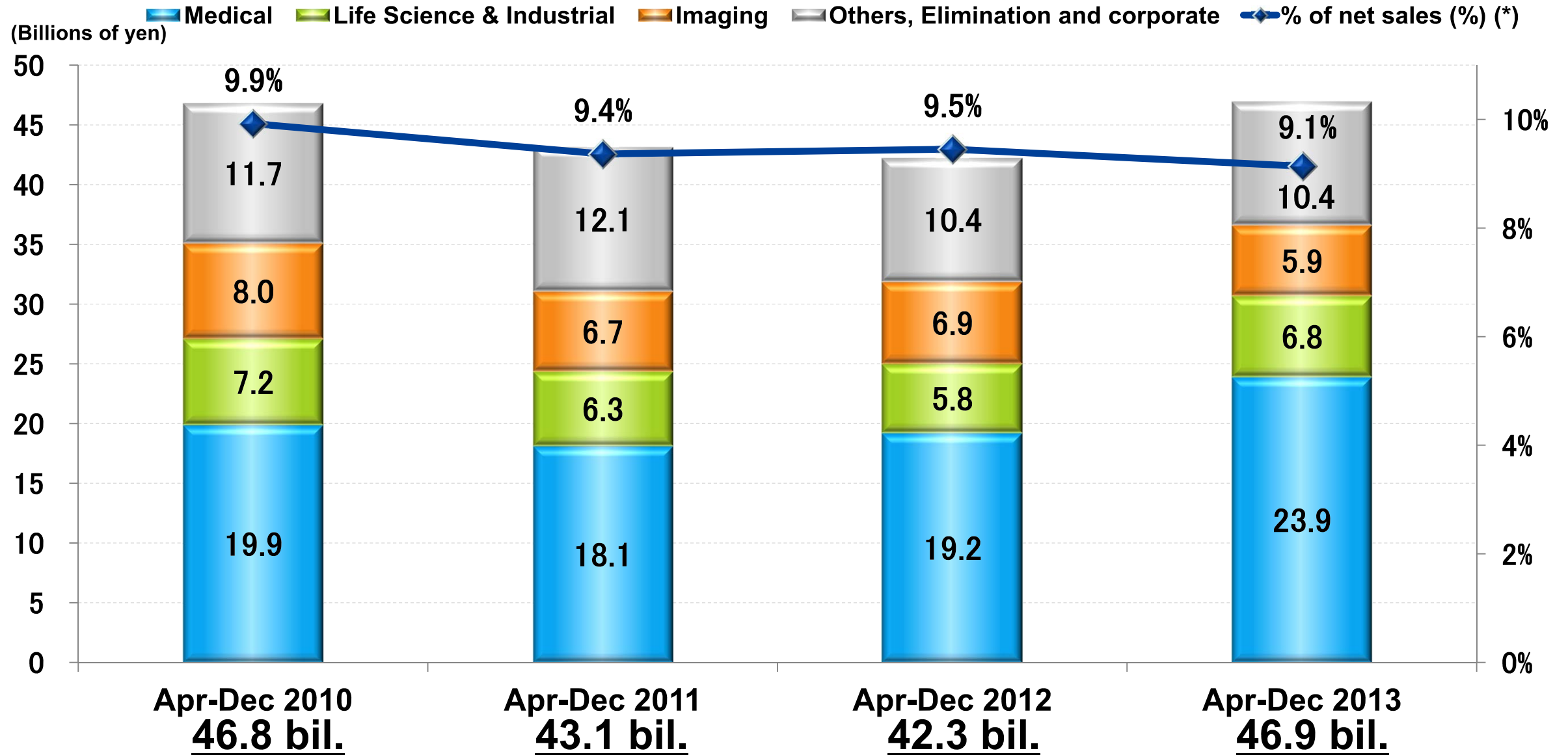
	Sales trends	
	Flagship	Mid- & entry- levels
Europe / U.S.	OM-D: ◎	PEN: △
Japan / Asia	OM-D: ◎	PEN: ○



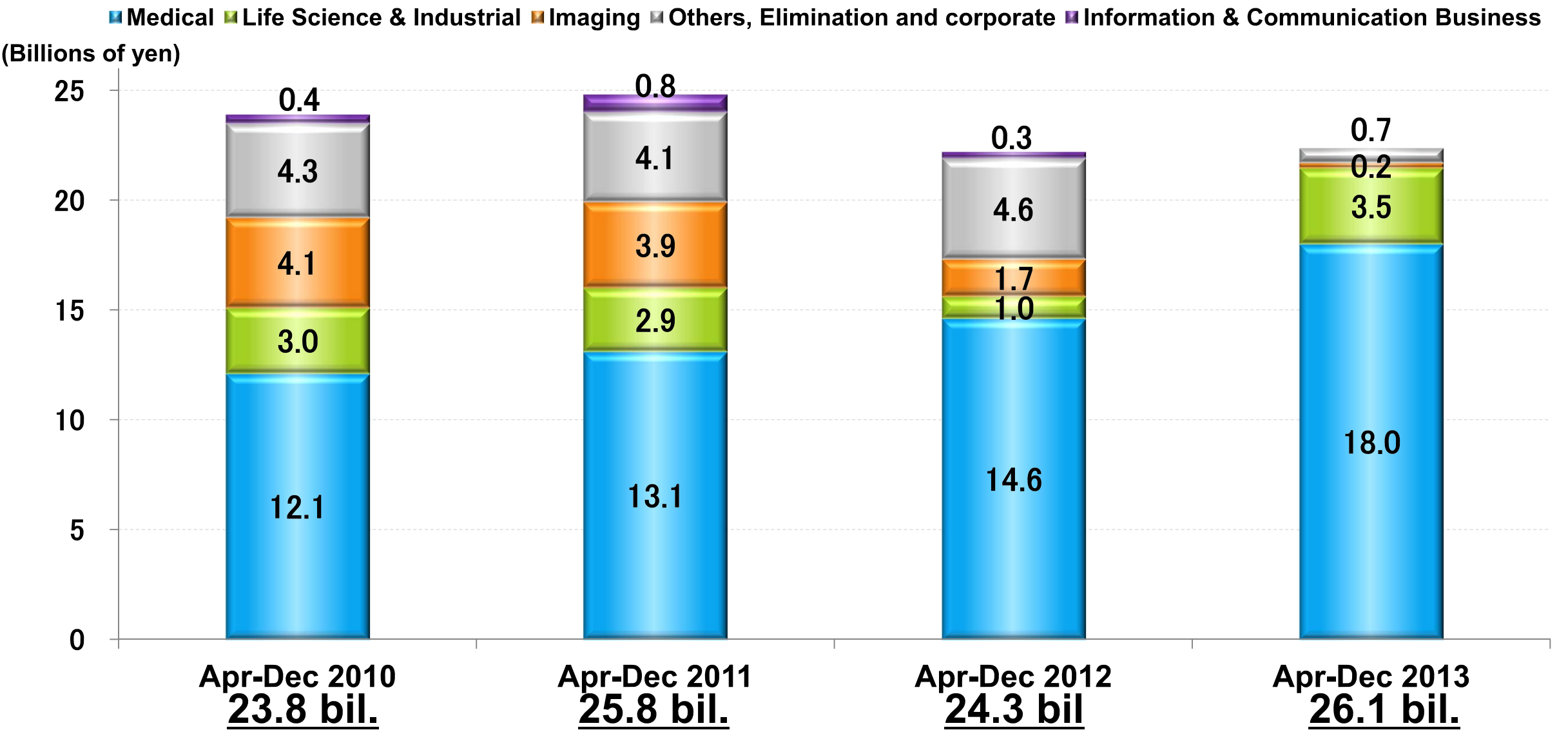
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Supplementary Materials

【Supplementary Materials】 R&D Expenditures

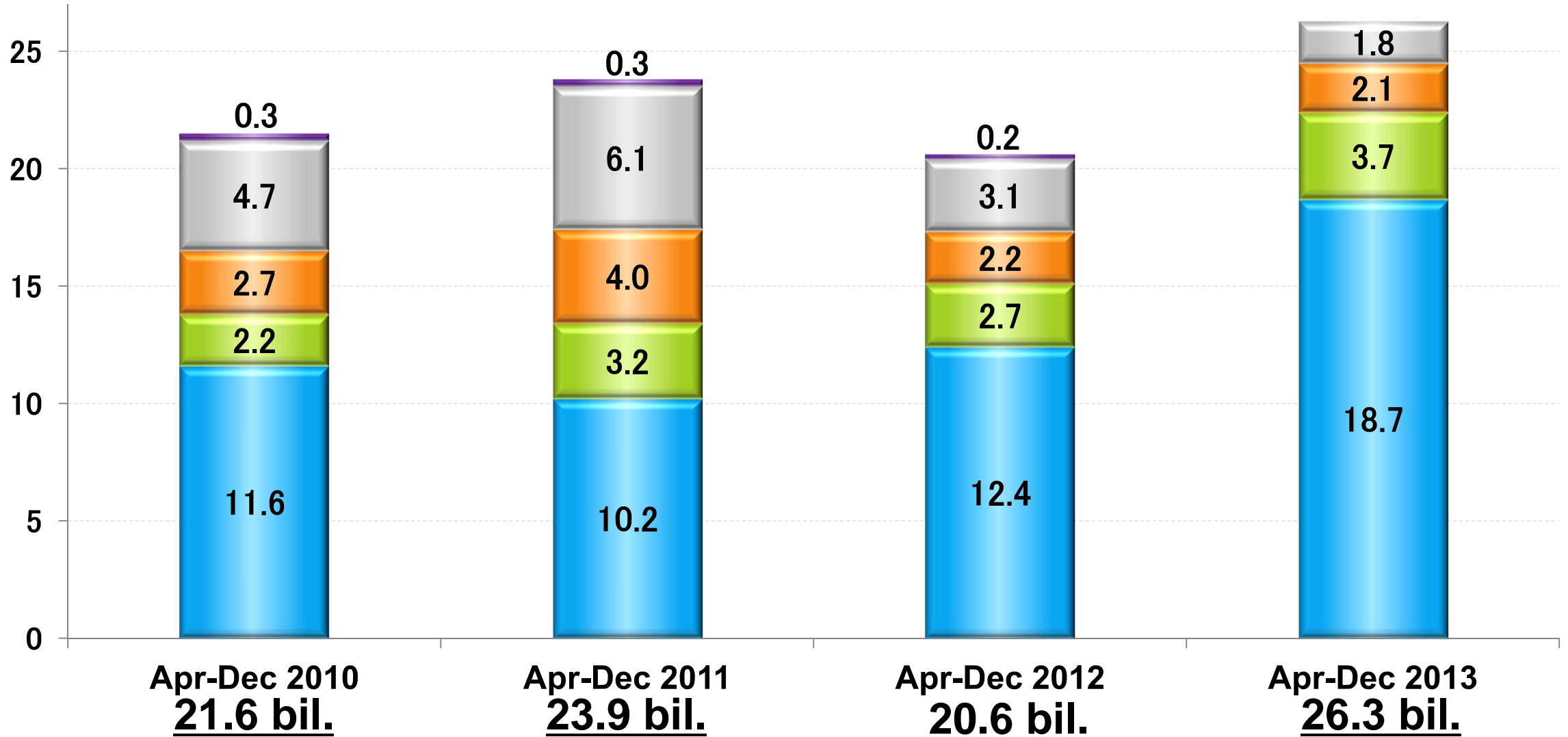


【Supplementary Materials】 Depreciation and Amortization

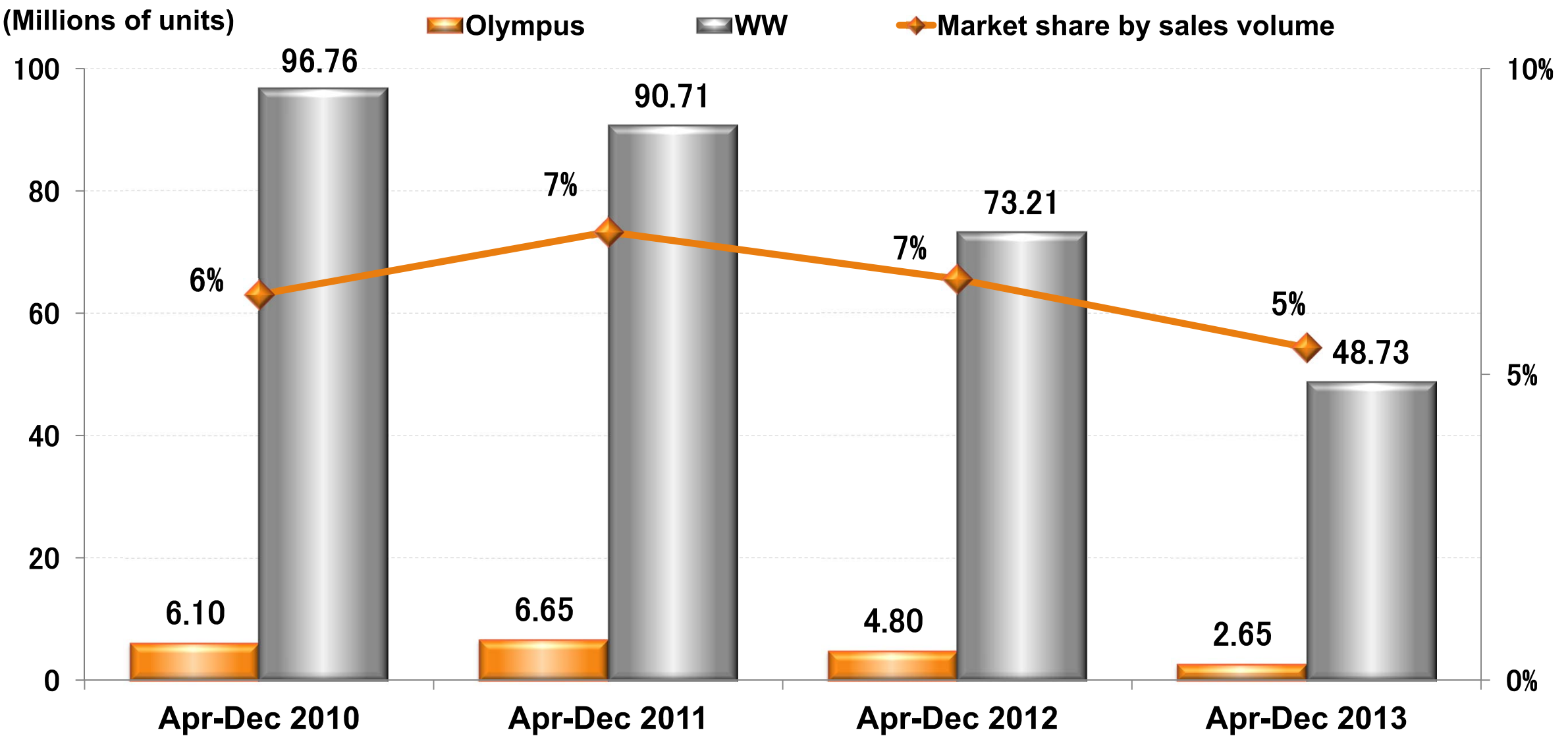


【Supplementary Materials】 Capital Expenditures

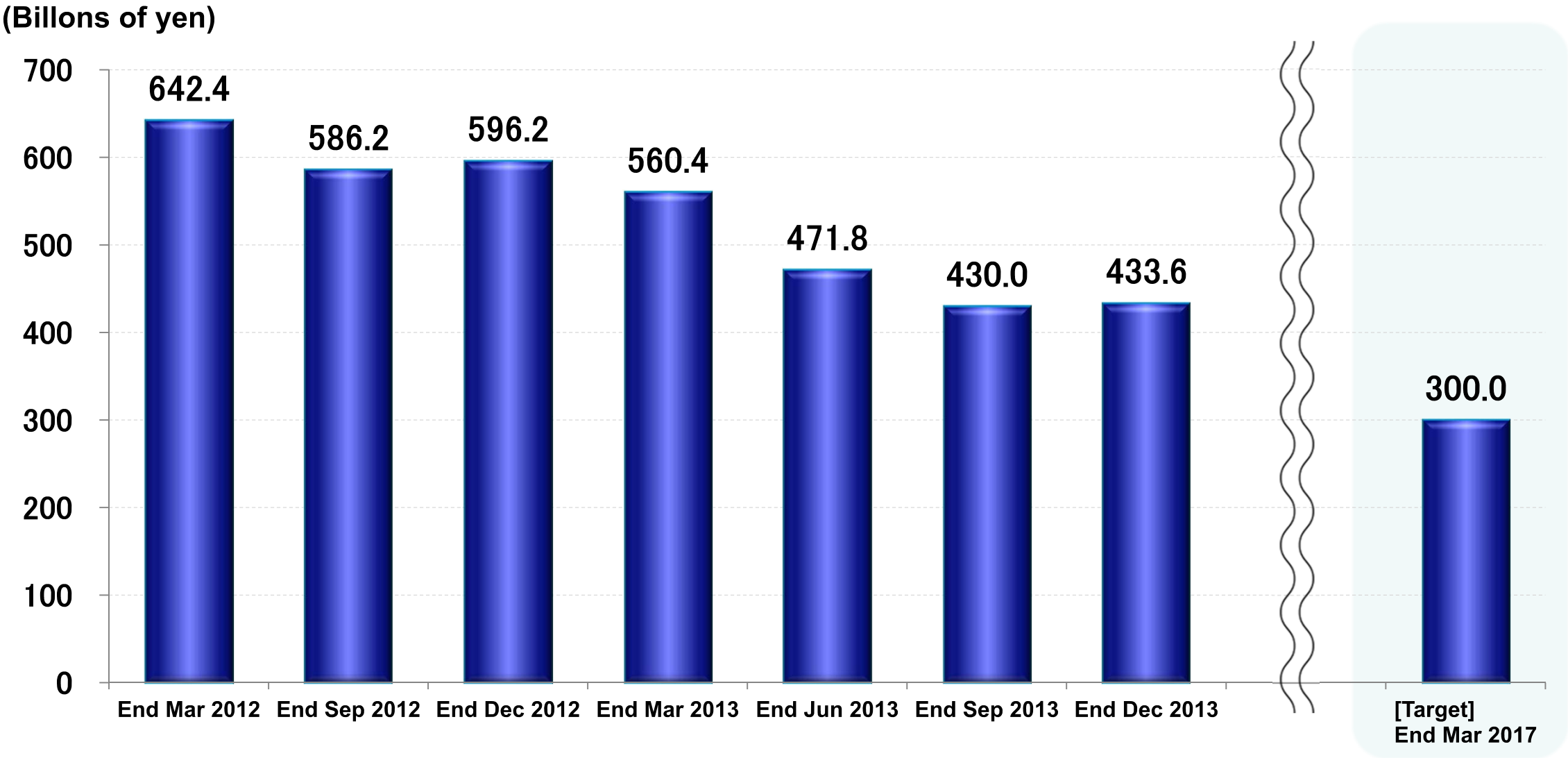
■ Medical ■ Life Science & Industrial ■ Imaging ■ Others, Elimination and corporate ■ Information & Communication Business
(Billions of yen)



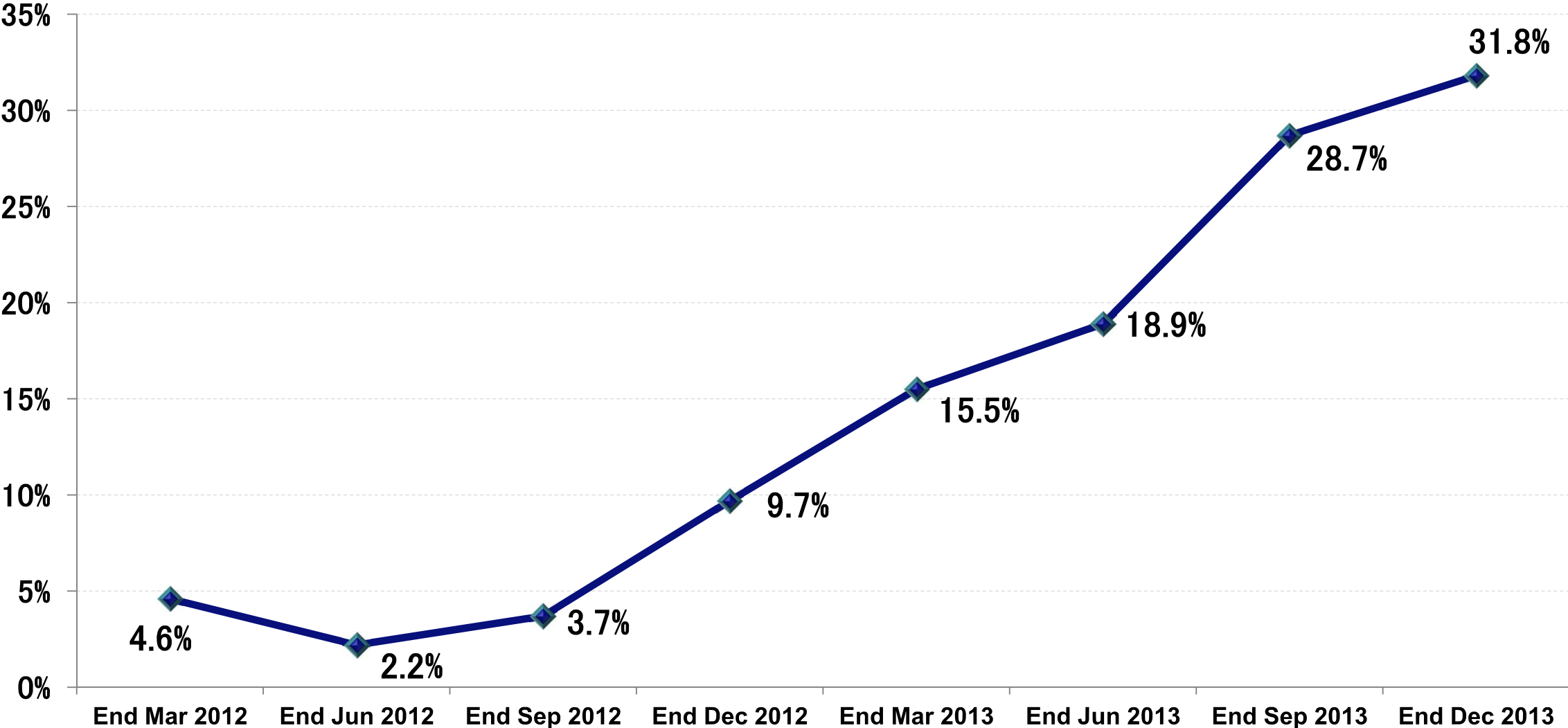
【Supplementary Materials】 Digital Cameras



【Supplementary Materials】Interest-bearing Debt



【Supplementary Materials】 Equity Ratio



【Supplementary Materials】 Performance Indices and Targets

	FY Ended March 2013 (Results)	3Q of the FY 2014 (Results)	FY Ending March 2017 (Target)
Return on invested capital(ROIC)	2.7%	–	10% or more
Operating margin	4.7%	9.7%	10% or more
Free cash flow (Cash flow from operating activities + cash flow from investing activities)	58.7 billion yen	–	70 billion yen or more
Equity ratio	15.5%	31.8%	30% or more

Exchange rate assumptions: US\$1 = ¥90, 1 EUR = ¥120
 (Note) The figures were released on May 15, 2013.

【Supplementary Materials】Target (Consolidated)

	FY Ending March 2015	FY Ending March 2017
Net sales	760 billion yen	920 billion yen
Operating income (Operating margin)	93 billion yen 12%	143 billion yen 16%
Ordinary income (Ordinary income ratio)	70 billion yen 9%	125 billion yen 14%
Net income (Net income ratio)	45 billion yen 6%	85 billion yen 9%

Exchange rate assumptions: US\$1 = ¥90, 1 EUR = ¥120
(Note) The figures were released on May 15, 2013.

【Supplementary Materials】Target (By Segment)

		FY Ending March 2015	FY Ending March 2017
Net sales	Medical	520 billion yen	650 billion yen
	Life Science & Industrial	115 billion yen	135 billion yen
	Imaging	100 billion yen	100 billion yen
	Others	25 billion yen	35 billion yen
	Total	760 billion yen	920 billion yen
Operating income	Medical	111 billion yen	150 billion yen
	Life Science & Industrial	9 billion yen	15 billion yen
	Imaging	7 billion yen	9 billion yen
	Others	-1 billion yen	1 billion yen
	Elimination or Corporate	-33 billion yen	-32 billion yen
	Total	93 billion yen	143 billion yen

Exchange rate assumptions: US\$1 = ¥90, 1 EUR = ¥120
 (Note) The figures were released on May 15, 2013.



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