

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2015 <under Japanese GAAP>



August 7, 2014

Company Name: Olympus Corporation
Code Number: 7733
(URL: <http://www.olympus.co.jp/>)
Stock Exchange Listing: First Section of Tokyo Stock Exchange
Representative: Hiroyuki Sasa, Representative Director, President
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Scheduled date to submit the Quarterly Securities Report: August 7, 2014
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, 2015 (From April 1, 2014 to June 30, 2014)

(1) Consolidated Results of Operations (cumulative) (% indicate changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Three months ended June 30, 2014	167,013	4.9	15,053	84.3	11,155	365.2	8,141	–
June 30, 2013	159,229	(16.0)	8,166	285.6	2,398	–	(1,831)	–

Note: Comprehensive income: Three months ended June 30, 2014: ¥2,693 million [(86.8)%]
Three months ended June 30, 2013: ¥20,364 million [–%]

	Net income per share	Fully diluted net income per share
	(¥)	(¥)
Three months ended June 30, 2014	23.79	23.79
June 30, 2013	(6.08)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(¥ million)	(¥ million)	%
As of June 30, 2014	1,007,452	334,019	33.0
March 31, 2014	1,027,475	331,284	32.1

Note: Equity as of June 30, 2014: ¥332,282 million March 31, 2014: ¥329,519 million

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2014	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2015	–	–	–	–	–
Fiscal year ending March 31, 2015 (Forecast)	–	–	–	–	–

Note: Revisions of the forecast most recently announced: No

Note: The dividend forecast for the fiscal year ending March 31, 2015 is undecided.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2015

(From April 1, 2014 to March 31, 2015)

(% indicate changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Six months	360,000	7.8	35,000	22.8	25,000	47.5	13,000	–	37.99
Full year	760,000	6.5	88,000	19.8	70,000	37.5	45,000	230.2	131.49

Note: Revisions of the forecast most recently announced: No

* Notes

- (1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the changes in scope of consolidation): Yes

[New: —

Excluded: 1 company (Gyrus Medical Inc.)]

Note: For details, please refer to the section of “(1) Changes in Significant Subsidiaries during the Three Months under Review” of “2. Matters Regarding Summary Information (Notes)” on page 5 of the attached material to the quarterly financial results report.

- (2) Application of special accounting for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- 1) Changes in accounting policies due to revisions to accounting standards, and other regulations: Yes
 - 2) Changes in accounting policies due to other reasons: No
 - 3) Changes in accounting estimates: No
 - 4) Restatement of prior period financial statements after error corrections: No

- (4) Total number of issued shares (common stock)

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

As of June 30, 2014	342,671,508 shares
As of March 31, 2014	342,671,508 shares

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

As of June 30, 2014	431,541 shares
As of March 31, 2014	431,063 shares

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

Three months ended June 30, 2014	342,240,117 shares
Three months ended June 30, 2013	301,244,294 shares

* Indication regarding execution of quarterly review procedures

This quarterly financial results report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this quarterly financial results report, the quarterly review procedures to the quarterly consolidated financial statements are in progress.

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

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. 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 4 of the attached material to the quarterly financial results report for the suppositions 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 Three Months

(1) Explanation of Results of Operations

Overall

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	159,229	167,013	7,784	4.9%
Operating income	8,166	15,053	6,887	84.3%
Ordinary income	2,398	11,155	8,757	365.2%
Net income/loss	(1,831)	8,141	9,972	–
Exchange rate (Yen/U.S. dollar)	98.76	102.16	3.4	–
Exchange rate (Yen/Euro)	128.95	140.07	11.12	–

In the global economy in the three months ended June 30, 2014, the U.S. continued to follow a recovery trend. However, in Europe, despite signs of upturns in some areas, conditions continued to be uncertain reflecting such circumstances as political instability in Ukraine, and in China and other emerging countries, the tempo of economic expansion became more gradual. The Japanese economy retained a moderate tone of recovery on the back of continued improvements in the employment situation and others, despite a temporary fall in consumer spending following a rush in demand that occurred ahead of the consumption tax hike in April 2014.

Faced with this business environment, the Olympus Group's overall consolidated net sales increased over the three months of the fiscal year under review to ¥167,013 million (up 4.9% year on year), reflecting sales increases in the Medical Systems Business and the Scientific Solutions Business. Operating income was ¥15,053 million (up 84.3% year on year), reflecting an income increase in the Medical Systems Business and a sharp turnaround in other businesses to profitability from the losses they posted in the same period of the previous fiscal year. Ordinary income was ¥11,155 million (up 365.2% year on year) due mainly to the increase in operating income. Net income was ¥8,141 million (compared to a net loss of ¥1,831 million in the same period of the previous fiscal year).

Regarding foreign exchange, the yen depreciated against both the U.S. dollar and the euro compared to the same period of the previous fiscal year. The average exchange rate during the period was ¥102.16 against the U.S. dollar (¥98.76 in the same period of the previous fiscal year) and ¥140.07 against the euro (¥128.95 in the same period of the previous fiscal year), which caused net sales and operating income to rise by ¥6,300 million and ¥3,900 million, respectively, year on year.

Effective from the first quarter under review, the name of the reportable segment previously known as "Life Science and Industrial Systems" has been changed to "Scientific Solutions."

Medical Systems Business

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	107,885	120,890	13,005	12.1%
Operating income	18,525	24,241	5,716	30.9%

Consolidated net sales in the Medical Systems Business during the three months amounted to ¥120,890 million (up 12.1% year on year), while operating income amounted to ¥24,241 million (up 30.9% year on year).

In gastrointestinal endoscope field, sales of the endoscopy platform systems “EVIS EXERA III” and “EVIS LUCERA ELITE,” which are our mainstay products, were both strong. Additionally, the endoscopic ultrasound center “EU-ME2,” which was launched in the previous fiscal year, had growth in sales. In the surgical and therapeutic devices field, sales of the “VISERA ELITE” integrated endoscopic video system, which supports endoscopic surgery, the 3D laparoscopy system and the “THUNDERBEAT” energy device continued to grow. These positive factors resulted in sales growth in the Medical Systems Business.

Operating income in the Medical Systems Business increased due to the substantial increase in sales.

Scientific Solutions Business

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	19,949	21,069	1,120	5.6%
Operating income/loss	(994)	(270)	724	–

Consolidated net sales in the Scientific Solutions Business during the three months amounted to ¥21,069 million (up 5.6% year on year), while operating loss amounted to ¥270 million (compared with an operating loss of ¥994 million in the same period of the previous fiscal year).

In the life science field, sales of “FLUOVUE FVMPE-RS,” a product in our series of laser scanning microscopes for use in cutting-edge life science research, made a contribution, and in the industrial field, sales grew for products including “IPLEX RX” and “IPLEX RT,” which are industrial videoscopes that have the best imaging quality in the series, and “PipeWIZARD,” an automated inspection system for welded parts of pipelines, leading to higher sales in both fields.

We reduced operating loss in this business through continued cost cuts.

Imaging Systems Business

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	24,956	19,839	(5,117)	(20.5)%
Operating income/loss	(588)	(2,226)	(1,638)	–

Consolidated net sales in the Imaging Systems Business during the three months amounted to ¥19,839 million (down 20.5% year on year), while operating loss amounted to ¥2,226 million (compared with an operating loss of ¥588 million in the same period of the previous fiscal year).

In the mirrorless interchangeable-lens camera field, sales of the flagship model “OM-D E-M1,” which offers image quality comparable to full-size single-lens cameras and “OM-D E-M10,” which condenses leading edge technology into an ultra-slim, stylish body, were strong. Both products were launched in the previous fiscal year. As a result, our sales grew year on year. Meanwhile, in response to shrinkage in the compact

camera market as a whole, we limited the number of units sold in this field. Consequently, there was a decline in sales in the Imaging Systems Business overall.

Operating loss increased in this business mainly due to aggressive sales promotion investment with the aim of increasing sales from the second quarter.

Others

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	6,439	5,215	(1,224)	(19.0)%
Operating income/loss	(1,428)	316	1,744	–

Consolidated net sales for other businesses during the three months amounted to ¥5,215 million (down 19.0% year on year) and operating income was ¥316 million (compared with an operating loss of ¥1,428 million in the same period of the previous fiscal year).

In order to allocate management resources to our business domains in a more concentrated manner, we reorganized our non-core business domains and in the previous fiscal year, we withdrew from the biologics business. Although the aforementioned led to a decline in net sales for other businesses, we still managed to return to the black and report an operating income.

(2) Explanation of Financial Position

As of the end of the first quarter under review, total assets decreased ¥20,023 million compared to the end of the previous fiscal year to ¥1,007,452 million.

This was primarily as a result of increases in merchandise and finished goods of ¥4,446 million and work in process of ¥2,173 million, and decreases in cash and time deposits of ¥6,204 million, and notes and accounts receivable of ¥20,035 million.

Total liabilities decreased ¥22,758 million compared to the end of the previous fiscal year to ¥673,433 million due mainly to an increase in short-term borrowings of ¥19,622 million, and a decrease in long-term borrowings, less current maturities of ¥36,498 million.

Net assets increased ¥2,735 million compared to the end of the previous fiscal year to ¥334,019 million, primarily due to an increase in retained earnings reflecting ¥8,141 million in net income, and a decrease in accumulated other comprehensive income of ¥5,466 million arising from fluctuations in foreign exchange and stock prices.

As a result of the foregoing, equity ratio increased from 32.1% as of the end of the previous fiscal year to 33.0%.

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

Regarding the forecast of consolidated financial results for the fiscal year ending March 31, 2015, the forecast for the six months and the full year is unchanged from the forecast announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2014, which was released on May 9, 2014.

2. Matters Regarding Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Three Months under Review

Gyrus Medical Inc., a specified subsidiary of the Company, was absorbed in an absorption-type merger with Gyrus ACMI, Inc., a consolidated subsidiary of the Company, as the surviving company, carried out on April 2, 2014 (April 1, 2014, in local time in the U.S.). Gyrus Medical Inc. has therefore been excluded from the scope of consolidation effective from the first quarter under review.

(2) Application of Special Accounting for Preparing Quarterly Consolidated Financial Statements

Taxes are calculated first by reasonably estimating the effective tax rates after applying tax effect accounting against income before provision for income taxes for the fiscal year including the first quarter under review, and next by multiplying the quarterly income before provision for income taxes by such estimated effective tax rates.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Prior Period Financial Statements after Error Corrections

(Application of accounting standard for retirement benefits, etc.)

Regarding the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), effective from the first quarter under review, the Company has applied the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits, reviewed its calculation method for projected benefit obligation and current service costs, and changed its method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method for determining the discount rate to one that uses a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the calculation method for projected benefit obligation and current service costs has been added to or deducted from retained earnings as of April 1, 2014.

As a result, as of April 1, 2014, net defined benefit liability decreased by ¥142 million, and retained earnings increased by ¥89 million.

The effect of this application on profit and loss for the three months ended June 30, 2014 is immaterial.

3. Important Event Regarding Premise of Going Concern

No items to report

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
ASSETS		
Current assets		
Cash and time deposits	252,121	245,917
Notes and accounts receivable	132,233	112,198
Merchandise and finished goods	51,613	56,059
Work in process	24,827	27,000
Raw materials and supplies	22,155	23,467
Other current assets	96,949	104,388
Allowance for doubtful accounts	(3,386)	(3,518)
Total current assets	576,512	565,511
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	48,257	47,090
Machinery and equipment, net	9,864	9,833
Tools, furniture and fixtures, net	52,725	52,170
Land	15,561	15,608
Lease assets, net	7,483	8,402
Construction in progress	1,550	1,913
Net property, plant and equipment	135,440	135,016
Intangible assets		
Goodwill	106,850	103,109
Others	66,709	63,916
Total intangible assets	173,559	167,025
Investments and other assets		
Investment securities	56,076	58,018
Other assets	95,851	91,876
Allowance for doubtful accounts	(9,963)	(9,994)
Total investments and other assets	141,964	139,900
Total fixed assets	450,963	441,941
Total assets	1,027,475	1,007,452

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
LIABILITIES		
Current liabilities		
Notes and accounts payable	45,409	44,935
Short-term borrowings	69,017	88,639
Income taxes payable	13,403	11,820
Provision for product warranties	8,937	9,582
Provision for loss on business liquidation	4,683	3,147
Provision for loss on litigation	11,000	11,000
Other current liabilities	123,857	124,897
Total current liabilities	276,306	294,020
Non-current liabilities		
Long-term bonds, less current maturities	55,000	55,000
Long-term borrowings, less current maturities	291,814	255,316
Net defined benefit liability	27,291	26,703
Other reserves	58	57
Other non-current liabilities	45,722	42,337
Total non-current liabilities	419,885	379,413
Total liabilities	696,191	673,433
NET ASSETS		
Shareholders' equity		
Common stock	124,520	124,520
Capital surplus	131,871	90,940
Retained earnings	81,534	130,696
Treasury stock, at cost	(1,098)	(1,100)
Total shareholders' equity	336,827	345,056
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	11,836	13,161
Net unrealized gains (losses) on hedging derivatives, net of taxes	(1)	4
Foreign currency translation adjustments	(13,411)	(18,811)
Remeasurements of defined benefit plans	(5,732)	(7,128)
Total accumulated other comprehensive income	(7,308)	(12,774)
Subscription rights to shares	115	115
Minority interests	1,650	1,622
Total net assets	331,284	334,019
Total liabilities and net assets	1,027,475	1,007,452

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income (cumulative)

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	159,229	167,013
Costs of sales	65,136	60,635
Gross profit	94,093	106,378
Selling, general and administrative expenses	85,927	91,325
Operating income	8,166	15,053
Non-operating income		
Interest income	262	247
Dividends income	409	431
Others	682	395
Total non-operating income	1,353	1,073
Non-operating expenses		
Interest expenses	3,560	2,348
Foreign currency exchange loss	1,056	530
Advanced repayment expenses	1,505	807
Others	1,000	1,286
Total non-operating expenses	7,121	4,971
Ordinary income	2,398	11,155
Extraordinary income		
Gain on sales of investment securities	13	–
Gain on sales of investments in subsidiaries and affiliates	21	–
Gain on sales of noncurrent assets	89	–
Total extraordinary income	123	–
Extraordinary losses		
Loss on valuation of investment securities	121	–
Loss on sales of investments in subsidiaries and affiliates	76	–
Loss on liquidation of business	122	–
Penalty charges	700	–
Total extraordinary losses	1,019	–
Income before provision for income taxes	1,502	11,155
Income taxes	1,892	3,002
Income taxes for prior periods	1,476	–
Income (loss) before minority interests	(1,866)	8,153
Minority interest in income (loss) of consolidated subsidiaries	(35)	12
Net income (loss)	(1,831)	8,141

Quarterly Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income (loss) before minority interests	(1,866)	8,153
Other comprehensive income		
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	4,739	1,325
Net unrealized gains (losses) on hedging derivatives, net of taxes	(10)	5
Foreign currency translation adjustments	18,036	(5,393)
Pension liability adjustment of foreign subsidiaries	(608)	–
Remeasurements of defined benefit plans, net of taxes	–	(1,396)
Share of other comprehensive income of associates accounted for using equity method	73	(1)
Total other comprehensive income	22,230	(5,460)
Comprehensive income	20,364	2,693
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	20,362	2,675
Comprehensive income attributable to minority interests	2	18

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report

(Notes on Significant Changes in the Amount of Shareholders' Equity)

No items to report

(Segment Information)

[Segment Information]

I. Three months of the fiscal year ended March 31, 2014 (from April 1, 2013 to June 30, 2013)

1. Information regarding net sales and income/loss by reportable segment

(Millions of yen)

	Reportable Segment					Adjustment (Note 1)	Amount on quarterly consolidated statements of income (Note 2)
	Medical Systems	Scientific Solutions	Imaging Systems	Others	Total		
Sales							
Sales to outside customers	107,885	19,949	24,956	6,439	159,229	—	159,229
Internal sales or transfer among segments	32	4	3	59	98	(98)	—
Total	107,917	19,953	24,959	6,498	159,327	(98)	159,229
Segment income (loss)	18,525	(994)	(588)	(1,428)	15,515	(7,349)	8,166

Notes:

1. The deduction of ¥7,349 million listed as an adjustment to segment income (loss) includes corporate expenses of ¥7,349 million not allocated to any reportable segment. These corporate expenses mostly consisted of expenses related to the Corporate Center (management departments such as the Administrative Department) and Research & Development Center of the parent company.
2. Segment income is adjusted to agree with operating income on quarterly consolidated statements of income.

2. Information regarding impairment loss on fixed assets, goodwill and negative goodwill, etc. by reportable segment

(Significant impairment loss on fixed assets)

No items to report

(Significant changes in the amount of goodwill)

No items to report

(Significant gain on negative goodwill)

No items to report

II. Three months of the fiscal year ending March 31, 2015 (from April 1, 2014 to June 30, 2014)

1. Information regarding net sales and income/loss by reportable segment

(Millions of yen)

	Reportable Segment					Adjustment (Note 1)	Amount on quarterly consolidated statements of income (Note 2)
	Medical Systems	Scientific Solutions	Imaging Systems	Others	Total		
Sales							
Sales to outside customers	120,890	21,069	19,839	5,215	167,013	—	167,013
Internal sales or transfer among segments	22	7	3	117	149	(149)	—
Total	120,912	21,076	19,842	5,332	167,162	(149)	167,013
Segment income (loss)	24,241	(270)	(2,226)	316	22,061	(7,008)	15,053

Notes:

1. The deduction of ¥7,008 million listed as an adjustment to segment income (loss) includes corporate expenses of ¥7,008 million not allocated to any reportable segment. These corporate expenses mostly consisted of expenses related to the Corporate Center (management departments such as the Administrative Department) and Research & Development Center of the parent company.
2. Segment income is adjusted to agree with operating income on quarterly consolidated statements of income.
3. Effective from the first quarter under review, the name of the reportable segment previously known as “Life Science and Industrial Systems” has been changed to “Scientific Solutions.” The segment name change has no impact on segment information.
In the segment information for the three months of the fiscal year ended March 31, 2014, the name of the reportable segment after the change is used.

2. Information regarding impairment loss on fixed assets, goodwill and negative goodwill, etc. by reportable segment

(Significant impairment loss on fixed assets)

No items to report

(Significant changes in the amount of goodwill)

No items to report

(Significant gain on negative goodwill)

No items to report