

OLYMPUS

Your Vision, Our Future

Consolidated Financial Results for Fiscal 2015 Full-Year Forecasts for Fiscal 2016

Yasuo Takeuchi

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Head of Corporate Management Office, CFO
Olympus Corporation**

May 8, 2015

FY2015 – Consolidated Financial Results

- I** Medical Business makes large contributions to overall performance, operating income and ordinary income reach post-Lehman Shock highs
- II** Provision for loss of approx. ¥53.9 billion recorded in consideration of progress in discussions with U.S. DOJ, net loss amounts to ¥8.7 billion
- III** Dividends issued for 1st time in 4 years in consideration of progress toward resolving financial issues

Full Year

(Billions of yen)	FY2014	FY2015	YoY change	YoY (%)	FY2015 (Initial forecasts)	Difference (Change)
Net sales	713.3	764.7	+51.4	+7%	760.0	+4.7
Operating income (% of sales)	73.4 (10.3%)	91.0 (11.9%)	+17.5 (+1.6pt)	+24%	88.0 (11.6%)	+3.0
Ordinary income (% of sales)	50.9 (7.1%)	72.8 (9.5%)	+21.9 (+2.4pt)	+43%	70.0 (9.2%)	+2.8
Net income (% of sales)	13.6 (1.9%)	-8.7 (-)	-22.4 (-)	-	45.0 (5.9%)	-53.7
¥/US\$	¥100	¥110	¥10 (yen depreciation)			
¥/Euro	¥134	¥139	¥4 (yen depreciation)			
Impact on net sales	-	+¥39.4 bil.				
Impact on operating income	-	+¥14.4 bil.				

FY2015 – Results by Business Segment

- I** Strong performance in Medical Business, new records set for quarterly and full-year net sales and operating income
- II** Substantially higher income due to strong performance in Scientific Solutions Business and withdrawal from biologics business in Others
- III** Sales and income down in Imaging Business as result of investments in B to B operations, contraction of compact camera operations, yen depreciation, and mirrorless camera write-downs

(Billions of yen)		Full Year				4Q (Jan.-Mar.)			
		FY2014	FY2015	YoY change	YoY (%)	FY2014	FY2015	YoY change	YoY (%)
Medical	Net sales	492.3	558.3	+66.1	+13%	140.8	160.2	+19.4	+14%
	Op. income	112.7	124.9	+12.2	+11%	34.1	40.9	+6.7	+20%
Scientific Solutions	Net sales	98.5	103.9	+5.4	+6%	30.9	31.1	+0.2	+1%
	Op. income	4.9	6.8	+1.9	+39%	2.9	3.3	+0.4	+14%
Imaging	Net sales	96.1	83.8	-12.3	-13%	21.1	19.5	-1.6	-8%
	Op. income	-9.2	-13.9	-4.7	-	-4.8	-7.7	-2.9	-
Others	Net sales	26.4	18.6	-7.8	-29%	6.8	3.8	-3.0	-44%
	Op. income	-5.4	1.2	+6.5	-	-1.0	0.3	+1.3	-
Elimination and corporate	Net sales	-	-	-	-	-	-	-	-
	Op. income	-29.7	-28.1	+1.6	-	-7.7	-7.9	-0.2	-
Consolidated Total	Net sales	713.3	764.7	+51.4	+7%	199.6	214.7	+15.0	+8%
	Op. income	73.4	91.0	+17.5	+24%	23.5	28.9	+5.3	+23%

FY2015 – Imaging Business 4Q Performance (Jan.–Mar. 2015 vs. Targets)

Large degree of failure to meet target for mirrorless camera net sales was primary performance detractor

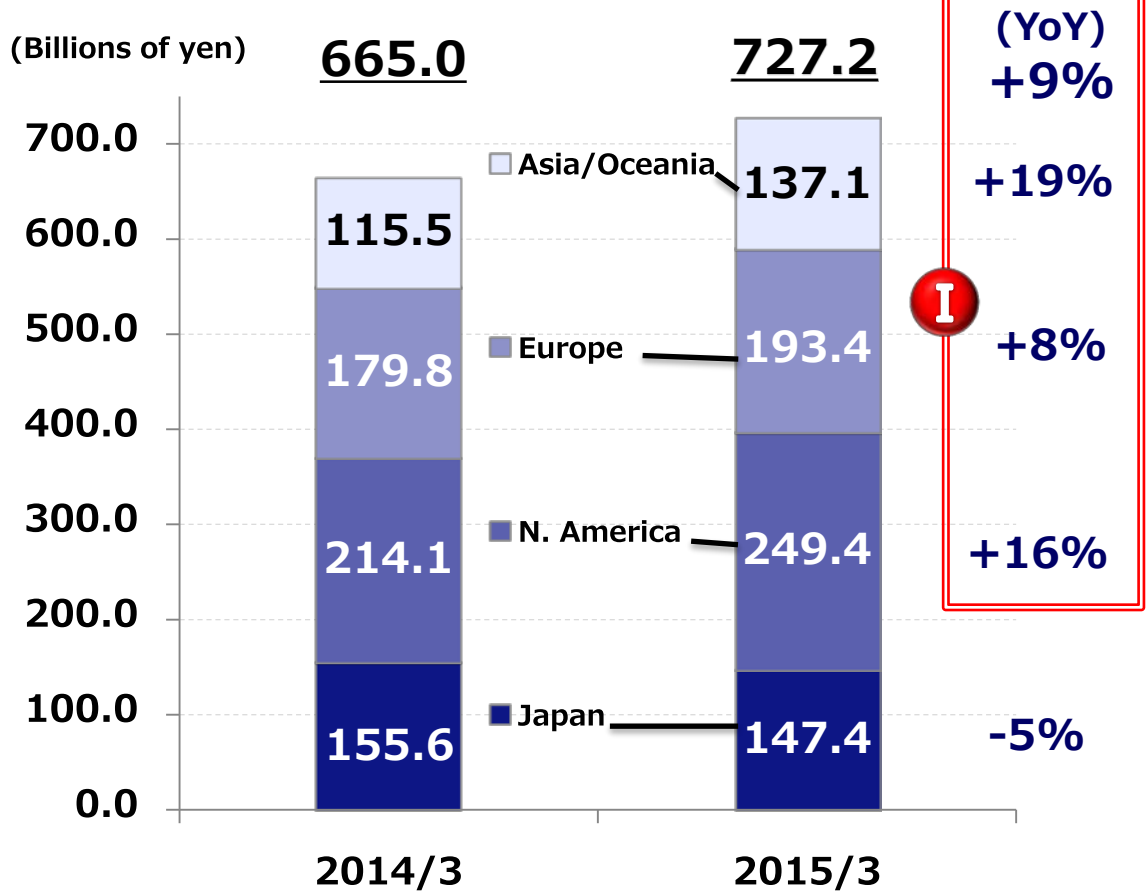
- I** Greater-than-expected drop in mirrorless camera selling prices results in failure to meet net sales target and decline in gross profit
- II** Write-downs centered on readily affordable mirrorless camera models (PEN series)
- III** Recording of SG&A expenses due to mirrorless camera sales promotions

(Billions of yen)	FY2015 (Jan.–Mar.)		Difference (Change)
	Targets in 3Q	Results	
Net sales	25.7	19.5	-6.2
Mirrorless Camera	17.7	12.7	-5.0
Compact Camera, Others	8.0	6.8	-1.2
Gross profit	12.3	4.5	-7.8
SG&A expenses	13.6	12.2	-1.4
Operating loss	-1.3	-7.7	-6.4

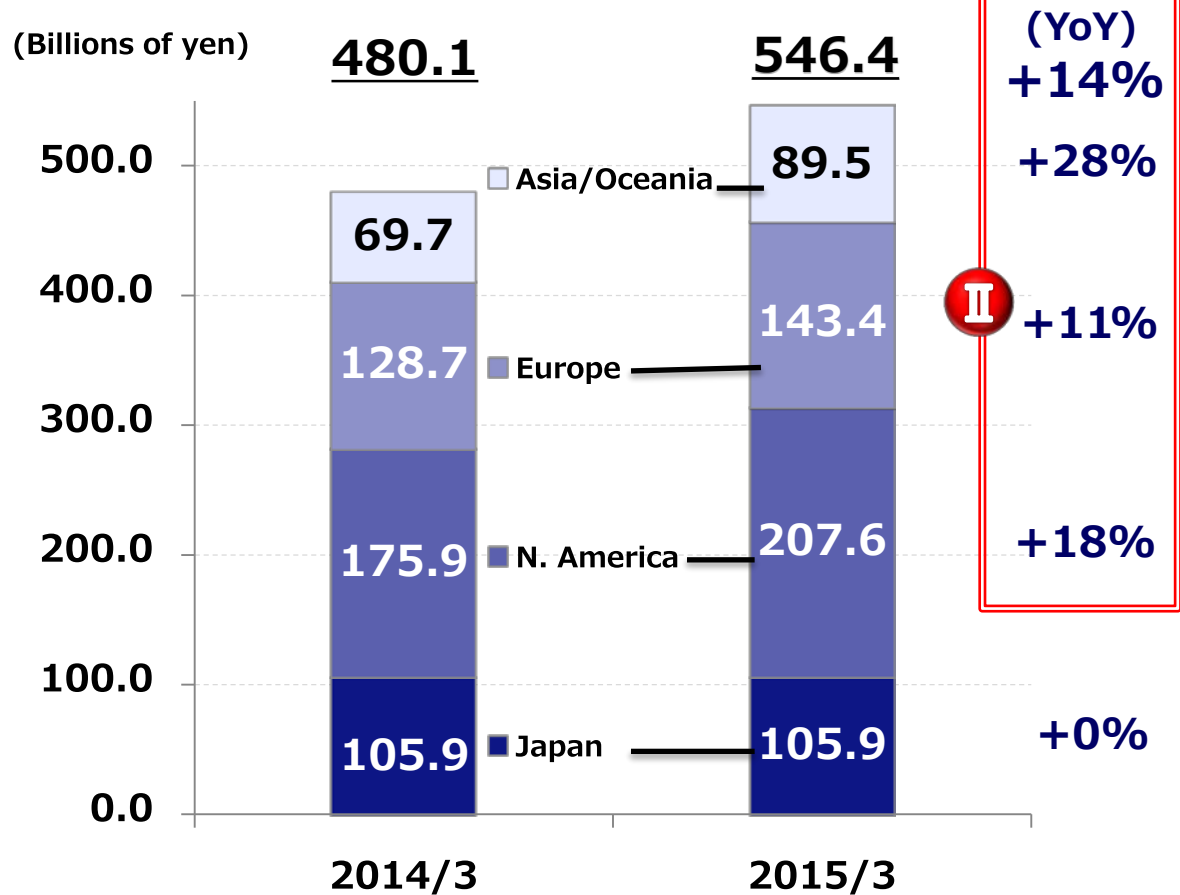
FY2015 – Net Sales by Region

- I** Consolidated: Strong Medical Business performance results in higher earnings in all regions except Japan
- II** Medical: Overseas business brisk, double-digit growth in all regions except Japan

Consolidated (Apr.-Mar.) (*)



Medical Business (Apr.-Mar.)



Consolidated Balance Sheet (End of March 2015)

I Equity ratio: 32.9%; interest-bearing debt: down approx. ¥61.4 billion

II Digital camera inventories ; down ¥5.5 billion from Dec. 31, 2014

(Billions of yen)	End Mar. 2014	End Mar. 2015	Change		End Mar. 2014	End Mar. 2015	Change
Current assets (Digital camera inventories)	576.5 (21.7)	577.5 (23.7)	+1.0 (+2.0)	Current liabilities	276.3	374.8	+98.5
Property, plant and equipment	135.4	150.1	+14.7	Non-current liabilities (Incl. bonds/long-term loans payable)	419.9 (346.8)	349.5 (253.3)	-70.4 (-93.5)
Intangible assets	173.6	180.6	+7.1	Net assets	331.3	357.3	+26.0
Investments and other assets	142.0	173.2	+31.3	(Equity ratio)	(32.1%)	(32.9%)	(+0.8pt)
Total assets	1,027.5	1,081.6	+54.1	Total liabilities and net assets	1,027.5	1,081.6	+54.1

Dec. 31, 2014
Digital camera inventories: ¥29.2 billion

I Interest-bearing debt : ¥354.4 billion (-¥61.4 billion from March 31, 2014)
Net interest-bearing debt : ¥144.5 billion (-¥19.2 billion from March 31, 2014)

Cash Flows (April 2014 to March 2015)

(Billions of yen)	FY2014	FY2015	Change
Net sales	713.3	764.7	+51.4
Operating income	73.4	91.0	+17.5
(%)	10.3%	11.9%	+1.6pt
CF from operating activities	72.4	66.8	-5.6
CF from investing activities	-20.3	-39.6	-19.3
CF from financing activities	-39.7	-70.2	-30.5
Cash flow	12.4	-43.0	-55.4
Free cash flow	52.1	27.2	-24.9
Cash and cash equivalents at end of year	251.3	209.8	-41.5
Depreciation and amortization	36.9	41.2	+4.4
Amortization of goodwill	9.5	9.4	-0
Capital expenditures	32.6	42.7	+10.1

Forecasts for Fiscal 2016

FY2016 – Forecasts of Consolidated Financial Results

- I** Net sales: Double-digit growth projected in Medical Business, which will drive 6% YOY increase in net sales, to ¥810 billion
- II** Operating income: Forecast to exceed ¥100 billion for 1st time in 8 years
- III** Net income: Record-breaking ¥56 billion projected due to improved balances of non-operating and extraordinary items

(Billions of yen)	FY2015 (Results)	FY2016 (Forecasts)	YoY change	YoY (%)
Net sales	764.7	810.0	+45.3	+6%
Operating income (% of net sales)	91.0 (11.9%)	100.0 (12.4%)	+9.0 (+0.5pt)	+10%
Non-operating income/expenses	-18.2	-14.0	+4.2	-
Ordinary income (% of net sales)	72.8 (9.5%)	86.0 (10.6%)	+13.2 (+1.1pt)	+18%
Net income (% of net sales)	-8.7 (-)	56.0 (6.9%)	+64.7 (-)	-
¥/US\$	¥110	¥115	¥5 (yen depreciation)	
¥/Euro	¥139	¥130	¥9 (yen appreciation)	
Impact on net sales	-	-¥0.6 billion		
Impact on operating income	-	¥0.1 billion		

Segment Forecasts for FY2016 (Full Year)

- I** Medical Business to set new records for both net sales and operating income of ¥615 bil. and ¥137 bill, respectively
- II** Imaging Business to be operated while limiting management resource allocation
- II** Imaging Business management resources to be reallocated to new business fields and corporate R&D

(Billions of yen)		FY2015 (Results)	FY2016 (Forecasts)	YoY change	YoY (%)
Medical	Net sales	558.3	I 615.0	+56.7	+10%
	Op. income	124.9	137.0	+12.1	+10%
Scientific Solutions	Net sales	103.9	110.0	+6.1	+6%
	Op. income	6.8	8.0	+1.2	+18%
Imaging	Net sales	83.8	70.0	-13.8	-17%
	Op. income	-13.9	0	+13.9	- %
Others (New Businesses)	Net sales	18.6	15.0	-3.6	-20%
	Op. income	1.2	-12.0	-13.2	- %
Elimination and corporate	Net sales	-	-	-	- %
	Op. income	-28.1	-33.0	-4.9	- %
Consolidated Total	Net sales	764.7	810.0	+45.3	+6%
	Op. income	91.0	100.0	+9.0	+10%

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Management Policies Fiscal 2016

Hiroyuki Sasa

**President and Representative Director
Olympus Corporation**

May 8, 2015

Review of 1st 3 Years of Medium-Term Vision (Corporate Strategic Plan)

Construction of Appropriate Governance Systems

Steady progress made under appropriate governance systems, featuring management system with segregated business execution and supervisory functions and Board of Directors with half of outside directors

Reorganization of Non-Core Businesses

Reorganization of non-core businesses, including transference of Information & Communication Business and withdrawal from biologics business, completed ahead of schedule

Medical Business Performance

Medical Business performed impressively throughout plan period with 3 consecutive years of increased sales and income and 2 consecutive years of record-breaking net sales and operating income

Reinforced Financial Position

Equity ratio recovered to above 30%, and dividends issued for 1st time in 4 years due to reduction of risk factors

FY2015 – Performance Indicators

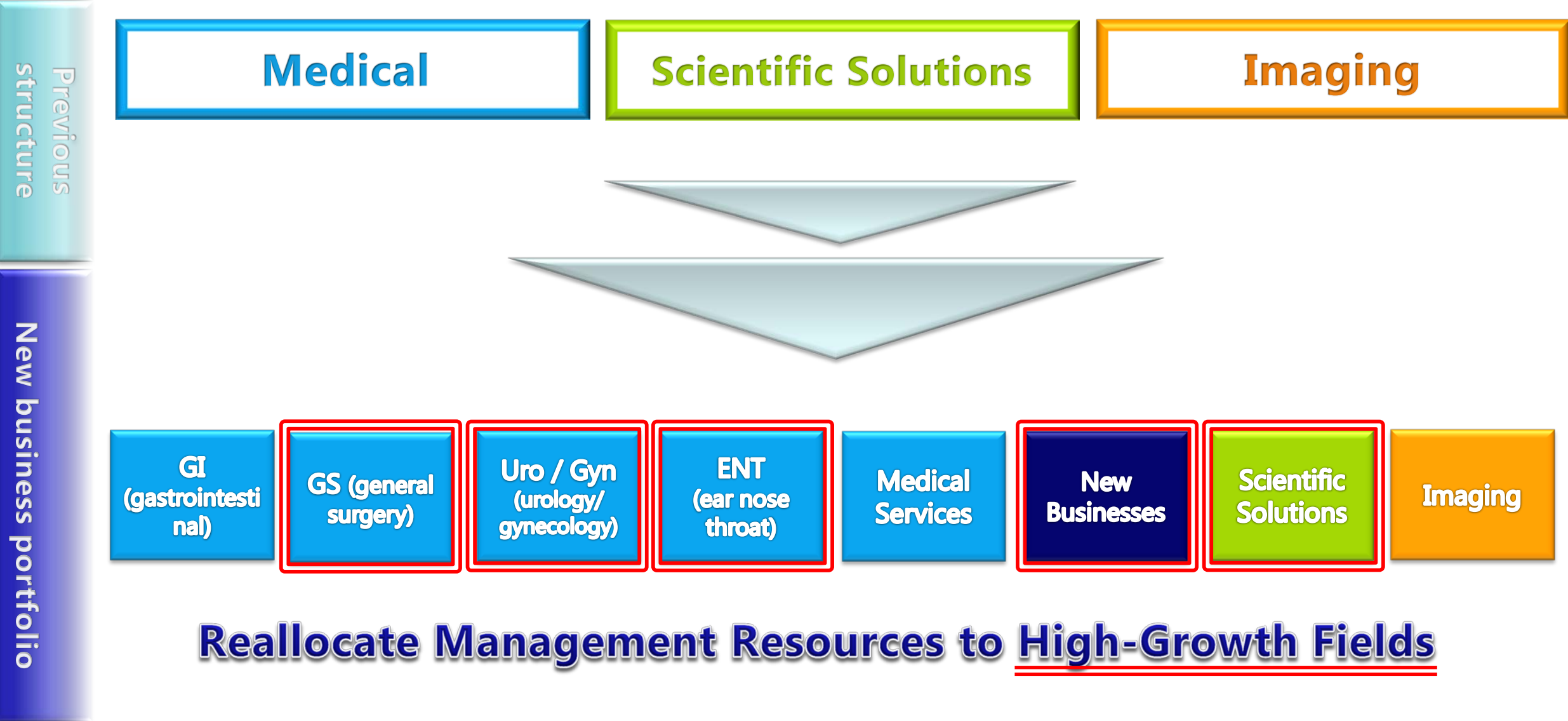
- I** ROIC: Recovered to 8%
- II** Operating margin and equity ratio: Exceeded FY2017 targets

	FY2012 (Results)	FY2015 (Results)	FY2017 (Targets)
Return on invested capital (ROIC) (*)	2.7%	I 8%	10% or more
Operating margin	4.2%	II 11.9%	10% or more
Free cash flow (Cash flow from operating activities + cash flow from investing activities)	-¥4.8 billion	¥27.2 billion	¥70.0 billion or more
Equity ratio	4.6%	II 32.9%	30% or more

Reallocate Management Resources to High-Growth Fields

- 1. Expand Medical Business, reap benefits of strategic investments**
- 2. Reallocate management resources from Imaging Business to growth fields**

Reallocation of Management Resources



Investment in New Businesses

Imaging Technologies Field

Leverage technologies accumulated in Imaging Business to provide solutions

- Manufacturing market
- Automotive market, etc.

Medical Field

Incubate new businesses that are highly compatible with Medical Business

- Orthopedics
- Regenerative medicine, etc.

1. Growth Potential

2. Efficiency

3. Financial Soundness

1. Growth Potential

Medical

Strengthen operations centered on 5 fields, accelerate growth in surgical device field

New Businesses

Develop new businesses by exploring and investigating business opportunities

Sales

Promote superior Olympus technologies and products through cross-business enhancement of sales capabilities

2. Efficiency

Medical/Scientific
Solutions/Imaging

Improve profitability through efficient asset utilization and strategies that are responsive to changes in operating environment

Technologies /
Manufacturing

Optimally allocate resources across all businesses

Finances

Raise ROE through maximized capital efficiency

3. Financial Soundness

Finances

Achieve level of capital that is sound for a medical equipment manufacturer

Shareholder Returns

Issuance of Dividends for 1st Time in 4 Years

<u>Dividend proposal</u>	Full-year
FY2015	¥10
FY2016	¥17

<Basic Capital Allocation Policy>

- 1. Prioritize growth investments centered on Medical Business**
- 2. Achieve level of capital that is appropriate based on business characteristics of a medical equipment manufacturer**

OLYMPUS

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Supplementary Materials

【Supplementary Materials】 Forecasts for FY2016 (1H and 2H)

(Billions of Yen)	FY2015 (Results)		FY2016 (Forecast)		YoY (%)	
	1H	2H	1H	2H	1H	2H
Net sales	355.0	409.7	390.0	420.0	+10%	+3%
Operating income (% of net sales)	38.4 (10.8%)	52.5 (12.8%)	45.0 (11.5%)	55.0 (13.1%)	+17%	+5%
Non-operating income and expenses	-8.8	-9.4	-8.0	-6.0	-	-
Ordinary income (% of net sales)	29.7 (8.4%)	43.1 (10.5%)	37.0 (9.5%)	49.0 (11.7%)	+25%	+14%
Net income (% of net sales)	22.3 (6.3%)	-31.1 (-)	24.0 (6.2%)	32.0 (7.6%)	+8%	-

【Supplementary Materials】 Segment Forecasts for FY2016 (1H and 2H)

(Billions of yen)		FY2015(Results)		FY2016(Forecast)		YoY (%)	
		1H	2H	1H	2H	1H	2H
Medical	Net Sales	256.8	301.6	298.0	317.0	+16%	+5%
	Operating income	54.6	70.3	65.0	72.0	+19%	+2%
Scientific Solutions	Net Sales	46.7	57.2	50.0	60.0	+7%	+5%
	Operating income	1.3	5.6	2.0	6.0	+54%	+7%
Imaging	Net Sales	40.1	43.7	35.0	35.0	-13%	-20%
	Operating income	-4.6	-9.3	0	0	-	-
Others	Net Sales	11.4	7.2	7.0	8.0	-39%	+11%
	Operating income	0.7	0.5	-6.5	-5.5	-	-
Elimination and Corporate	Net Sales	-	-	-	-	-	-
	Operating income	-13.6	-14.6	-15.5	-17.5	-	-
Consolidated Total	Net Sales	355.0	409.7	390.0	420.0	+10%	+3%
	Operating income	38.4	52.5	45.0	55.0	+17%	+5%

【Supplementary Materials】 FY2015 Results (Medical)

Full Year

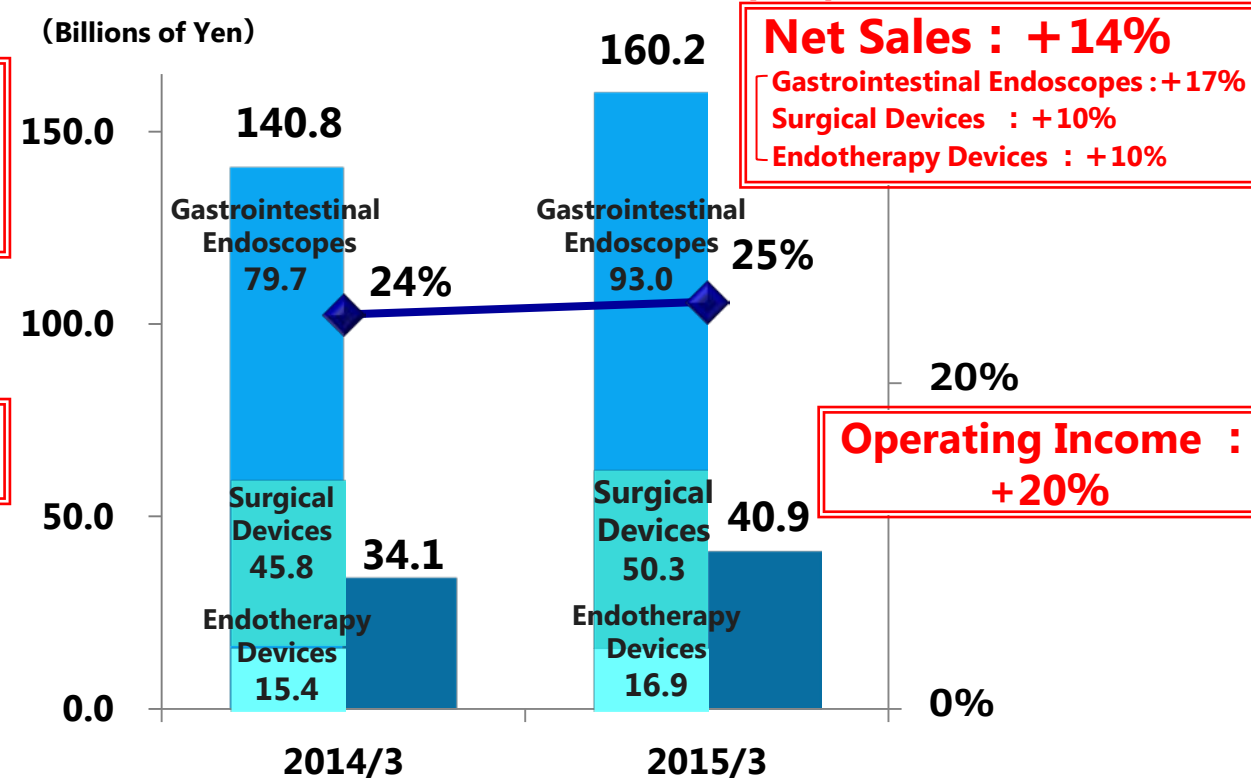
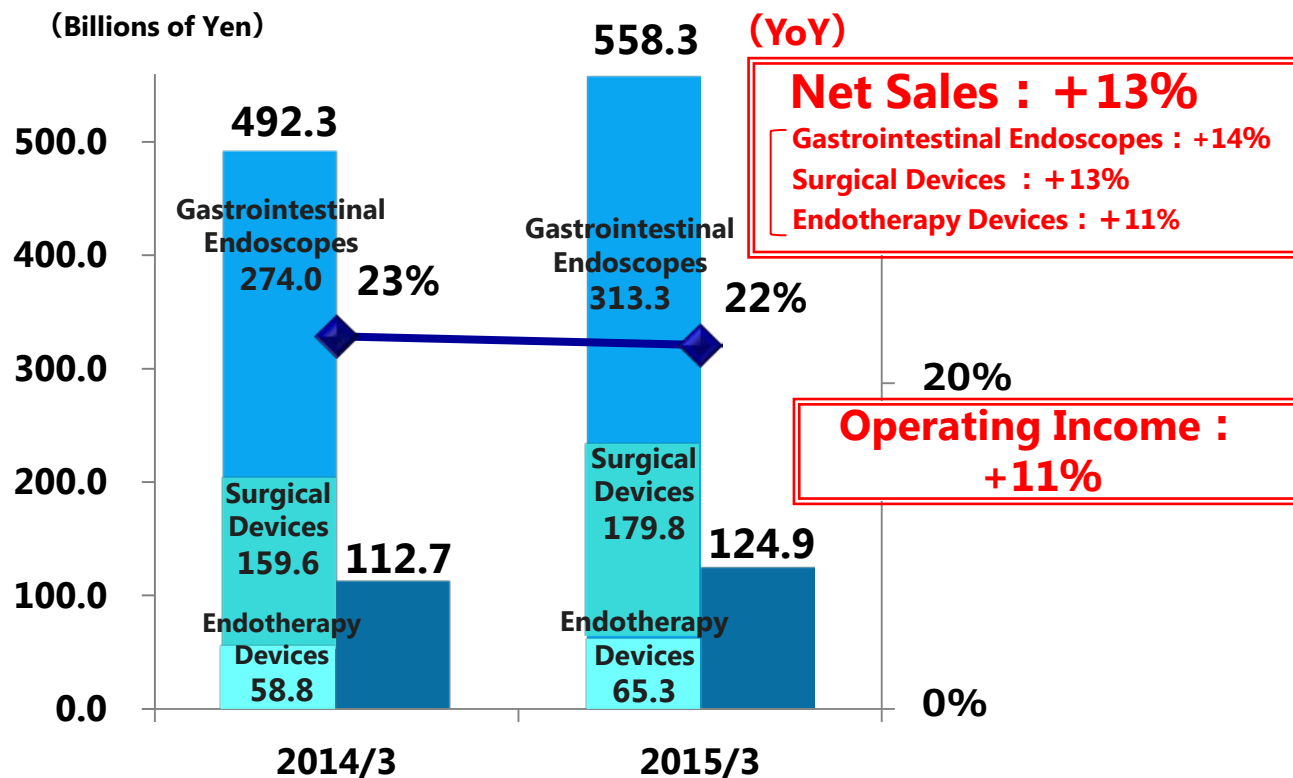
4Q (Jan-Mar)

Net Sales Operating Income Operating Margin

Net Sales Operating Income Operating Margin

(Billions of Yen)

(Billions of Yen)



【Supplementary Materials】 FY2015 Results (Scientific Solutions)

Full Year

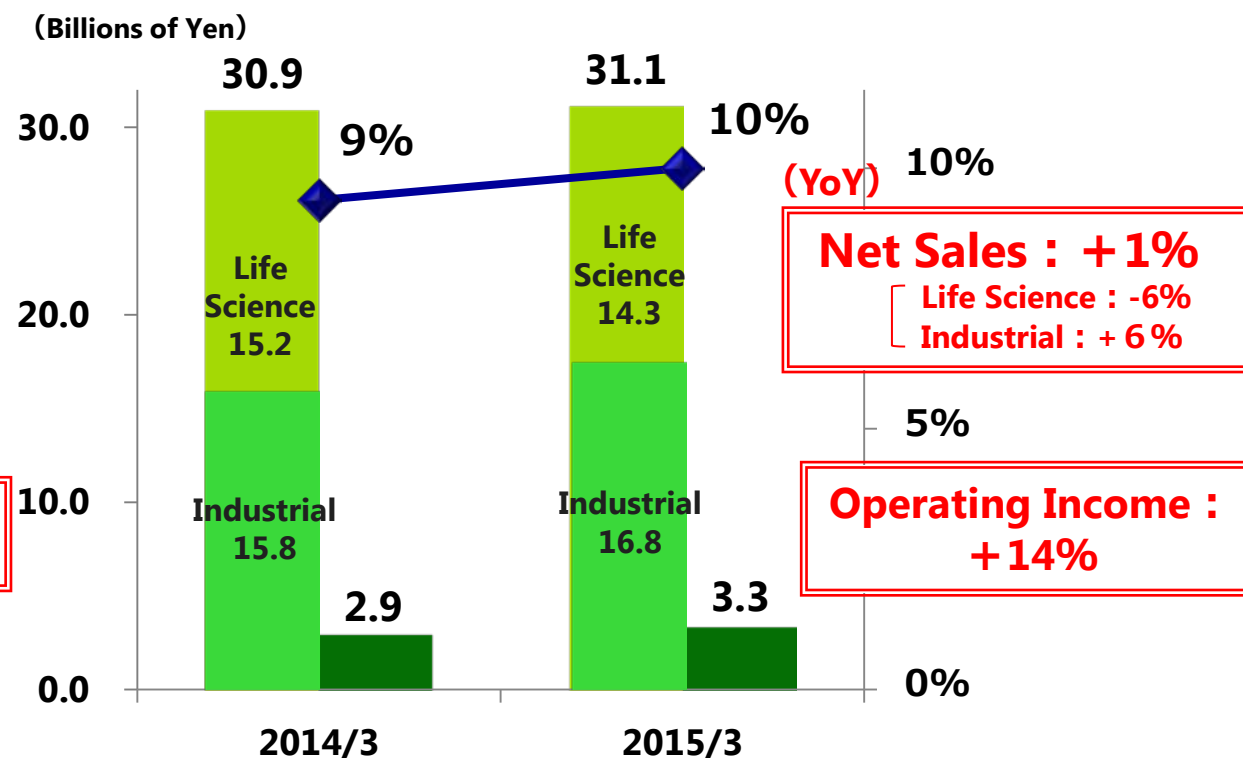
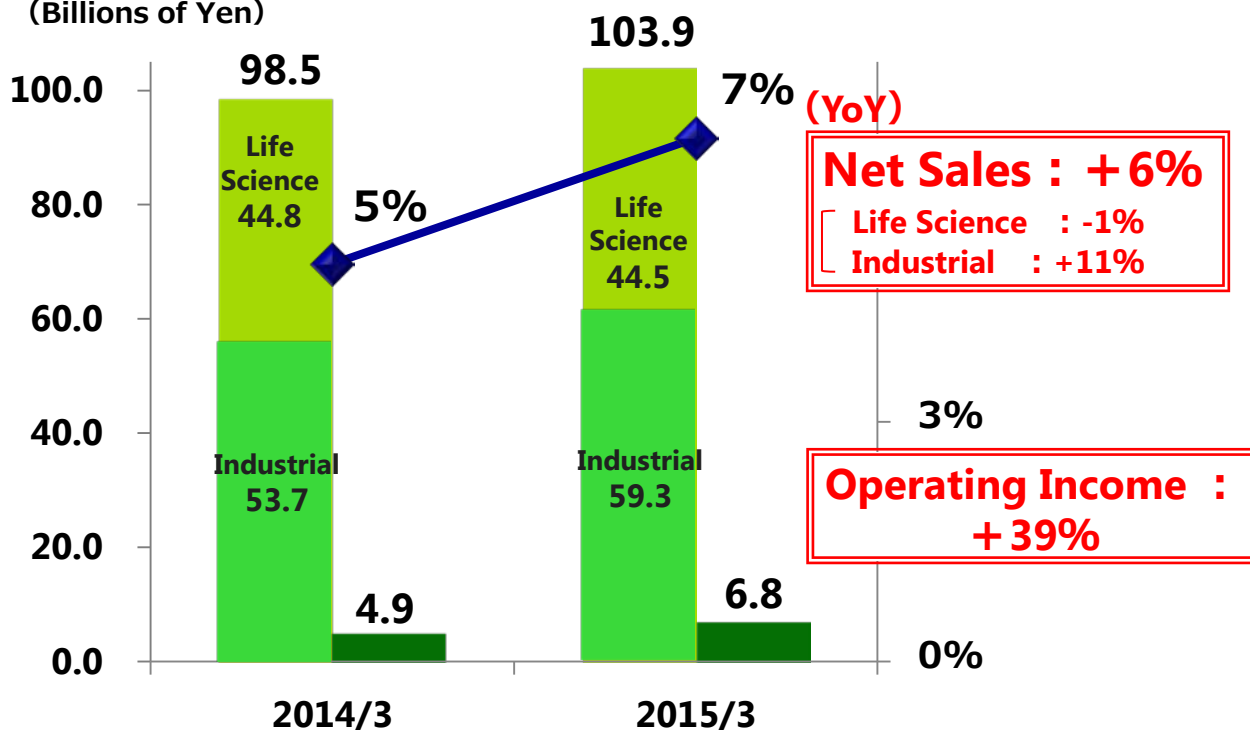
4Q (Jan-Mar)

Net Sales Operating Income Operating Margin

Net Sales Operating Income Operating Margin

(Billions of Yen)

(Billions of Yen)



【Supplementary Materials】 FY2015 Results (Imaging)

Full Year

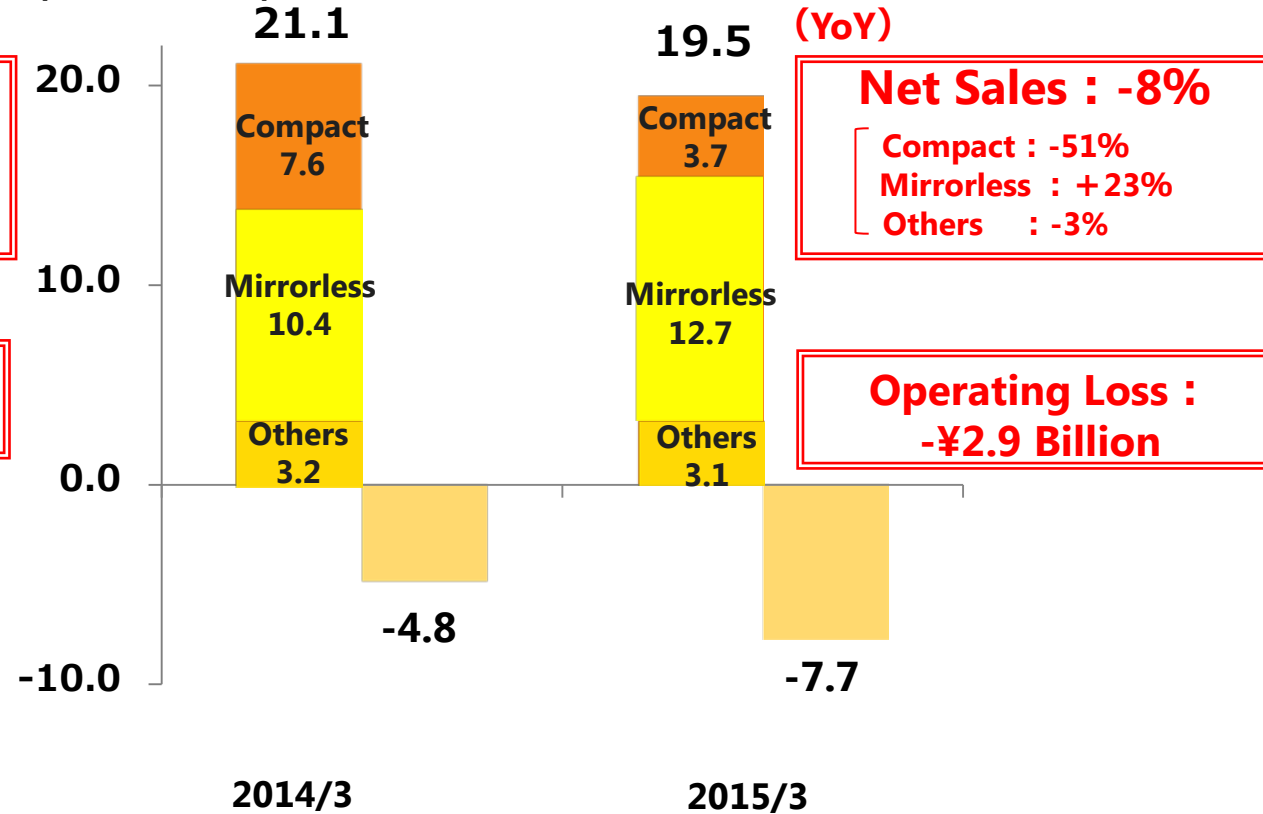
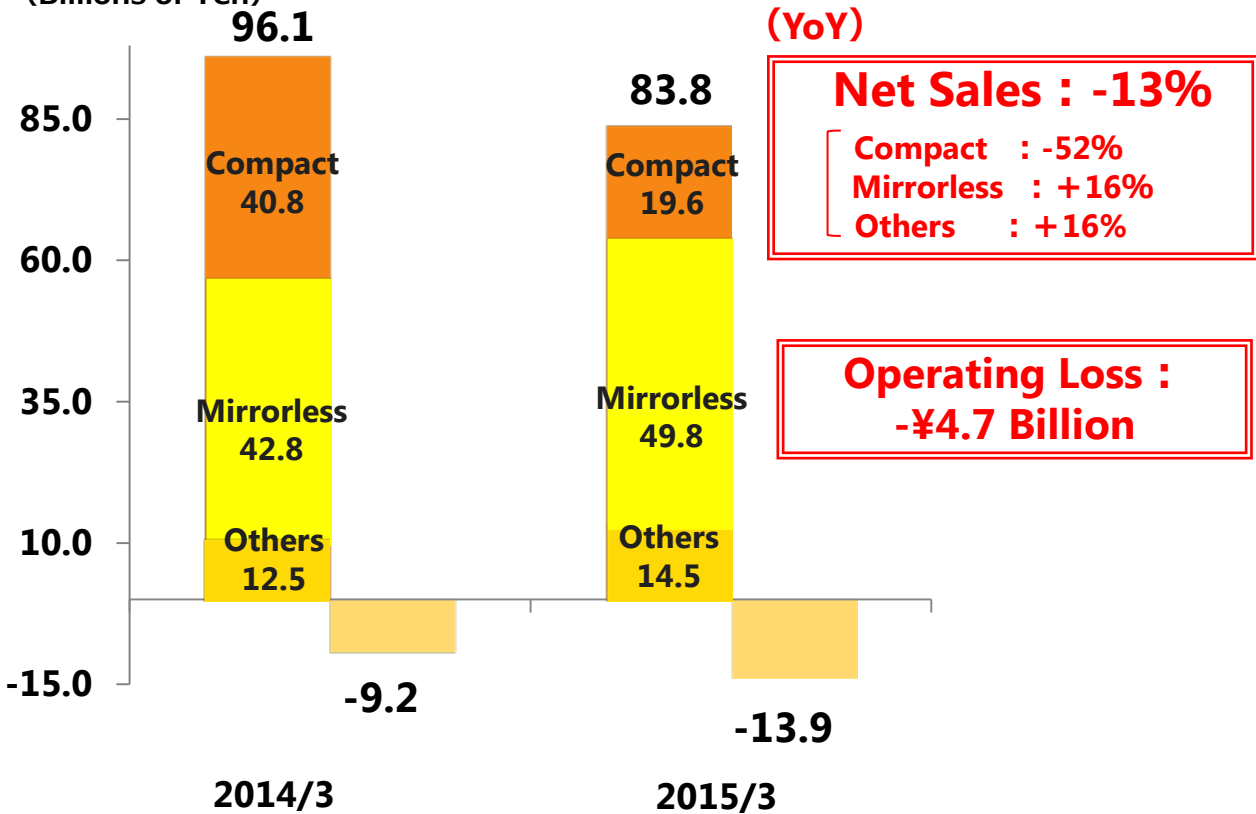
4Q (Jan-Mar)

Net Sales Operating Loss

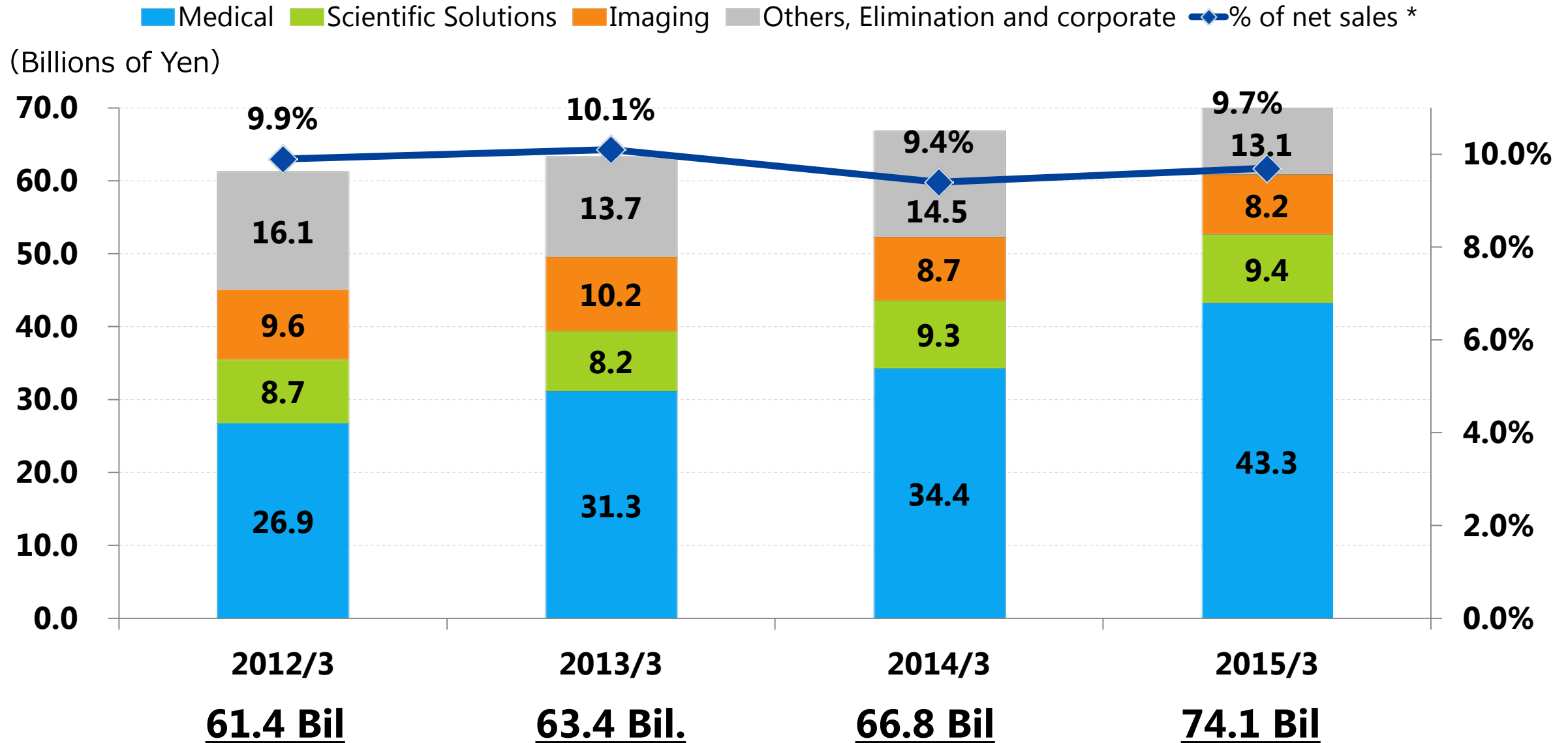
Net Sales Operating Loss

(Billions of Yen)

(Billions of Yen)



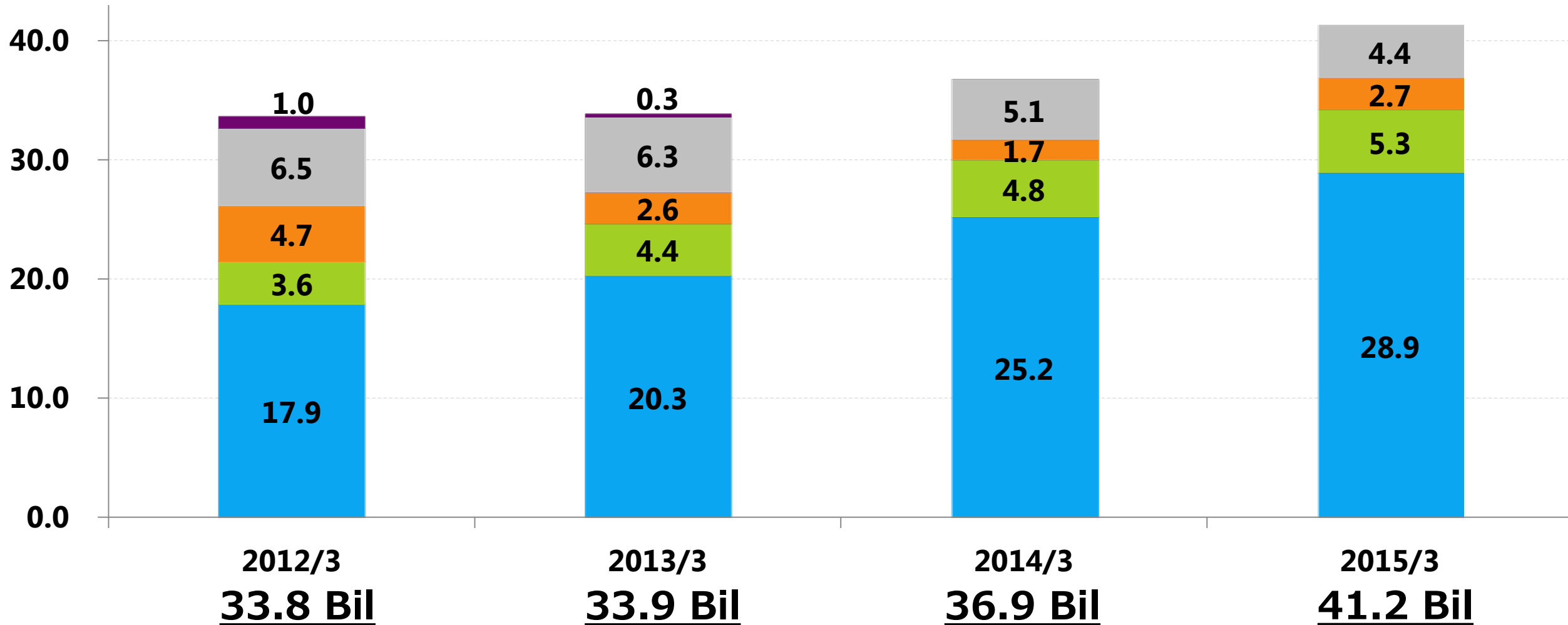
【Supplementary Materials】 R&D Expenditures



【Supplementary Material】 Depreciation and Amortization

■ Medical ■ Scientific Solutions ■ Imaging ■ Others, Elimination and corporate ■ Information & Communication

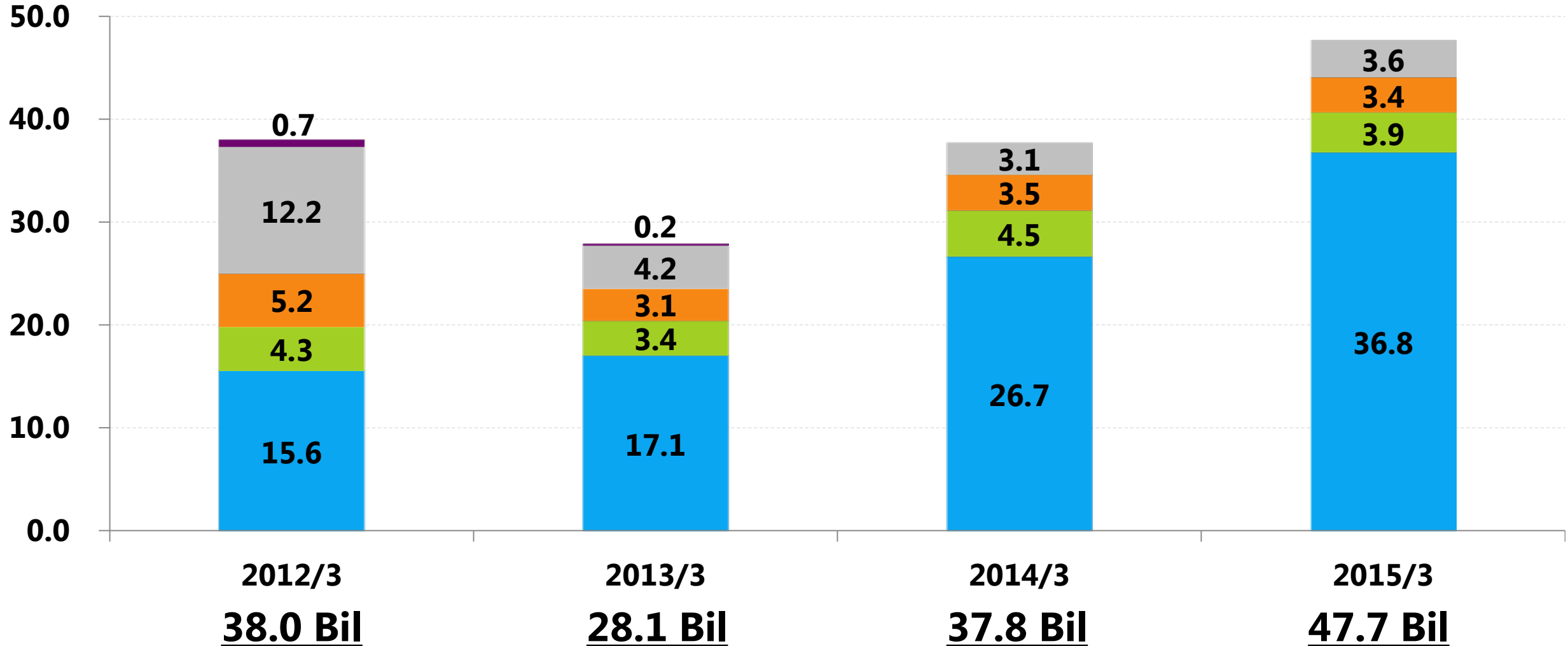
(Billions of Yen)



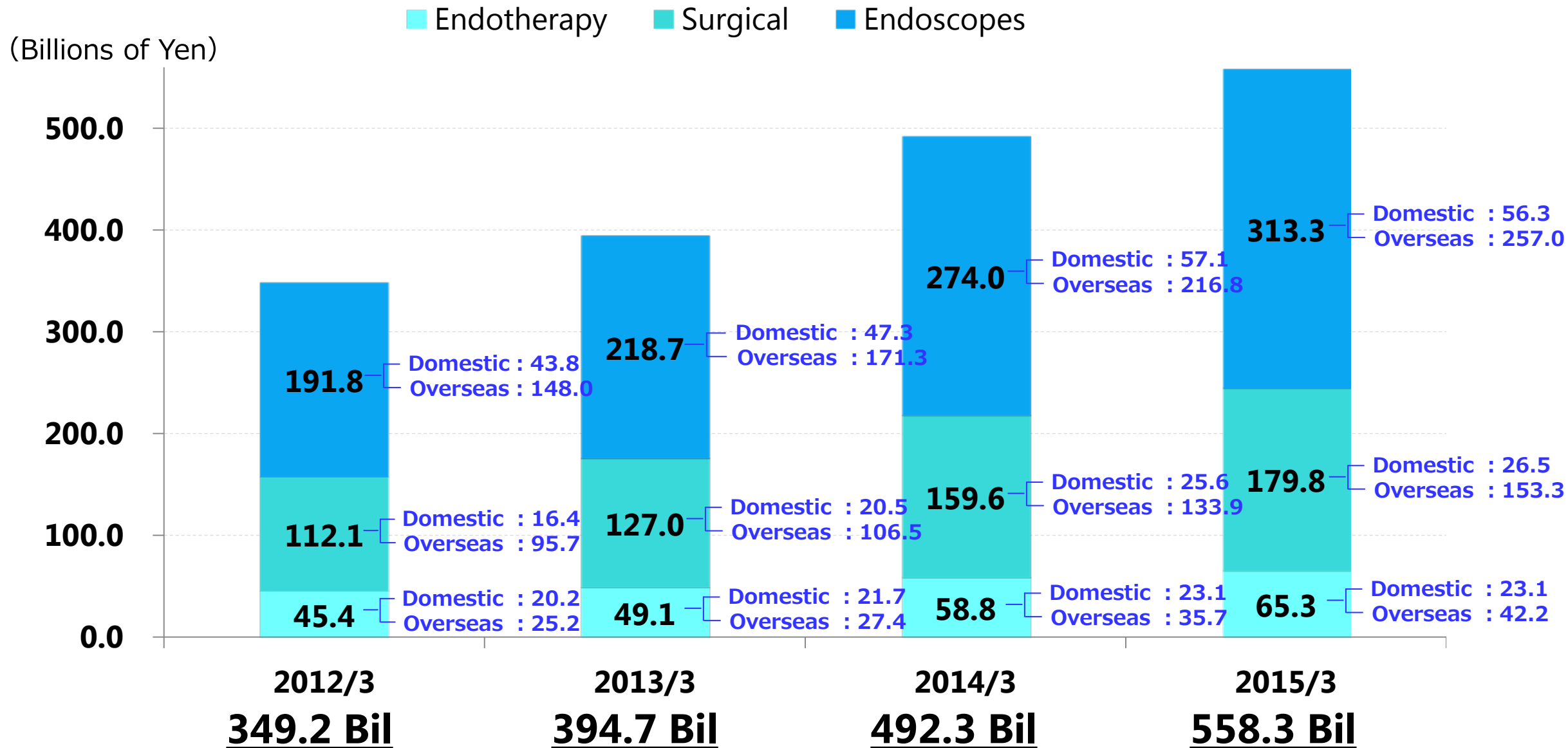
【Supplementary Materials】 Capital Expenditures

■ Medical ■ Scientific Solutions ■ Imaging ■ Others, Elimination and corporate ■ Information & Communication

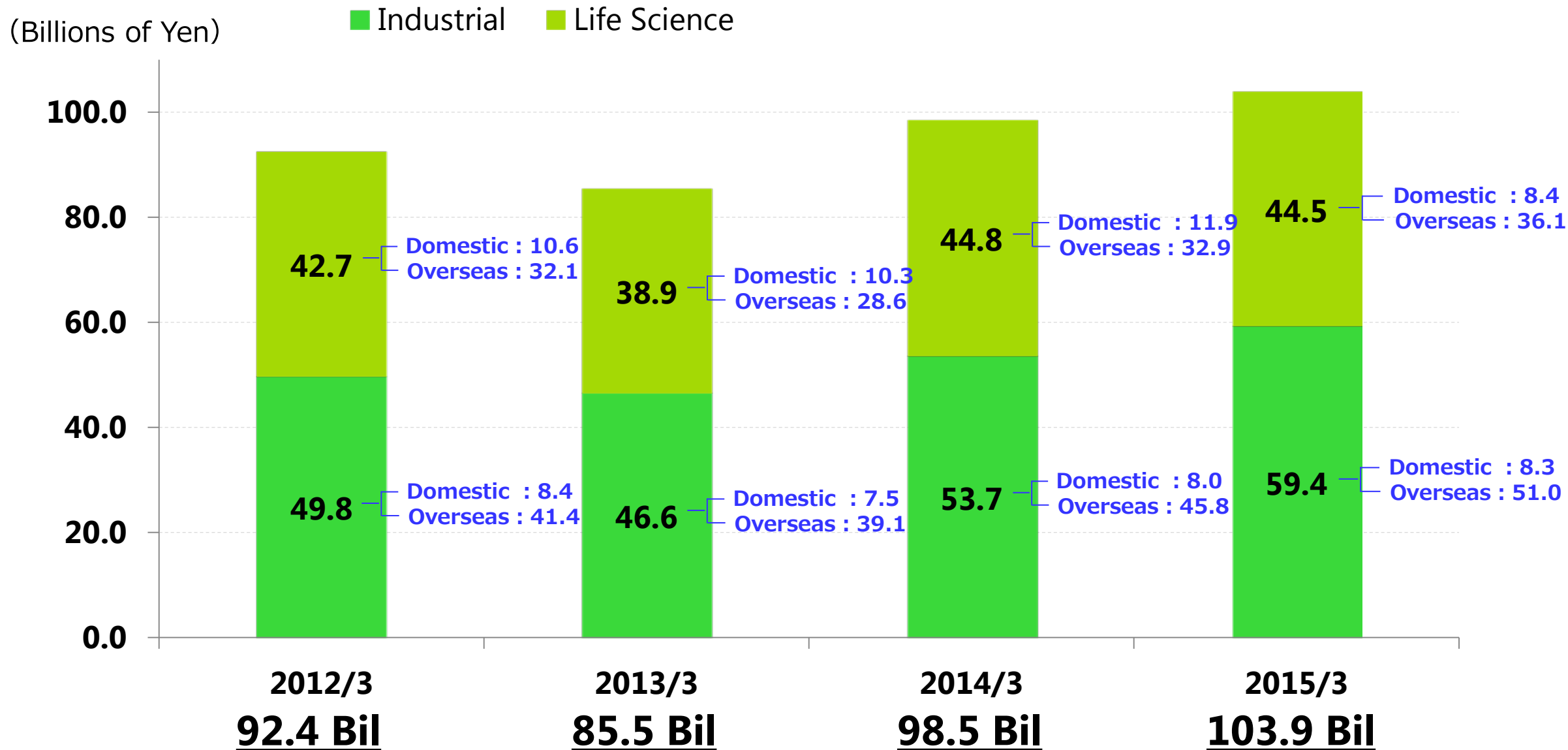
(Billions of Yen)



【Supplementary Materials】 Sales by product (Medical)



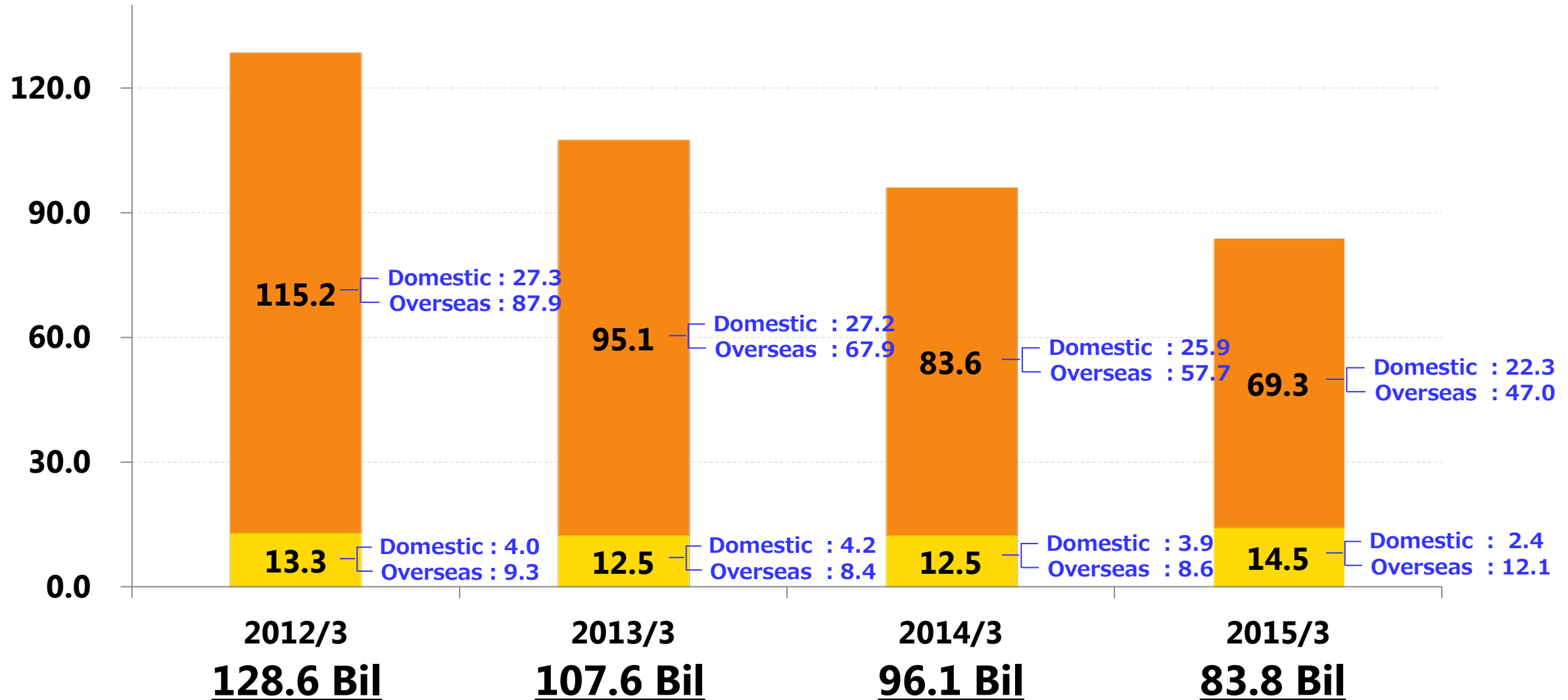
【Supplementary Materials】 Sales by product (Scientific Solutions)



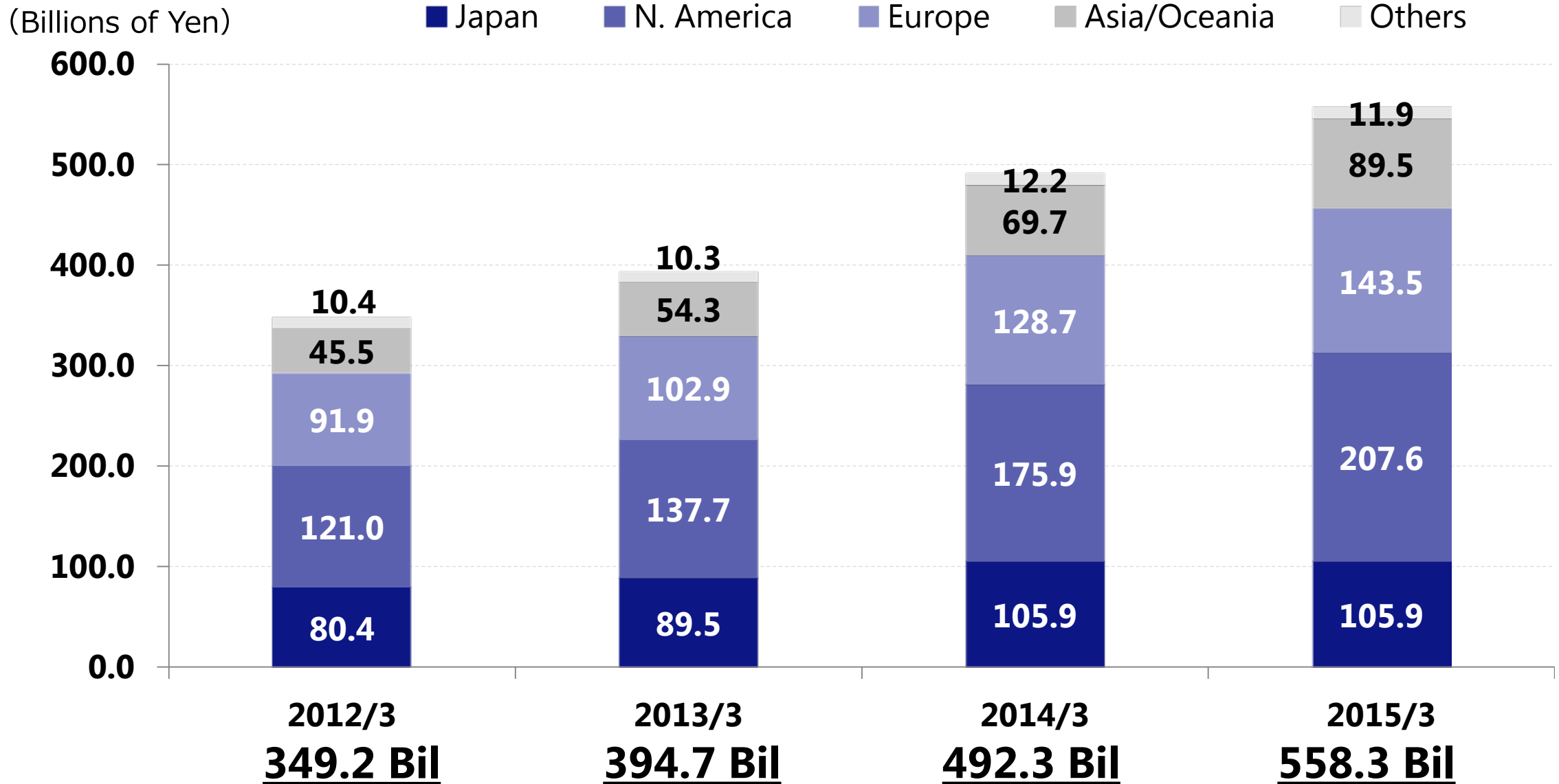
【Supplementary Materials】 Sales by product (Imaging)

(Billions of Yen)

Others Digital Cameras



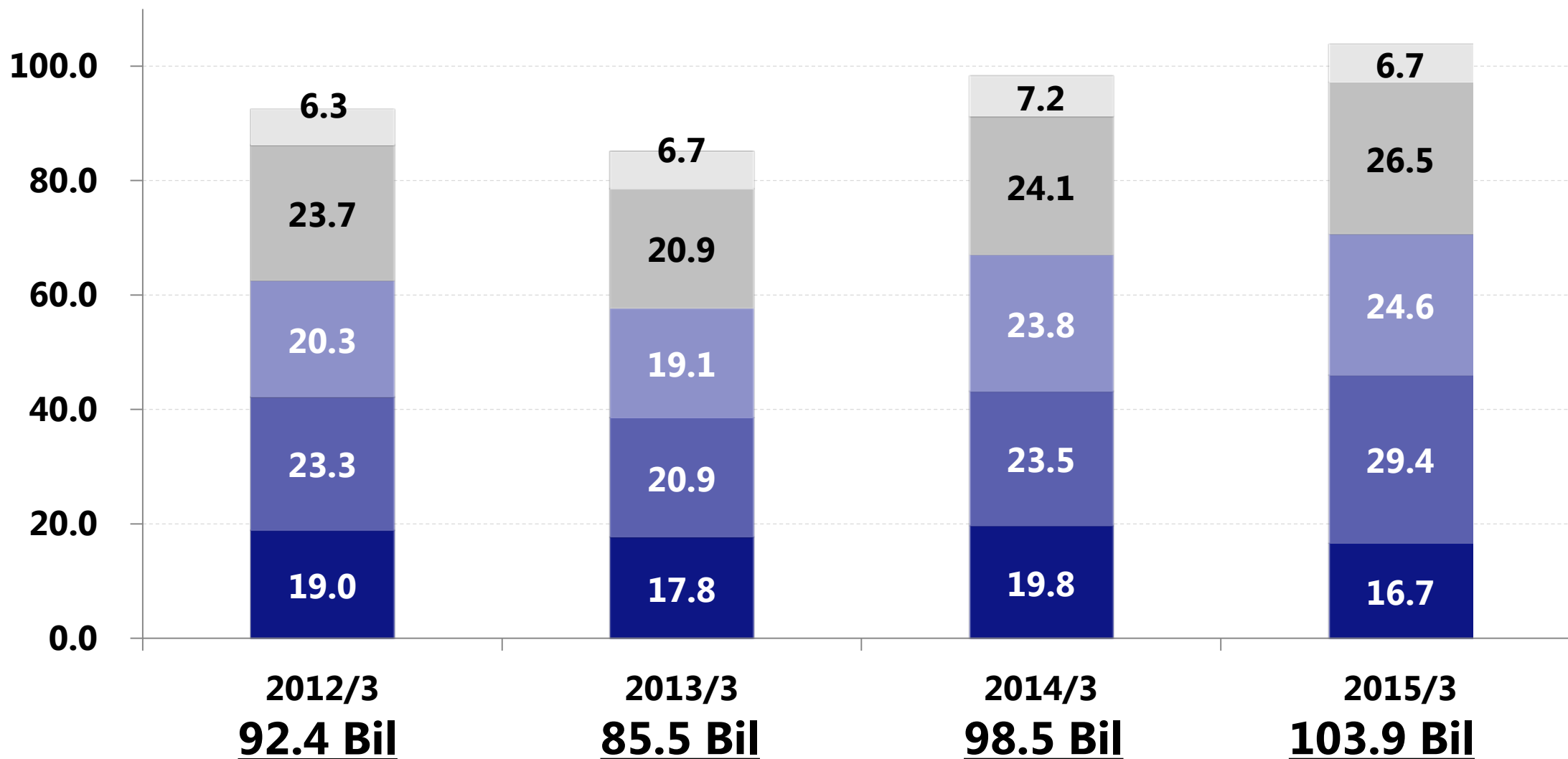
【Supplementary Materials】 Sales by Reign (Medical)



【Supplementary Materials】 Sales by Reign (Scientific Solutions)

(Billions of Yen)

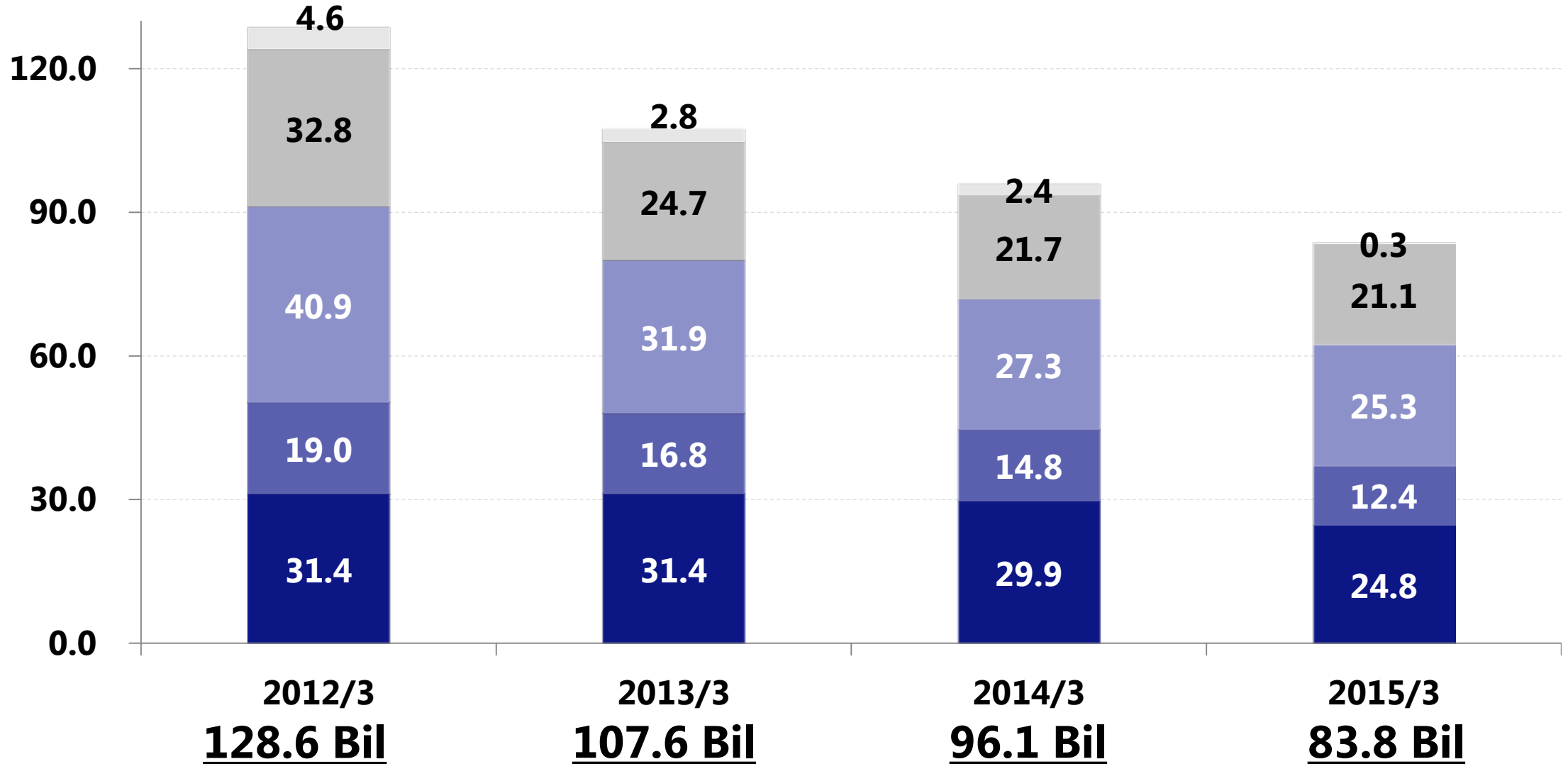
■ Japan ■ N.America ■ Europe ■ Asia/Oceania ■ Others



【Supplementary Materials】 Sales by Reign (Imaging)

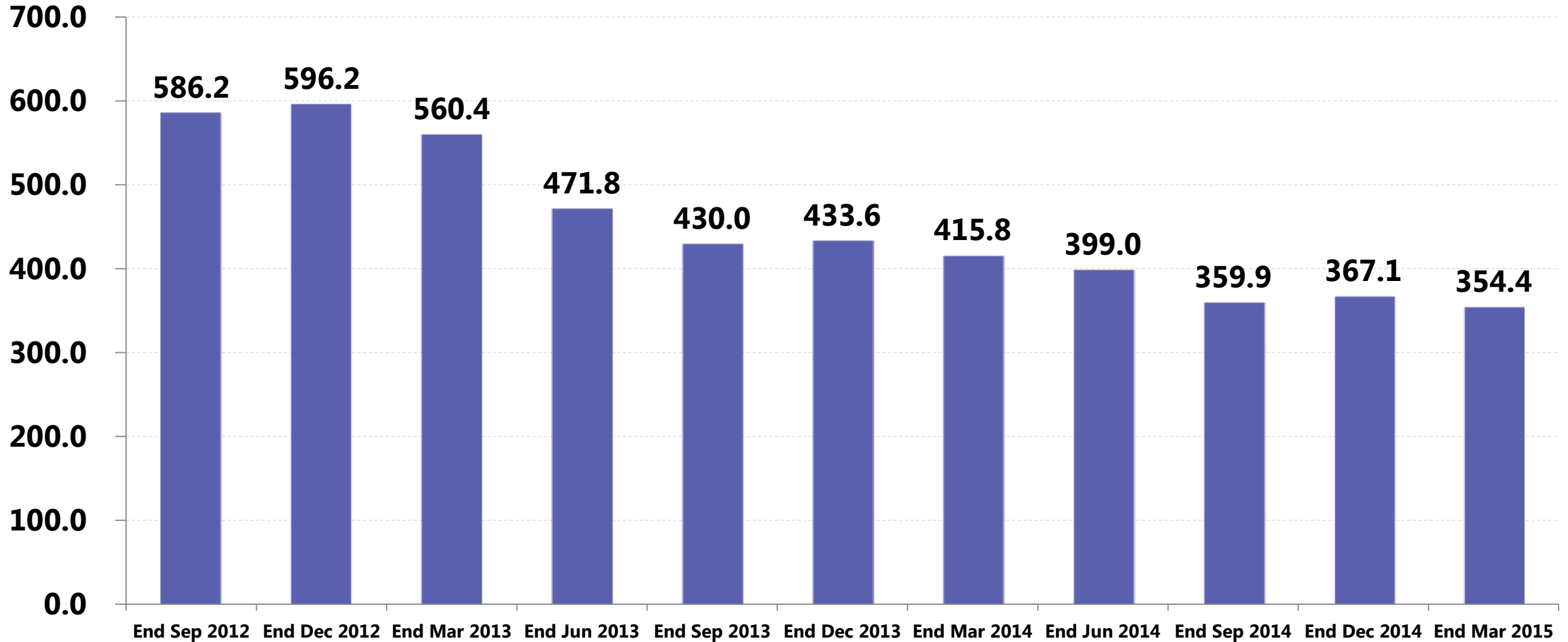
(Billions of Yen)

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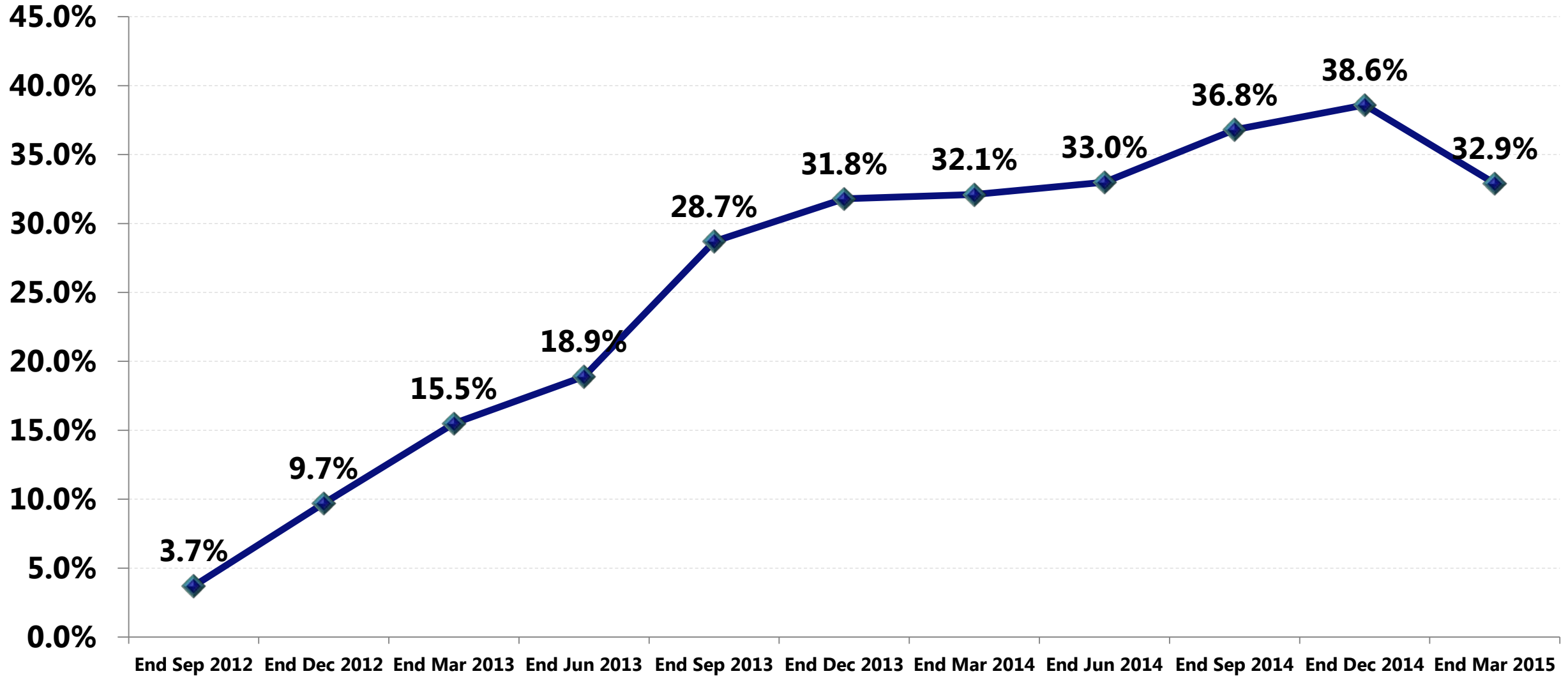


【Supplementary Materials】 Interest-bearing Debt

(Billions of Yen)



【Supplementary Materials】 Equity Ratio





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