

Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2016 <under Japanese GAAP>



November 6, 2015

Company Name: Olympus Corporation
Code Number: 7733
(URL: <http://www.olympus.co.jp/>)
Stock Exchange Listing: First Section of Tokyo Stock Exchange
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Scheduled date to submit the Quarterly Securities Report: November 6, 2015
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 Six Months of the Fiscal Year Ending March 31, 2016 (From April 1, 2015 to September 30, 2015)

(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 attributable to owners of the parent	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended September 30, 2015	395,774	11.5	50,080	30.3	43,498	46.6	35,810	60.4
September 30, 2014	355,013	6.3	38,426	34.8	29,669	75.0	22,331	–

Note: Comprehensive income: Six months ended September 30, 2015: ¥38,181 million [(7.9)%]
Six months ended September 30, 2014: ¥41,465 million [144.0%]

	Net income per share	Fully diluted net income per share
Six months ended	(¥)	(¥)
September 30, 2015	104.63	104.60
September 30, 2014	65.25	65.24

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of	(¥ million)	(¥ million)	%
September 30, 2015	1,056,535	392,125	36.9
March 31, 2015	1,081,551	357,254	32.9

Note: Equity as of September 30, 2015: ¥390,221 million March 31, 2015: ¥355,462 million

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2015	–	0.00	–	10.00	10.00
Fiscal year ending March 31, 2016	–	0.00			
Fiscal year ending March 31, 2016 (Forecast)			–	17.00	17.00

Note: Revisions of the forecast most recently announced: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016

(From April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full year	816,000	6.7	100,000	9.9	86,000	18.2	56,000	—	163.63

Note: Revisions of the forecast most recently announced: Yes

* Notes

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

[New: —

Excluded: 1 company (Olympus Imaging Corp.)]

Note: For details, please refer to the section of “(1) Changes in Significant Subsidiaries during the Six Months under Review” of “2. Matters Regarding Summary Information (Notes)” on page 6 of the attached material to the quarterly financial results report.

- (2) Application of special accounting for preparing quarterly consolidated financial statements: Yes

Note: For details, please refer to the section of “(2) Application of Special Accounting for Preparing Quarterly Consolidated Financial Statements” of “2. Matters Regarding Summary Information (Notes)” on page 6 of the attached material.

- (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: Yes
- 3) Changes in accounting estimates: Yes
- 4) Restatement of prior period financial statements after error corrections: No

Note: For details, please refer to the section of “(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Prior Period Financial Statements after Error Corrections” of “2. Matters Regarding Summary Information (Notes)” on page 6 of the attached material.

- (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 September 30, 2015	342,671,508 shares
As of March 31, 2015	342,671,508 shares

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

As of September 30, 2015	435,283 shares
As of March 31, 2015	434,236 shares

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

Six months ended September 30, 2015	342,236,654 shares
Six months ended September 30, 2014	342,239,680 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 5 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 Six Months

(1) Explanation of Results of Operations

Overall

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	355,013	395,774	40,761	11.5%
Operating income	38,426	50,080	11,654	30.3%
Ordinary income	29,669	43,498	13,829	46.6%
Net income attributable to owners of the parent	22,331	35,810	13,479	60.4%
Exchange rate (Yen/U.S. dollar)	103.04	121.80	18.76	–
Exchange rate (Yen/Euro)	138.92	135.07	(3.85)	–

In the global economy for the six months ended September 30, 2015, the U.S. economy continued to be firm, while in Europe the economy has also been recovering gradually. In emerging countries such as China, however, the economic slowdown has become apparent, and is intensifying. In the Japanese economy, the outlook remains uncertain due to the downside risk in the global economy, although there are signs of improvement in corporate earnings and the employment situation.

Faced with this business environment, the Olympus Group's overall net sales increased over the six months of the fiscal year under review to ¥395,774 million (up 11.5% year on year), reflecting the substantial increase in sales in the Medical Systems Business, and sales increases in the Scientific Solutions Business and Imaging Systems Business. Operating income was ¥50,080 million (up 30.3% year on year), reflecting income growth in the Medical Systems Business and the Scientific Solutions Business, and improvement in the operating income/loss for the Imaging Systems Business as well. Ordinary income was ¥43,498 million (up 46.6% year on year), due mainly to the rise in operating income. Net income attributable to owners of the parent was ¥35,810 million (up 60.4% year on year).

Regarding foreign exchange, the yen depreciated against the U.S. dollar, on the other hand, it appreciated against the euro compared to the same period of the previous fiscal year. The average exchange rate during the period was ¥121.80 against the U.S. dollar (¥103.04 in the same period of the previous fiscal year) and ¥135.07 against the euro (¥138.92 in the same period of the previous fiscal year), which caused net sales and operating income to rise by ¥26,300 million and ¥9,300 million, respectively, year on year.

From the first quarter ended June 30, 2015, a new business previously classified under the "Imaging Systems Business" (a new cross-functional business field aiming for a combination of medical systems and scientific solutions based on the optical technology, electronic and imaging technology, network technology and manufacturing technology accumulated in the Imaging Systems Business, and growth in this form) has been changed to "Others." In the following increase (decrease) ratio, the figures of the same period of the previous fiscal year have been restated to reflect the segment classification after this change.

Medical Systems Business

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	256,768	297,920	41,152	16.0%
Operating income/loss	54,623	67,876	13,253	24.3%

Net sales in the Medical Systems Business during the six months ended September 30, 2015 amounted to ¥297,920 million (up 16.0% year on year), while operating income amounted to ¥67,876 million (up 24.3% year on year).

In gastrointestinal endoscope field, both sales of the endoscopy platform systems “EVIS EXERA III” and “EVIS LUCERA ELITE,” which are our mainstay products, were strong. In the surgical 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. In the therapeutic devices field, there was growth in sales of the “QuickClip Pro” disposable rotatable clip fixing device, which is used to arrest bleeding of polyps, lesions, etc. and others. As a result, sales increased in all fields, driving an increase in sales in the Medical Systems Business.

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

Scientific Solutions Business

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	46,690	48,468	1,778	3.8%
Operating income/loss	1,252	3,322	2,070	165.3%

Net sales in the Scientific Solutions Business during the six months ended September 30, 2015 amounted to ¥48,468 million (up 3.8% year on year), while operating income amounted to ¥3,322 million (up 165.3% year on year).

In the life science field, sales remained flat year on year, reflecting the effect of a slowdown in budget execution by research institutions in Japan. However, in the industrial field, industrial microscopes such as the “STM7” series of measuring microscopes used in the manufacturing process for electronic components experienced growth in sales driven by an expansion in sales for smartphone-related customers. As a result, the Company recorded higher sales in the Science Solutions Business.

Operating income in the Science Solutions Business increased due to the increase in sales as well as efficiency gains through such means as cost cuts and the integration of sales offices.

Imaging Systems Business

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	37,662	41,502	3,840	10.2%
Operating income/loss	(3,747)	20	3,767	–

Net sales in the Imaging Systems Business during the six months ended September 30, 2015 amounted to ¥41,502 million (up 10.2% year on year), while operating income amounted to ¥20 million (compared with an operating loss of ¥3,747 million in the same period of the previous fiscal year).

In the mirrorless interchangeable-lens camera field, the OM-D series increased sales in Japan and Europe, with sales also boosted by a contribution from the high performance interchangeable lenses “M.ZUIKO DIGITAL PRO” series with additions of new models bringing the lineup to four models. In the compact camera field, the Company continued to limit the number of units sold in response to market shrinkage, however sales in the Imaging Systems Business overall increased year on year.

The Imaging Systems Business’s operating income/loss improved from the same period of the previous fiscal year, mainly due to the increase in sales and progress in reducing expenses.

Others

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	13,893	7,884	(6,009)	(43.3)%
Operating income/loss	(125)	(3,251)	(3,126)	–

Net sales for other businesses during the six months ended September 30, 2015 amounted to ¥7,884 million (down 43.3% year on year) and operating loss was ¥3,251 million (compared with an operating loss of ¥125 million in the same period of the previous fiscal year).

Net sales for other businesses declined due to reorganization of our non-core business domains in order to allocate management resources to our business domains in a more concentrated manner.

Operating loss for other businesses increased, mainly reflecting investments in the creation of new businesses in the medical and imaging technology domains.

(2) Explanation of Financial Position

As of the end of the second quarter under review, total assets decreased ¥25,016 million compared to the end of the previous fiscal year to ¥1,056,535 million.

This was primarily as a result of decreases in cash and time deposits of ¥14,992 million and notes and accounts receivable of ¥10,299 million.

Total liabilities decreased ¥59,887 million compared to the end of the previous fiscal year to ¥664,410 million due mainly to decreases in short-term borrowings of ¥19,046 million and long-term borrowings, less current maturities of ¥19,236 million.

Net assets increased ¥34,871 million compared to the end of the previous fiscal year to ¥392,125 million, primarily due to an increase in retained earnings mainly reflecting ¥35,810 million in net income attributable to owners of the parent, and an increase in accumulated other comprehensive income of ¥2,376 million arising from fluctuations in foreign exchange and stock prices.

As a result of the foregoing, equity ratio increased from 32.9% as of the end of the previous fiscal year to 36.9%.

Cash flow position

The following are the cash flows for the six months ended September 30, 2015 and their causes.

“Cash flows from operating activities” increased by ¥54,851 million. Increasing factors mainly included ¥39,464 million in income before provision for income taxes and ¥19,392 million in depreciation and amortization, as opposed to the main decreasing factor of an increase of ¥2,759 million in inventories.

“Cash flows from investing activities” decreased by ¥27,459 million. Decreasing factors mainly included ¥25,691 million in purchase of property, plant and equipment.

“Cash flows from financing activities” decreased by ¥43,127 million. Decreasing factors mainly included ¥40,000 million in repayments of long-term debt.

As a result, cash and cash equivalents at the end of the six months ended September 30, 2015 reached ¥194,850 million, a decrease of ¥14,959 million compared to the end of the previous fiscal year.

(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, 2016, the forecast figures announced on May 8, 2015 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2015” have been revised.

Taking into account that sales in the Imaging Systems Business performed strongly and exceeded the forecast announced at the beginning of the fiscal year, the Company expects net sales will exceed the previous forecast by ¥6,000 million. At this point in time, the Company has left the forecasts for each of the income items from operating income down unchanged from the previous forecast due to uncertain risk factors currently in effect such as concern of further downturn in the China market. The average exchange rates for the third quarter and onward of the fiscal year ending March 31, 2016, which are a precondition for the forecast, are expected to be ¥115 against the U.S. dollar and ¥130 against the euro.

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous Forecast (A)	810,000	100,000	86,000	56,000	¥163.63
Revised Forecast (B)	816,000	100,000	86,000	56,000	¥163.63
Increase (Decrease) (B-A)	6,000	–	–	–	–
Increase (Decrease) Ratio (%)	0.7	–	–	–	–

2. Matters Regarding Summary Information (Notes)

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

Olympus Imaging Corp., a specified subsidiary of the Company, was absorbed in an absorption-type merger with the Company as the surviving company, carried out on April 1, 2015. Olympus Imaging Corp. has therefore been excluded from the scope of consolidation effective from the first quarter ended June 30, 2015.

(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 second 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 Business Combination, etc.)

Effective from the first quarter ended June 30, 2015, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter ended June 30, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for “net income” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.” To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the six months ended September 30, 2014 and the fiscal year ended March 31, 2015.

In the quarterly consolidated statements of cash flows for the six months ended September 30, 2015, the method of recording cash flows from the purchase or sales of investment in subsidiaries not related to changes in scope of consolidation has been changed, and these cash flows are now classified under “Cash flows from financing activities.” Moreover, the method of recording cash flows relating to costs arising from the purchase of investment in subsidiaries related to changes in scope of consolidation and costs arising from the purchase or sales of investment in subsidiaries not related to changes in scope of consolidation has been changed, and these cash flows are now classified under “Cash flows from operating activities.”

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the first quarter ended June 30, 2015.

The effect of these changes in accounting policies on quarterly consolidated financial statements is immaterial.

(Change in Method of Depreciation)

Previously, the Company and its consolidated subsidiaries in Japan have used the declining balance method for depreciating property, plant and equipment (excluding lease assets). From the first quarter ended June 30, 2015, this has been changed to the straight-line method.

To achieve the basic strategy of the “Medium-Term Vision” announced by the Group in June 2012, of rebuilding of the business portfolio and optimal allocation of management resources, the Group has positioned the business domains of the Medical Systems Business, Scientific Solutions Business (formerly the Life Science and Industrial Systems Business), and the Imaging Systems Business, and set a clear policy of strategically concentrating management resources in the core Medical Systems Business.

As part of this strategy, the Group conducted a management integration and shifted to a new organization structure in April 2015, shifting from the in-house company system with three highly independent businesses, the Medical Systems Business, the Scientific Solutions Business, and the Imaging Systems Business, to a business operation structure that facilitates concentrated allocation of management resources in the Medical Systems Business. In doing so, the Group has reexamined its depreciation method in order to reflect the usage status of its property, plant and equipment more appropriately.

The Medical Systems Business is the Group’s core business and the majority of the Group’s property, plant and equipment in Japan are allocated to it. In the reorganization of the production system of the Medical Systems Business, the Group plans to transfer production of certain medical therapeutic devices overseas, while conducting stable production in Japan in high-value-added fields such as gastrointestinal endoscopes. Furthermore, from the fiscal year ending March 31, 2016, the new buildings in the main production sites in Japan will successively start operations, and relative proportion of depreciation for buildings within overall depreciation cost will increase. Given this situation, the Group expects to conduct stable, long-term operation of its property, plant and equipment in Japan in general, and has therefore changed the method of depreciation by uniformly adopting the straight-line method.

As a result, compared with the results under the previous method, operating income has increased by ¥1,281 million, and ordinary income and income before provision for income taxes have both increased by ¥1,599 million.

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, 2015	As of September 30, 2015
ASSETS		
Current assets		
Cash and time deposits	209,875	194,883
Notes and accounts receivable	148,127	137,828
Merchandise and finished goods	57,179	57,083
Work in process	24,585	24,119
Raw materials and supplies	25,623	29,128
Other current assets	116,408	110,665
Allowance for doubtful accounts	(4,269)	(5,181)
Total current assets	577,528	548,525
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	48,753	48,218
Machinery and equipment, net	11,420	11,500
Tools, furniture and fixtures, net	59,413	58,191
Land	16,073	21,399
Lease assets, net	8,891	9,766
Construction in progress	5,595	12,068
Net property, plant and equipment	150,145	161,142
Intangible assets		
Goodwill	114,025	109,028
Others	66,622	61,546
Total intangible assets	180,647	170,574
Investments and other assets		
Investment securities	72,263	69,795
Other assets	110,524	116,743
Allowance for doubtful accounts	(9,556)	(10,244)
Total investments and other assets	173,231	176,294
Total fixed assets	504,023	508,010
Total assets	1,081,551	1,056,535

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
LIABILITIES		
Current liabilities		
Notes and accounts payable	39,155	37,970
Short-term borrowings	101,135	82,089
Current maturities of bonds	–	10,000
Income taxes payable	12,612	7,669
Provision for product warranties	5,116	5,391
Provision for loss on business liquidation	481	368
Provision for loss on litigation	11,000	2,772
Provision related to the U.S. Anti-kickback Act	58,883	61,515
Other current liabilities	146,411	136,747
Total current liabilities	374,793	344,521
Non-current liabilities		
Long-term bonds, less current maturities	55,000	45,000
Long-term borrowings, less current maturities	198,286	179,050
Net defined benefit liability	38,429	39,078
Other reserves	34	36
Other non-current liabilities	57,755	56,725
Total non-current liabilities	349,504	319,889
Total liabilities	724,297	664,410
NET ASSETS		
Shareholders' equity		
Common stock	124,520	124,520
Capital surplus	90,940	90,940
Retained earnings	113,817	146,205
Treasury stock, at cost	(1,111)	(1,116)
Total shareholders' equity	328,166	360,549
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	24,764	23,366
Net unrealized gains (losses) on hedging derivatives, net of taxes	(8)	(0)
Foreign currency translation adjustments	15,285	16,175
Remeasurements of defined benefit plans	(12,745)	(9,869)
Total accumulated other comprehensive income	27,296	29,672
Subscription rights to shares	260	430
Non-controlling interests	1,532	1,474
Total net assets	357,254	392,125
Total liabilities and net assets	1,081,551	1,056,535

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

Quarterly Consolidated Statements of Income (cumulative)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	355,013	395,774
Costs of sales	129,614	132,994
Gross profit	225,399	262,780
Selling, general and administrative expenses	186,973	212,700
Operating income	38,426	50,080
Non-operating income		
Interest income	437	443
Dividends income	984	716
Others	1,052	1,881
Total non-operating income	2,473	3,040
Non-operating expenses		
Interest expenses	4,629	3,932
Foreign currency exchange loss	827	2,592
Advanced repayment expenses	1,117	–
Others	4,657	3,098
Total non-operating expenses	11,230	9,622
Ordinary income	29,669	43,498
Extraordinary losses		
Impairment loss on fixed assets	119	–
Loss on valuation of investment securities	346	–
Loss on liquidation of business	1,269	–
Business restructuring expenses	–	790
Loss related to securities litigation	–	467
Loss related to the U.S. Anti-kickback Act	–	2,777
Total extraordinary losses	1,734	4,034
Income before provision for income taxes	27,935	39,464
Income taxes	5,563	440
Income taxes for prior periods	–	3,193
Net income	22,372	35,831
Net income attributable to non-controlling interests	41	21
Net income attributable to owners of the parent	22,331	35,810

Quarterly Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net income	22,372	35,831
Other comprehensive income		
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	4,834	(1,398)
Net unrealized gains (losses) on hedging derivatives, net of taxes	(16)	8
Foreign currency translation adjustments	16,223	866
Remeasurements of defined benefit plans, net of taxes	(1,949)	2,876
Share of other comprehensive income of associates accounted for using equity method	1	(2)
Total other comprehensive income	19,093	2,350
Comprehensive income	41,465	38,181
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	41,382	38,186
Comprehensive income attributable to non-controlling interests	83	(5)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from operating activities		
Income before provision for income taxes	27,935	39,464
Depreciation and amortization	17,436	19,392
Impairment loss on fixed assets	119	–
Amortization of goodwill	4,523	5,044
Advanced repayment expense	1,117	–
Loss on liquidation of business	1,269	–
Loss related to the U.S. Anti-kickback Act	–	2,777
Increase (decrease) in net defined benefit liabilities	(27)	394
Decrease (increase) in net defined benefit assets	(2,173)	(4,795)
Interest and dividend income	(1,421)	(1,159)
Interest expense	4,629	3,932
Increase (decrease) in provision for loss on business liquidation	(3,275)	(113)
Increase (decrease) in provision for loss on litigation	–	467
Loss (gain) on valuation of investment securities	346	–
Decrease (increase) in accounts receivable	13,625	10,750
Decrease (increase) in inventories	(13,971)	(2,759)
Increase (decrease) in accounts payable	(1,401)	(1,315)
Increase (decrease) in other payable	2,494	(1,367)
Increase (decrease) in accrued expense	(4,460)	(6,833)
Other	64	10,389
Sub-total	46,829	74,268
Interest and dividend received	1,421	1,159
Interest payments	(4,753)	(4,011)
Advanced repayment expense paid	(1,117)	–
Loss related to securities litigation paid	–	(10,795)
Income taxes paid	(12,811)	(5,770)
Net cash provided by operating activities	29,569	54,851
Cash flows from investing activities		
Deposits in time deposits	(302)	(5)
Withdrawals from time deposits	993	35
Purchase of property, plant and equipment	(13,730)	(25,691)
Purchases of intangible assets	(1,754)	(1,852)
Purchases of investment securities	(16)	(35)
Sales and redemption of investment securities	376	9
Other	178	80
Net cash used in investing activities	(14,255)	(27,459)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	7,272	71
Proceeds from long-term debt	1,448	1,827
Repayments of long-term debt	(67,051)	(40,000)
Purchase of treasury stock	(5)	(6)
Dividends paid	–	(3,422)
Other	(1,334)	(1,597)
Net cash used in financing activities	(59,670)	(43,127)
Effect of exchange rate changes on cash and cash equivalents	1,624	776
Net increase (decrease) in cash and cash equivalents	(42,732)	(14,959)
Cash and cash equivalents at beginning of period	251,344	209,809
Cash and cash equivalents at end of period	208,612	194,850

(4) 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. Six months of the fiscal year ended March 31, 2015 (from April 1, 2014 to September 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	256,768	46,690	37,662	13,893	355,013	–	355,013
Internal sales or transfer among segments	44	29	7	290	370	(370)	–
Total	256,812	46,719	37,669	14,183	355,383	(370)	355,013
Segment income (loss)	54,623	1,252	(3,747)	(125)	52,003	(13,577)	38,426

Notes:

- The deduction of ¥13,577 million listed as an adjustment to segment income (loss) includes corporate expenses of ¥13,577 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.
 - Segment income (loss) 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. Six months of the fiscal year ending March 31, 2016 (from April 1, 2015 to September 30, 2015)

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	297,920	48,468	41,502	7,884	395,774	–	395,774
Internal sales or transfer among segments	0	20	8	167	195	(195)	–
Total	297,920	48,488	41,510	8,051	395,969	(195)	395,774
Segment income (loss)	67,876	3,322	20	(3,251)	67,967	(17,887)	50,080

Notes:

1. The deduction of ¥17,887 million listed as an adjustment to segment income (loss) includes corporate expenses of ¥17,887 million not allocated to any reportable segment. These corporate expenses mostly consisted of expenses related to the Corporate Group (management departments such as the Administrative Department) and R&D Group of the parent company.
2. Segment income (loss) 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

3. Matters concerning change in reportable segments

(Change in Method of Depreciation of Property, Plant and Equipment)

As noted under “Changes in Accounting Policies,” with respect to the change in the method of depreciation of property, plant and equipment, whereas the Company and its consolidated subsidiaries in Japan have previously used the declining balance method, from the first quarter ended June 30, 2015, the method has been changed to the straight-line method.

In accordance with this change, compared to the results under the previous method, segment income for the six months ended September 30, 2015 increased by ¥513 million in the Medical Systems Business, ¥94 million in the Scientific Solutions Business, and ¥223 million in the Imaging Systems Business, respectively, while segment loss in the Others decreased by ¥452 million.

(Change in Classification of Reportable Segments)

From the first quarter ended June 30, 2015, in conjunction with changes in the Company’s organization, a new business previously classified under the Imaging Systems Business (a new cross-functional business field aiming for a combination of medical systems and scientific solutions based on the optical technology, electronic and imaging technology, network technology and manufacturing technology accumulated in the Imaging Systems Business, and growth in this form) has been changed to “Others.” Moreover, segment information for the six months of the fiscal year ended March 31, 2015 has been stated to reflect the segment classification after this change.