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Consolidated Financial Results for the 1st Quarter of Fiscal 2017 and Full-Year Forecasts

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August 3, 2016

1Q Financial Results

- Consolidated: Sales and income down primarily due to yen appreciation
- Medical: Solid performance on local currency basis

Full-Year Performance Forecasts

- Consolidated: Forecasts revised in consideration of foreign exchange assumption change and projected impacts of Kumamoto earthquake
- Medical: Demand trends unchanged, initial forecasts projected to be achieved excluding foreign exchange impact

Consolidated Financial Results and Business Overview for the 1Q of Fiscal 2017 (FY Ending March 31, 2017)

1Q of Fiscal 2017 (1) Consolidated Financial Results (YoY)

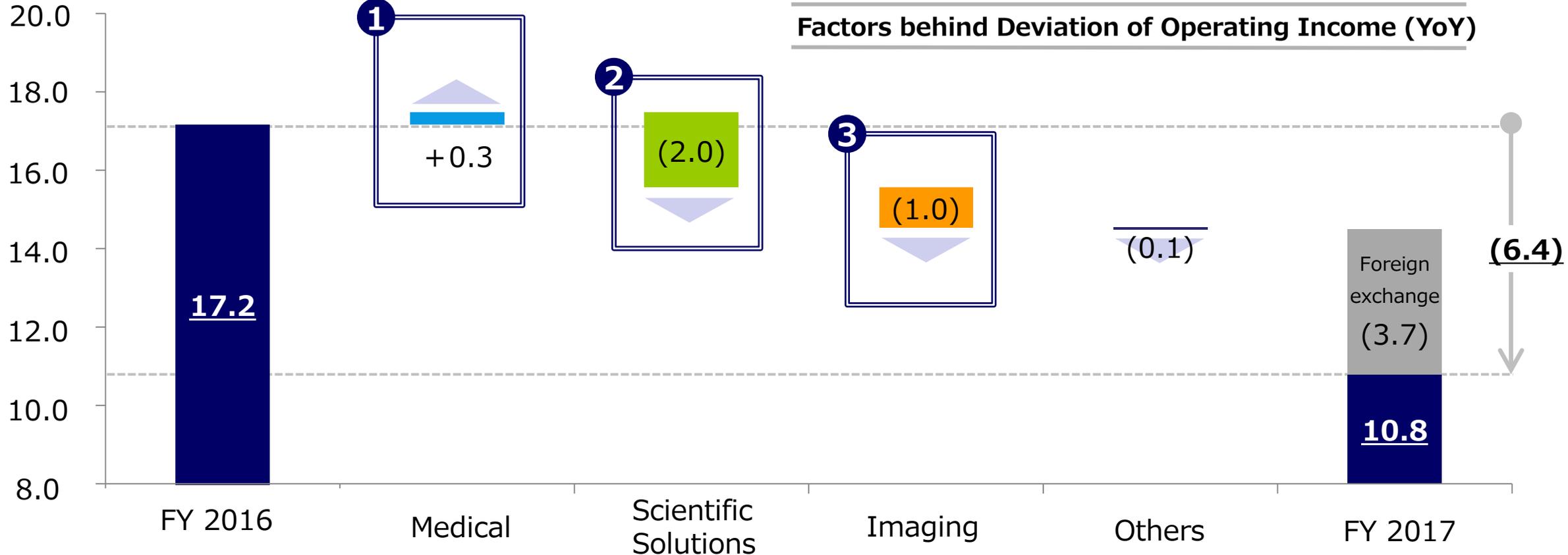
- ① Net sales -10% and operating income -37% due to impacts of strong yen (reductions of ¥17.3 billion in net sales and ¥3.7 billion in operating income)

(Billions of yen)	1Q (Apr.-Jun.)		YoY Change	YoY (%)	After foreign exchange adjustment
	FY2016	FY2017			
Net sales	187.6	168.4	-19.1	① -10%	-1%
Gross profit (% of sales)	121.7 (64.9%)	112.0 (66.5%)	-9.7 (+1.6pt)	-8%	-
Operating income (% of sales)	17.2 (9.2%)	10.8 (6.4%)	-6.4 (-2.8pt)	① -37%	-16%
Ordinary income (% of sales)	16.7 (8.9%)	8.3 (4.9%)	-8.4 (-4.0pt)	-50%	
Net income* (% of sales)	16.7 (8.9%)	8.5 (5.1%)	-8.2 (-3.8pt)	-49%	
¥/US\$	¥121	¥108	-¥13 (yen appreciation)		
¥/Euro	¥134	¥122	-¥12 (yen appreciation)		
Impact on net sales	-	-¥17.3 billion			
Impact on operating income	-	-¥3.7 billion			

1Q of Fiscal 2017 (2) Factors behind Deviation of Operating Income (YoY)

- When foreign exchange influences are excluded
 - ① Operating income of 0.3 billion yen increase in Medical Business
 - ② Operating income of 2.0 billion yen decrease in Scientific Solutions Business
 - ③ Operating income of 1.0 billion yen decrease in Imaging Business

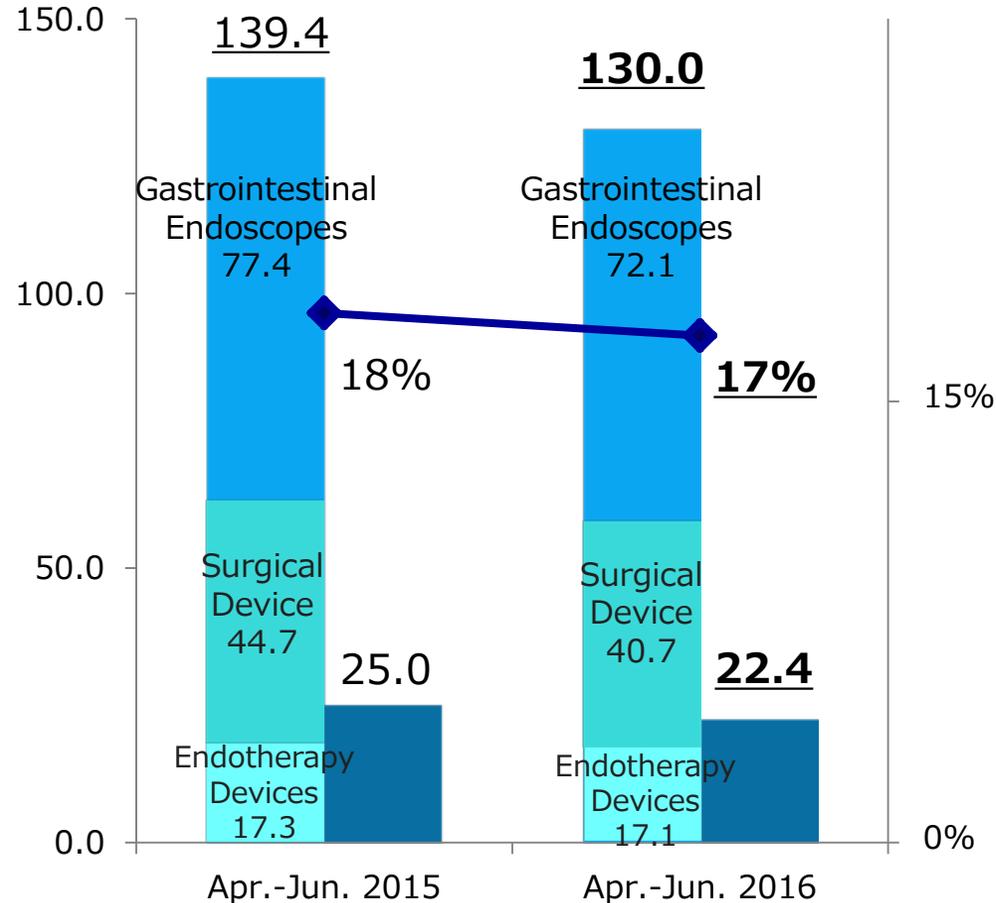
(Billions of yen)



1Q of Fiscal 2017 (3) Medical Business

Net sales Operating income Operating margin

(Billions of yen)



(Billions of yen)	Results		Foreign exchange influences	Growth rate	
	Apr.-Jun. 2015	Apr.-Jun. 2016		Yen bases	After foreign exchange adjustment
Net sales	139.4	130.0	-13.5	-7%	+3%
Gastrointestinal Endoscopes	77.4	72.1	-7.6	-7%	+3%
Surgical Device	44.7	40.7	-4.5	-9%	+1%
Endotherapy Devices	17.3	17.1	-1.4	-1%	+7%
Operating income	25.0	22.4	-2.9	-10%	+1%
Operating margin	18%	17%	-	-1pt	-

■ Sales and income down due to foreign exchange influences, but relatively unchanged YoY when foreign exchange influences are excluded

- Gastrointestinal endoscopes: Strong sales of magnifying endoscopes in Japan and EVIS EXERA III in Europe
- Surgical devices: Achieved sales as same level as the previous year due to the favorable performance of energy devices including THUNDERBEAT
- Endotherapy devices: Favorable performance due to benefits of sales system strengthening and promotion of competitive product lines (ESD*, ERCP*, hemostasis, etc.)

1Q of Fiscal 2017 (3) Medical Business (Growth Rates on Local Currency Basis)

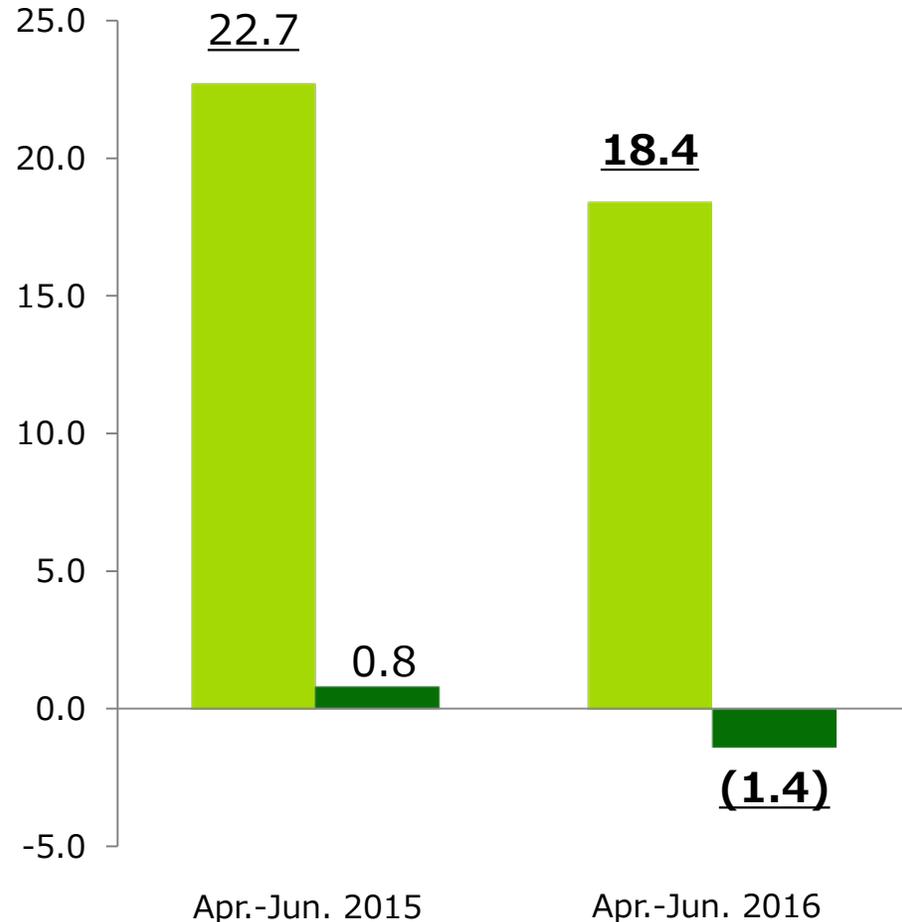
-  Japan: Strong performance of single-use devices (endotherapy devices and energy devices), growth generally in line with initial forecasts
-  N. America: Growth below initial forecasts primarily due to prolongation of business negotiations in gastrointestinal endoscope field
-  Europe: Growth in line with initial forecasts due to solid performance in all fields (particularly with regard to single-use devices)
-  Asia/Oceania: Growth exceeds initial forecasts due to incredibly strong performance of gastrointestinal endoscopes and surgical devices

Region	FY2015				FY2016				FY2017
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Japan	3%	6%	-11%	2%	-3%	6%	4%	5%	3%
N. America	10%	-3%	12%	14%	5%	9%	4%	3%	-4%
Europe	12%	10%	5%	1%	8%	11%	6%	5%	5%
Asia/Oceania	6%	26%	30%	13%	20%	8%	4%	11%	23%
Consolidated	8%	7%	7%	7%	7%	9%	4%	5%	3%

1Q of Fiscal 2017 (4) Scientific Solutions Business

■ Net sales ■ Operating income (loss)

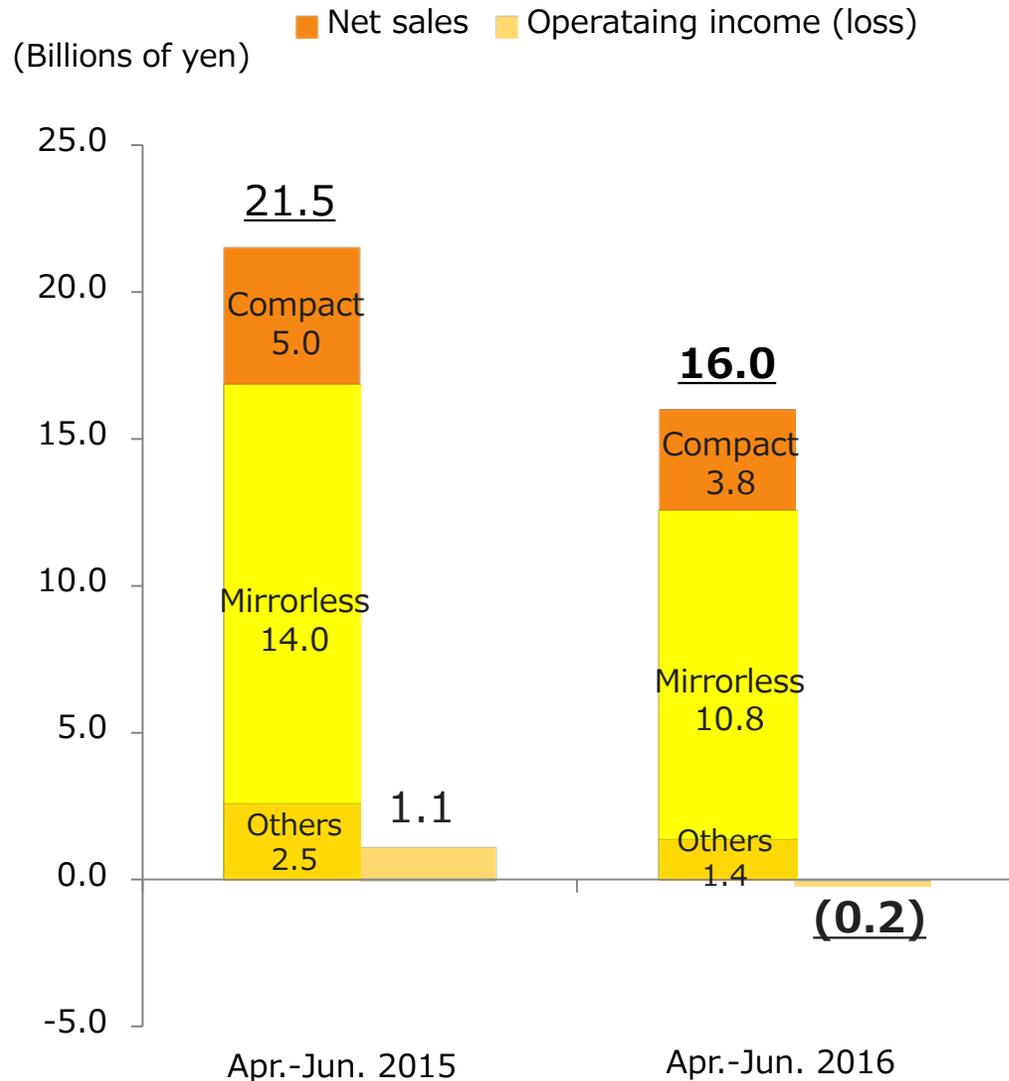
(Billions of yen)



(Billions of yen)	Results		Foreign exchange influences	Growth rate	
	Apr.-Jun. 2015	Apr.-Jun. 2016		Yen bases	After foreign exchange adjustment
Net sales	22.7	18.4	-2.0	-19%	-10%
Operating income (loss)	0.8	-1.4	-0.2	-	-
Operating margin	3%	-	-	-	-

- Sales decreased due to limited research budget execution, particularly in developed countries, sluggish resource-related investment following low resource prices, and yen appreciation impacts
- Shipment delay due to system migration and delay of new product launch, which are our specific factors

1Q of Fiscal 2017 (5) Imaging Business



(Billions of yen)	Results		Foreign exchange influences	Growth rate	
	Apr.-Jun. 2015	Apr.-Jun. 2016		Yen bases	After foreign exchange adjustment
Net sales	21.5	16.0	-1.6	-26%	-18%
Compact	5.0	3.8	-0.3	-25%	-19%
Mirrorless	14.0	10.8	-1.2	-23%	-14%
Others	2.5	1.4	-0.1	-43%	-38%
Operating income (loss)	1.1	-0.2	-0.3	-	-
Operating margin	5%	-	-	-	-

- Sales and income down due to temporary mirrorless camera market stagnancy caused by the Kumamoto Earthquake and planned 2nd-half launches of new products
 - Income contributions from positive growth against our budget for high-margin interchangeable lenses in Japan and Europe, having high market share (income in line with initial forecasts)

Consolidated Balance Sheet (End of June 2016)

- ① Digital camera inventories down ¥1.2 billion, to ¥13.2 billion
- ② Equity ratio held to 36.9% due to yen appreciation

(Billions of yen)	End Mar. 2016	End Jun. 2016	Change		End Mar. 2016	End Jun. 2016	Change
Current assets (Digital camera inventories)	520.7 (14.4)	498.2 (13.2)	-22.5 (-1.2)	Current liabilities	266.6	256.7	-9.9
Property, plant and equipment	166.1	158.5	-7.6	Non-current liabilities (Incl. bonds/long-term loans payable)	349.7 (264.5)	339.2 (258.3)	-10.5 (-6.1)
Intangible assets	150.8	134.3	-16.5	Net assets	384.3	351.4	-32.9
Investments and other assets	163.1	156.3	-6.8	(Equity ratio)	(38.2%)	(36.9%)	(-1.3pt)
Total assets	1,000.6	947.3	-53.3	Total liabilities and net assets	1,000.6	947.3	-53.3

Interest-bearing debt : ¥321.3 billion (+¥0.2 billion from March 31, 2016)

Net interest-bearing debt : ¥151.7 billion (-¥2.9 billion from March 31, 2016)

Consolidated Cash Flows (April to June 2016)

(Billions of yen)	FY2016 1Q	FY2017 1Q	Change
Net sales	187.6	168.4	-19.1
Operating income	17.2	10.8	-6.4
(%)	9.2%	6.4%	-2.8pt
CF from operating activities	30.5	26.5	-4.0
CF from investing activities	-10.4	-12.9	-2.4
CF from financing activities	-9.2	-0.1	+9.1
Cash flow	10.9	13.5	+2.6
Free cash flow	20.1	13.6	-6.5
Cash and cash equivalents at end of year	224.1	169.4	-54.8
Depreciation and amortization	9.6	10.9	+1.4
Amortization of goodwill	2.5	2.2	-0.3
Capital expenditures	16.2	17.7	+1.4

Forecast for Fiscal 2017

Operating Environment Conditions

Initial Outlook

- Slowdown in China and other emerging economies
- Progressive yen appreciation trend



Current Outlook

- Slowdown in China and other emerging economies
- Further yen appreciation sparked by Brexit
- Persistently low resource prices
- Kumamoto earthquake

- Further appreciation of yen, continually low resource prices, impacts of Kumamoto earthquake
- No change in medium-to-long-term demand trends in Medical Business

Forecasts of Consolidated Financial Results for Fiscal 2017

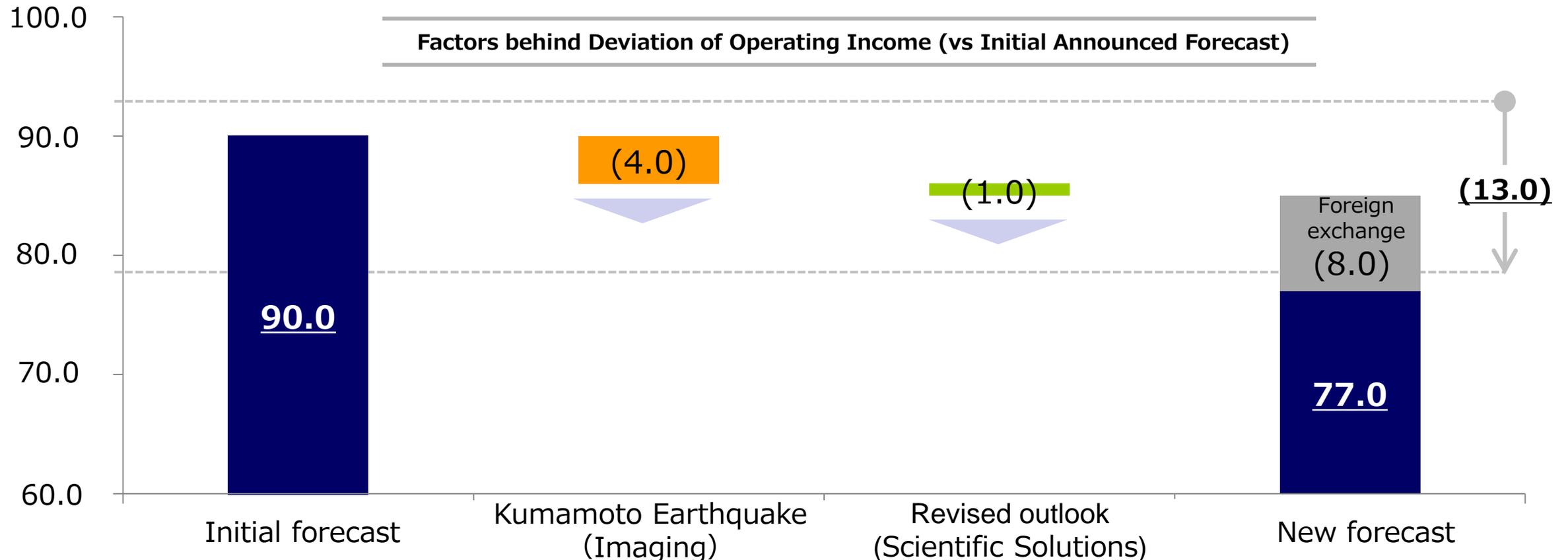
- 1 Full-year forecasts revised in consideration of foreign exchange assumption change and projected impacts of Kumamoto earthquake etc.
- 2 Full-year net income of ¥57.0 billion forecast

(Billions of yen)	FY2016 (Results)	FY2017 (Initial forecast)	FY2017 (New forecasts)	Change	YoY (%)	After foreign exchange adjustment
Net sales	804.6	800.0	775.0	-25.0	-4%	+ 5%
Gross profit (% of sales)	535.2 (66.5%)	531.0 (66.4%)	513.8 (66.3%)	-17.2 (-0.1pt)	-4%	-
Operating income (% of sales)	104.5 (13.0%)	90.0 (11.3%)	77.0 (9.9%)	-13.0 (-1.4pt)	-26%	+ 2%
Ordinary income (% of sales)	90.9 (11.3%)	80.0 (10.0%)	67.0 (8.6%)	-13.0 (-1.4pt)	-26%	
Net income* (% of sales)	62.6 (7.8%)	65.0 (8.1%)	57.0 (7.4%)	-8.0 (-0.7pt)	-9%	
EPS (Yen)	¥183	¥190	¥167	-¥23	-9%	
¥/US\$	¥120	¥108	¥106	-¥2 (yen appreciation)	-¥14 (yen appreciation)	
¥/Euro	¥133	¥120	¥117	-¥3 (yen appreciation)	-¥16 (yen appreciation)	

Forecast for FY2017: Factors behind Deviation of Operating Income (vs Initial Announced Forecast)

- Reflection of impacts of foreign exchange rate movements (appreciation of the yen)
- Incorporation of revised outlook regarding Kumamoto earthquake impacts and operating environment in Scientific Solutions Business and Imaging Business
- Medical Business demand and sales inquiries strong on full-year basis, initial forecasts set to be achieved on local currency basis

(Billions of yen)



Forecast for FY2017: Medical Business

Japan

- Initial targets forecast to be accomplished on local currency basis through sales promotions of strong-performing single-use devices (endotherapy devices and energy devices), which are set to continue favorable 1Q performance trend, and encouragement of upgrades for magnifying endoscopes in Japan and other gastrointestinal endoscopes

Europe

Asia/Oceania

- Despite opaqueness in emerging countries, initial targets projected to be accomplished on local currency basis due to sufficient level of sales inquiries in comparison to full-year target

N. America

- Despite negative 1Q growth, initial targets projected to be accomplished on local currency basis due to sufficient level of sales inquiries in comparison to full-year target
 - Gastrointestinal endoscopes: Sufficient level of sales inquiries in comparison to full-year target, inquiries to be steadily linked to sales in 2Q and beyond through enhanced sales promotion activities
 - Surgical devices: Plentiful inquiries regarding 3D and 4K endoscopes to be steadily linked to sales
 - Endotherapy devices: Strong 1Q performance to be sustained through solicitation of differentiated products and promotion of sets with endoscopes

Main Topics in the 1Q of Fiscal 2017

Topics1: Evaluation of Board of Directors and Results (Announced on June 28, 2016)

- Overall high evaluation indicating effectiveness of Board of Directors' composition, committee operation, and support system for outside directors

Items Highly Evaluated in Current and Previous Year

- Operation and roles of Nominating Committee, Compensation Committee, and Compliance Committee
- Support systems for outside directors
- Role of audit & supervisory board members

Items Improved from Previous Year

- Operation of Board of Directors
 - ✓ Improved evaluation after initiatives to encourage open and lively discussion and discussion of medium-to-long-term management issues
- Relationships with shareholders and investors
 - ✓ Improved evaluation due to establishment of system allowing for periodic communication of feedback (quarterly reports) in systematic and Companywide manner
- * Exercise of Board of Directors' functions
 - ✓ Improved surveys through addition of new questions in fiscal 2017

Topics2: Voluntary Adoption of IFRS (Disclosed on June 17, 2016)

- Voluntarily adapt the IFRS to replace previously used JGAAP from consolidated financial statements for fiscal 2018
 - Schedule for transition to IFRS-based disclosure

<u>FY2017</u>	April 2017	Financial Results (Tanshin) (Fiscal 2018 forecasts to be disclosed based on IFRS) Consolidated Financial Statements	<u>JGAAP</u>
	June 2017	Annual Securities Report	
<u>FY2018 1Q</u>	July 2017	Financial Results (Tanshin)	<u>IFRS</u>
		Quarterly Report	

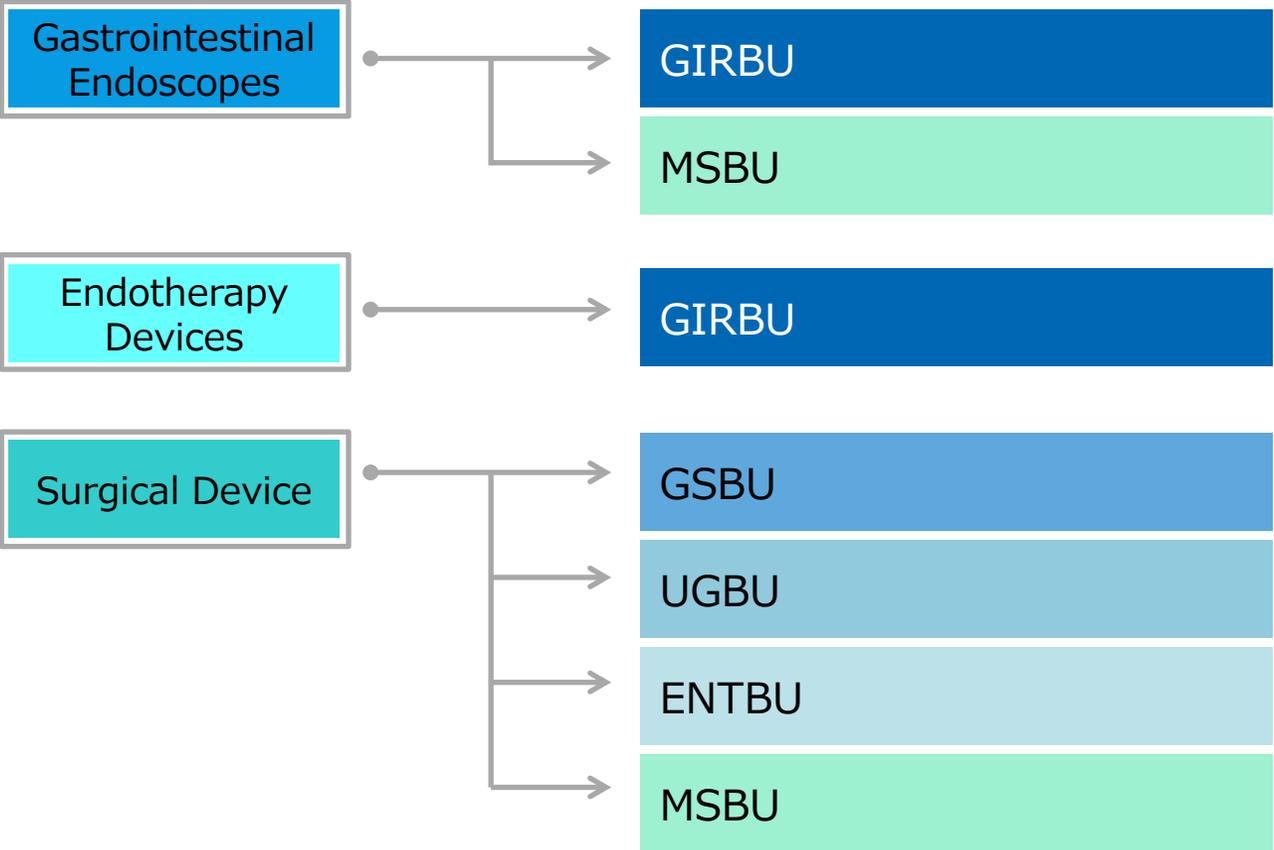
- Targets of final year of 16CSP based on IFRS

(Billions of yen)	FY2021 (JGAAP)	FY2021 (IFRS)	Change
Net sales	1,100.0	1,100.0	-
Operating income	170.0	180.0	+10.0
Net income	110.0	120.0	+10.0

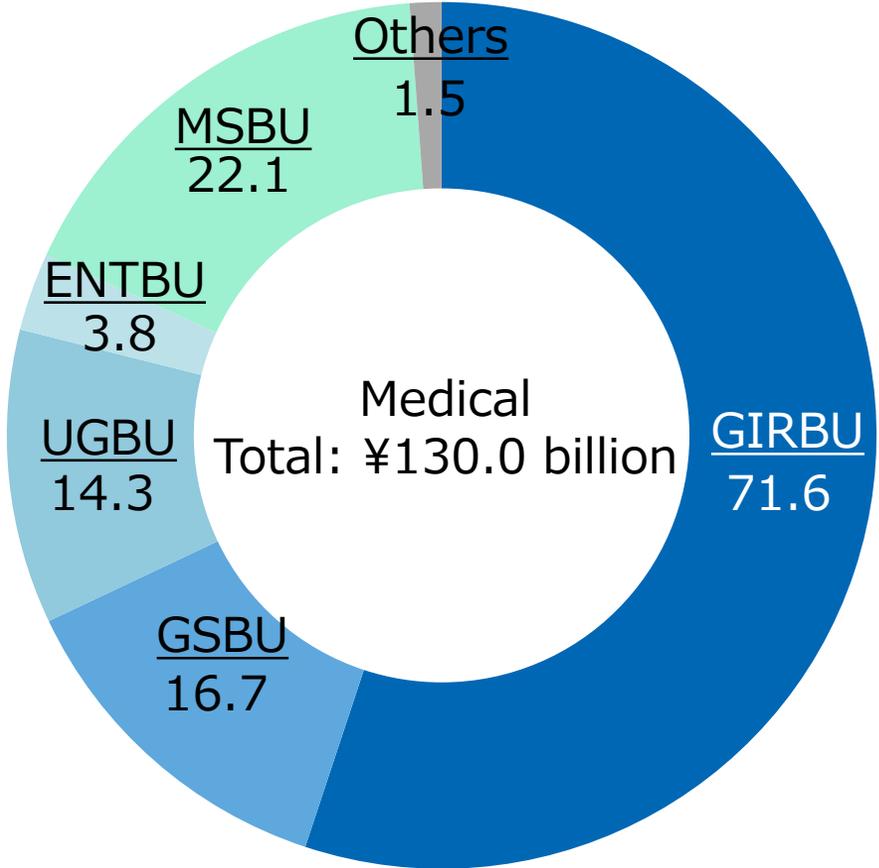
Topics3: Disclosure of Net Sales by Business Units (BUs) in Medical Business (Reference Figures)

- Net Sales by Medical Business BU disclosed in financial data (reference material) from 1Q of fiscal 2017

[Overview of Reallocation of Sales]



Net Sales for 1Q of Fiscal 2017 (Billions of yen)



Supplementary Materials

[Supplementary Materials] Segment Forecasts for Fiscal 2017

(Billions of yen)		FY2016 (Results)	FY2017 (Initial forecasts)	FY2017 (New forecasts)	Change	YoY (%)	After foreign exchange adjustment
Medical	Net Sales	608.9	610.0	598.0	-12.0	-2%	+8%
	Operating Income	140.2	127.0	120.0	-7.0	-14%	+5%
Scientific Solutions	Net Sales	101.6	100.0	96.0	-4.0	-6%	+4%
	Operating Income	8.5	6.0	4.0	-2.0	-53%	-2%
Imaging	Net Sales	78.3	70.0	62.0	-8.0	-21%	-15%
	Operating Income	-2.1	0	-4.0	-4.0	—	—
Others (New Business)	Net Sales	15.8	20.0	19.0	-1.0	+21%	+23%
	Operating Income	-5.8	-6.0	-6.0	—	—	—
Elimination and corporate	Net Sales	—	—	—	—	—	—
	Operating Income	-36.4	-37.0	-37.0	—	—	—
Consolidated Total	Net Sales	804.6	800.0	775.0	-25.0	-4%	+5%
	Operating Income	104.5	90.0	77.0	-13.0	-26%	+2%

【Supplementary Materials】 Forecast of Consolidated Financial Results for Fiscal 2017 (1H/2H)

(Billions of yen)	FY2016 Results		FY2017 (New forecasts)		YoY (%)		FY2017 (Initial forecasts)	
	1H	2H	1H	2H	1H	2H	1H	2H
Net Sales	395.8	408.8	366.0	409.0	-8%	+0%	380.0	420.0
Operating income (% to net sales)	50.1 (12.7%)	54.4 (13.3%)	29.0 (7.9%)	48.0 (11.7%)	-42%	-12%	37.0 (9.7%)	53.0 (12.6%)
Non-operating income/expenses	-6.6	-7.0	-4.0	-6.0	-	-	-5.0	-5.0
Ordinary income (% to net sales)	43.5 (11.0%)	47.4 (11.3%)	25.0 (6.8%)	42.0 (10.3%)	-43%	-11%	32.0 (8.4%)	48.0 (11.4%)
Net income (% to net sales)	35.8 (9.0%)	26.8 (6.6%)	20.0 (5.5%)	37.0 (9.0%)	-44%	+38%	27.0 (7.1%)	38.0 (9.1%)

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

(Billions of yen)		FY2016 Results		FY2017 (New forecasts)		YoY (%)		FY2017 (Initial forecasts)	
		1H	2H	1H	2H	1H	2H	1H	2H
Medical	Net Sales	297.9	311.0	283.0	315.0	-5%	1%	292.0	318.0
	Operating Income	67.9	72.3	52.0	68.0	-23%	-6%	59.0	68.0
Scientific Solutions	Net Sales	48.5	53.1	44.0	52.0	-9%	-2%	47.0	53.0
	Operating Income	3.3	5.2	0	4.0	-	-22%	1.0	5.0
Imaging	Net Sales	41.5	36.8	30.0	32.0	-28%	-13%	32.0	38.0
	Operating Income	0	-2.1	-2.0	-2.0	-	-	-2.0	2.0
Others (New Business)	Net Sales	7.9	7.9	9.0	10.0	+14%	+27%	9.0	11.0
	Operating Income	-3.3	-2.6	-3.0	-3.0	-	-	-3.0	-3.0
Elimination and corporate	Net Sales	-	-	-	-	-	-	-	-
	Operating Income	-17.9	-18.5	-18.0	-19.0	-	-	-18.0	-19.0
Consolidated Total	Net Sales	395.8	408.8	366.0	409.0	-8%	+0%	380.0	420.0
	Operating Income	50.1	54.4	29.0	48.0	-42%	-12%	37.0	53.0

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