

**OLYMPUS**

Your Vision, Our Future

# Olympus Group

## Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2015

**Hiroyuki Sasa**  
President and Representative Director  
Olympus Corporation

November 7, 2014

# 2Q of Fiscal 2015—Consolidated Financial Results

- ◆ Strong Medical Business performance drives consolidated performance improvements, new post-Lehman Shock (fiscal 2009) record for first-half operating income set at ¥38.4 billion

(Billions of yen)	FY2014 1H (Apr-Sep) (Results)	FY2015 1H (Apr-Sep) (Initial forecasts)	FY2015 1H (Apr-Sep) (Results)	YoY change	Compared to forecast
Net sales	333.8	360.0	355.0	+6%	-1%
Operating income (% of sales)	28.5 (8.5%)	35.0 (9.7%)	38.4 (10.8%)	+35%	+10%
Ordinary income (% of sales)	17.0 (5.1%)	25.0 (6.9%)	29.7 (8.4%)	+75%	+19%
Net income (% of sales)	-7.9 (-)	13.0 (3.6%)	22.3 (6.3%)	-	+72%

# Forecasts of Consolidated Financial Results for Fiscal 2015 (Full Year)

◆ Full-year forecasts not revised (Medical Business performance expected to compensate for adverse conditions in Imaging Business)

(Billions of yen)	FY2014 Full year (Results)	FY2015 Full year (Forecasts)	YoY change	YoY (%)
Net sales	713.3	760.0	+46.7	+7%
Operating income (% of sales)	73.4 (10.3%)	88.0 (11.6%)	+14.6 (+1.3pt)	+20%
Ordinary income (% of sales)	50.9 (7.1%)	70.0 (9.2%)	+19.1 (+2.1pt)	+38%
Net income (% of sales)	13.6 (1.9%)	45.0 (5.9%)	+31.4 (+4.0pt)	+230%

### **Medical Business**

**Record-breaking performance and progress in strategic investments**

### **Imaging Business**

**Optimization of business scale**

# Medical Business

## Medical

- Record-breaking first-half performance
- Progress in strategic investments that target accomplishment of medium-term vision's final year goals

◆ Achieve average annual net sales growth of 9% by fiscal 2017 through strategic investments

- Investments for staff expansion, sales promotions, and R&D expenditures progressing as planned

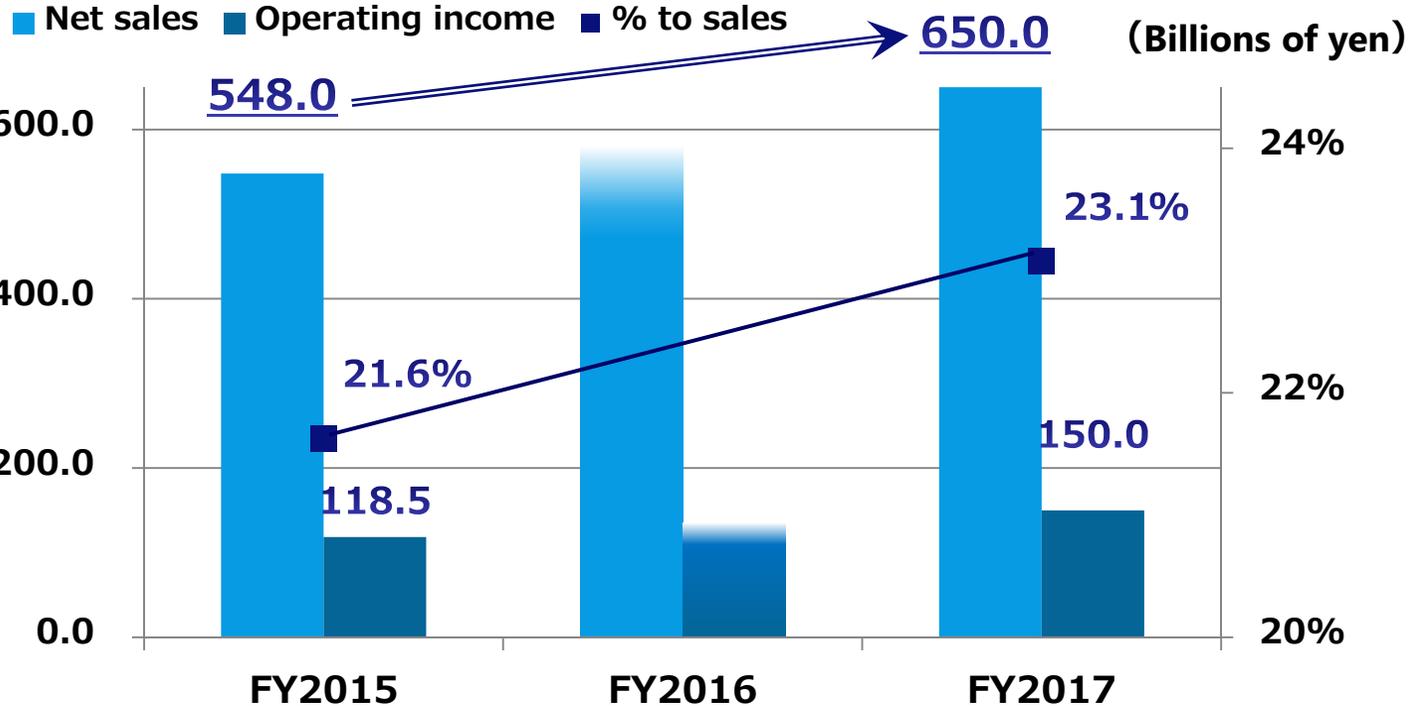
<Progress of staff expansion>

Approx. 70% of full-year target of 1,000 hires achieved

<Topics>

Benefits of staff expansion appearing in North American endotherapy device operations, sales up 16% YoY (Apr.–Sep. 2014)

Medium-Term Vision Target



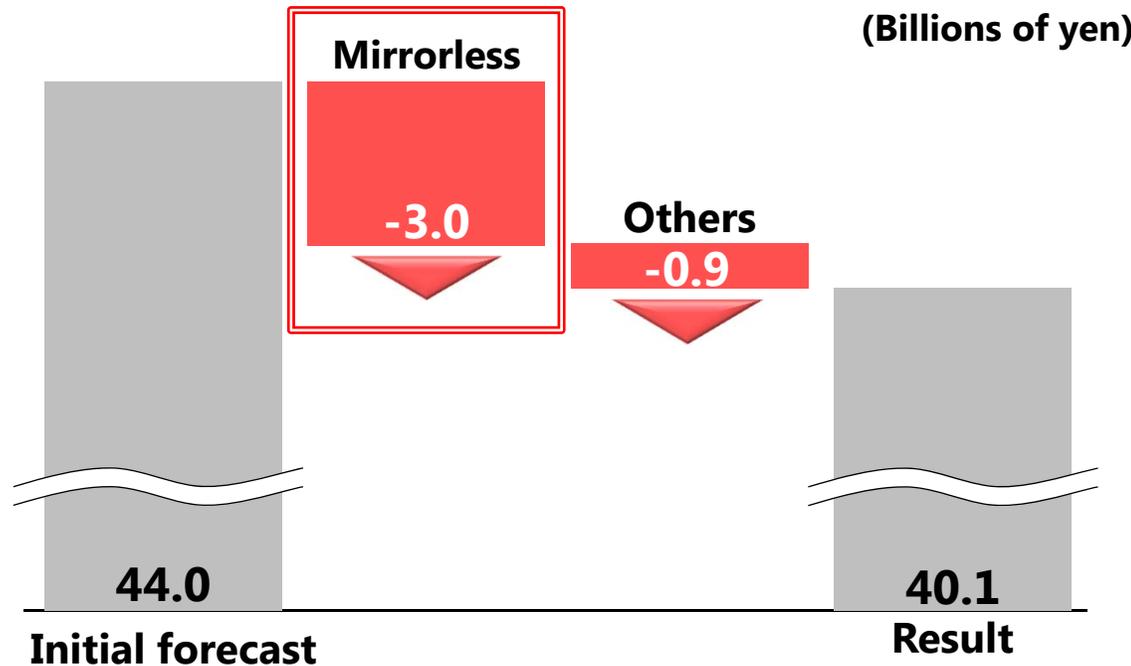
# Imaging Business—Reasons for Higher Operating Loss

## Imaging

Higher operating loss recorded due to failure to meet sales target for mirrorless cameras, an area where strong growth is being targeted

### Reasons for Failure to Meet Net Sales Target

(Billions of yen)

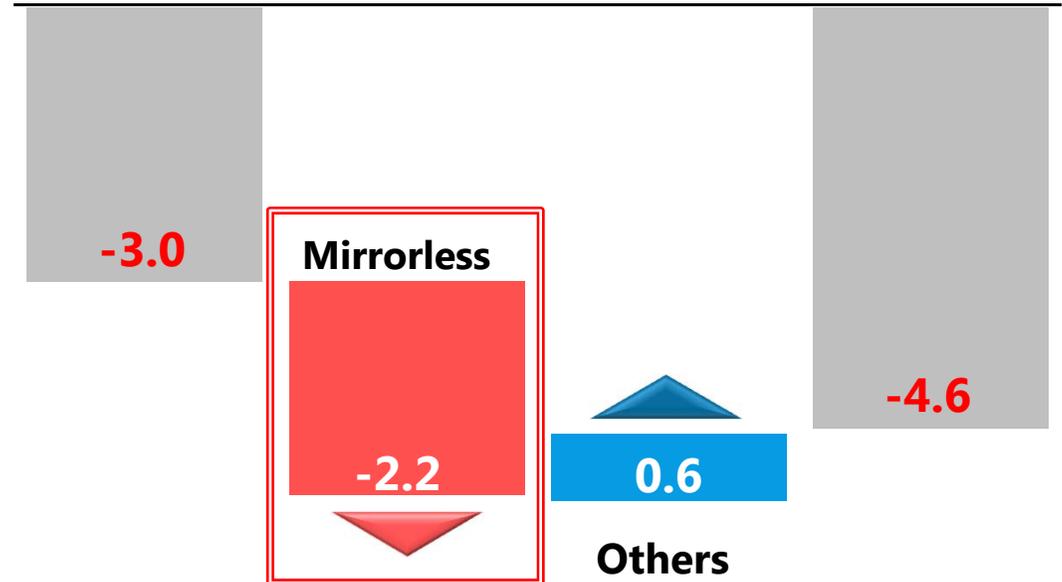


### Reasons for Failure to Meet Operating Loss Target

(Billions of yen)

Initial forecast

Result



### <Reasons for Failure to Meet Mirrorless Camera Sales Target>

**1** Slowdown in Japanese and other Asian markets

**2** Sluggish PEN series sales

**3** Deterioration in cost ratios due to depreciated yen

## Optimization of Business Scale

**Revise expansion plans for mirrorless camera operations, and restructure business with breaking even on operating income level in fiscal 2016 as top priority**

# Imaging Business—Business Restructuring

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**1** Target cost level that will allow for breaking even on operating income level with net sales of less than ¥80 billion

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- Restructure business to cut SG&A expenses by 20%

**2** Review and rationalize fixed costs

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- Reallocate resources in manufacturing, R&D, and indirect divisions

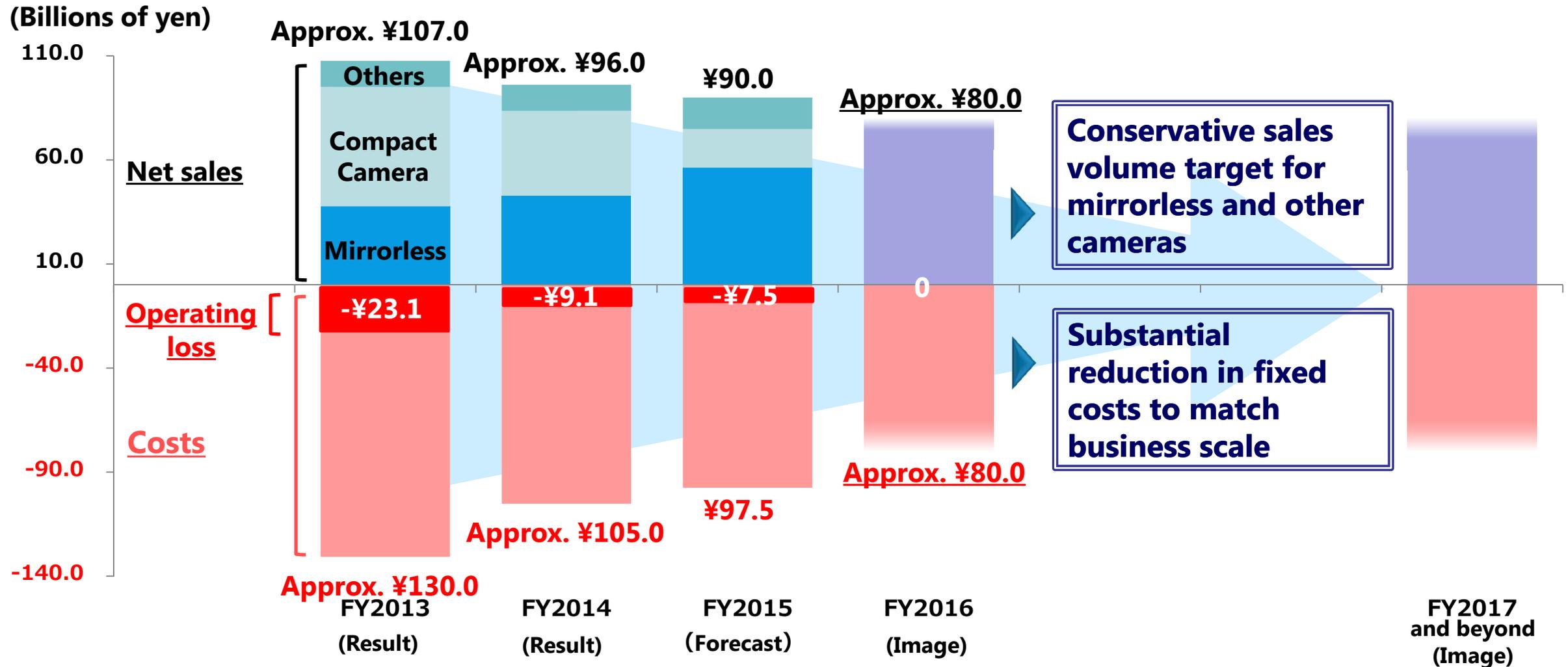
**3** Revise regional strategies

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- Reduce resources allocated to regions lacking market growth potential

# Imaging Business—Model for Breaking Even

## ◆ Net sales target based on conservative sales plan and appropriate cost level



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# **Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2015**

**Yasuo Takeuchi**

**Director, Senior Executive Managing Officer  
Group President of Group Management Office  
Olympus Corporation**

**November 7, 2014**

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# **Consolidated Financial Results and Business Overview for the 2Q of Fiscal 2015 (FY Ending March 31, 2015)**

# 2Q of Fiscal 2015 (1) Consolidated Financial Results

◆ First-half net sales up 6% YoY, operating income up 35%

◆ Substantial improvement in profitability, net income of ¥22.3 billion recorded compared with net loss in first half of fiscal 2014

(Billions of yen)	1H (Apr-Sep)				2Q (Jul-Sep)		
	FY2014	FY2015	YoY change	YoY (%)	FY2014	FY2015	YoY (%)
Net sales	333.8	355.0	+21.2	+6%	174.6	188.0	+8%
SG&A expenses (% of sales)	176.4 (52.9%)	187.0 (52.7%)	+10.6 (-0.2pt)	+6%	90.4 (51.8%)	95.6 (50.9%)	+6%
Operating income (% of sales)	28.5 (8.5%)	38.4 (10.8%)	+9.9 (+2.3pt)	+35%	20.3 (11.6%)	23.4 (12.4%)	+15%
Ordinary income (% of sales)	17.0 (5.1%)	29.7 (8.4%)	+12.7 (+3.3pt)	+75%	14.6 (8.3%)	18.5 (9.8%)	+27%
Net income (loss) (% of sales)	-7.9 (-)	22.3 (6.3%)	+30.3 (-)	-	-6.1	14.2 (7.5%)	-
¥/US\$	¥99	¥103	¥4 (yen depreciation)				
¥/Euro	¥130	¥139	¥9 (yen depreciation)				
Impact on net sales	-	+¥13.6 bil.					
Impact on operating income	-	+¥5.3 bil.					

# 2Q of Fiscal 2015 (2) Results by Business Segment

◆ Record-breaking first-half net sales and operating income in Medical Business drive consolidated performance improvements

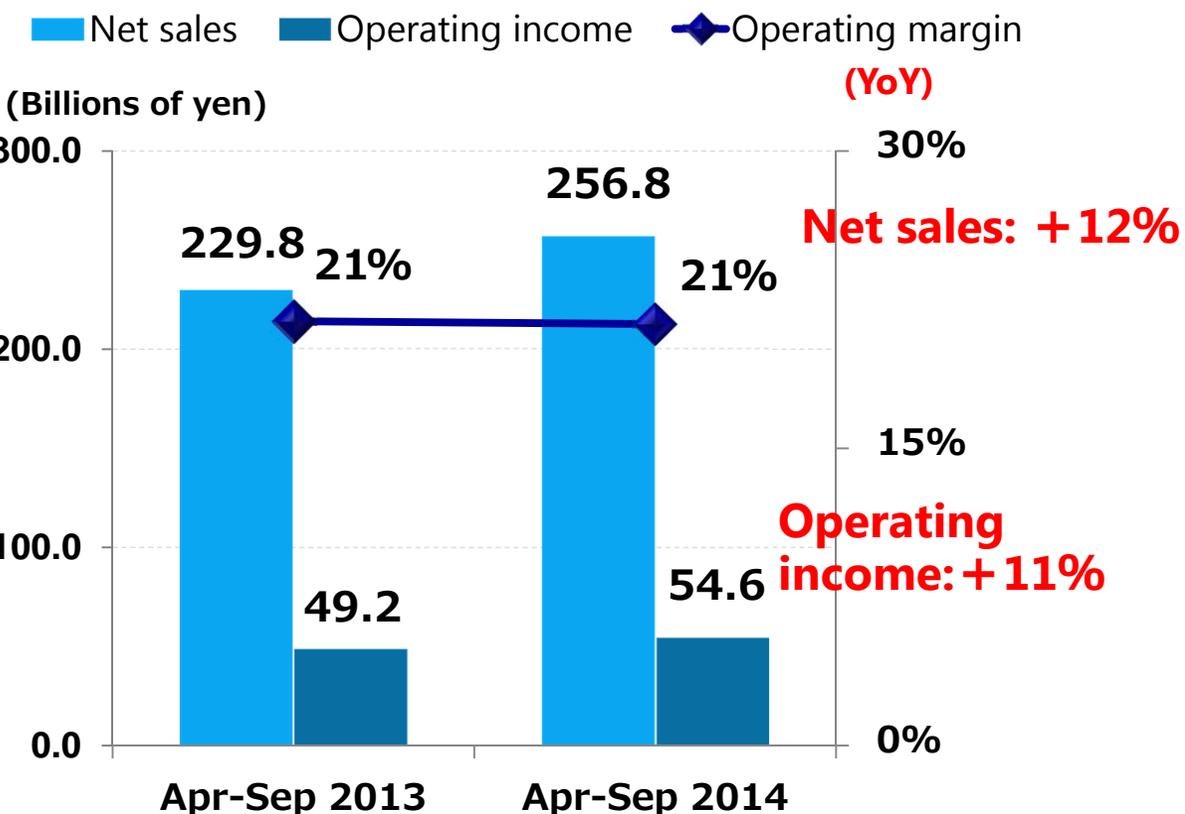
◆ Profitability achieved in Others Business due to withdrawal from biologics business

(Billions of yen)		1H (Apr-Sep)				2Q (Jul-Sep)			
		FY2014	FY2015	YoY change	YoY (%)	FY2014	FY2015	YoY change	YoY (%)
Medical	Net sales	229.8	256.8	+27.0	+12%	121.9	135.9	+14.0	+11%
	Op. income	49.2	54.6	+5.4	+11%	30.7	30.4	-0.3	-1%
Scientific Solutions	Net sales	44.0	46.7	+2.7	+6%	24.0	25.6	+1.6	+7%
	Op. income	0.5	1.3	+0.7	+129%	1.5	1.5	-0	-1%
Imaging	Net sales	47.0	40.1	-6.9	-15%	22.1	20.3	-1.8	-8%
	Op. income	-2.7	-4.6	-1.9	-	-2.1	-2.4	-0.2	-
Others	Net sales	13.0	11.4	-1.5	-12%	6.5	6.2	-0.3	-5%
	Op. income	-2.8	0.7	+3.5	-	-1.4	0.4	+1.8	-
Elimination & corporate	Net sales	-	-	-	-	-	-	-	-
	Op. income	-15.7	-13.6	+2.1	-	-8.4	-6.6	+1.8	-
Consolidated Total	Net sales	333.8	355.0	+21.2	6%	174.6	188.0	+13.4	+8%
	Op. income	28.5	38.4	+9.9	+35%	20.3	23.4	+3.0	+15%

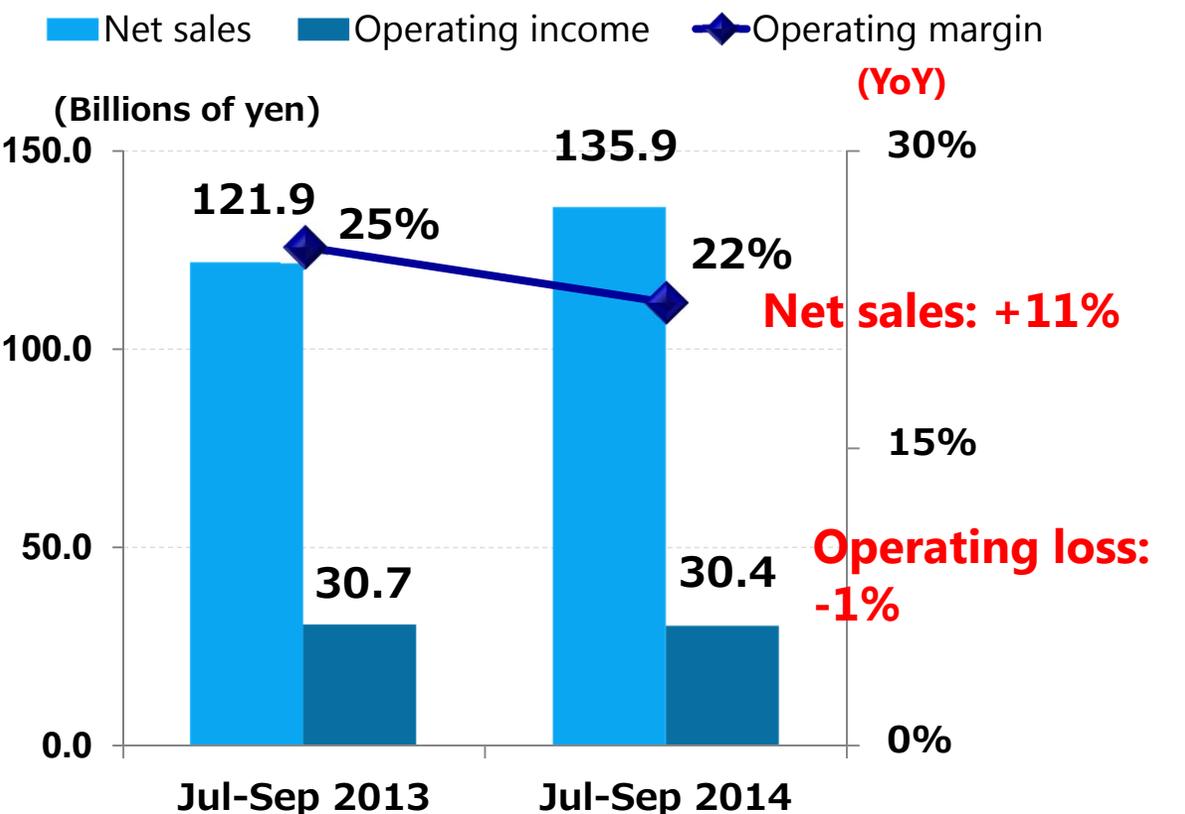
# 2Q of Fiscal 2015 (3) Medical Business

- ◆ Favorable sales of endoscopes, surgical devices, and endotherapy devices, net sales and operating income set new record highs
- ◆ Deterioration of 2Q (Jul.–Sep.) operating margin resulted from strategic investments

**1H (Apr-Sep)**



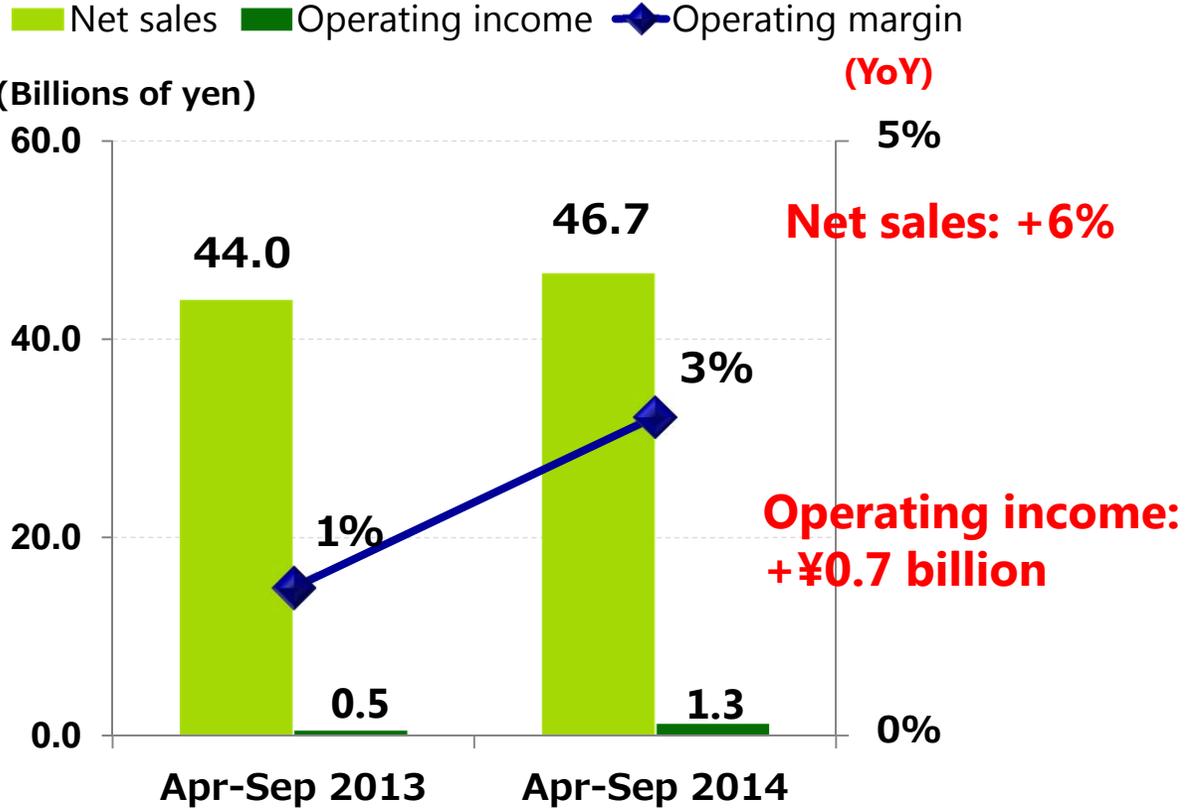
**2Q (Jul-Sep)**



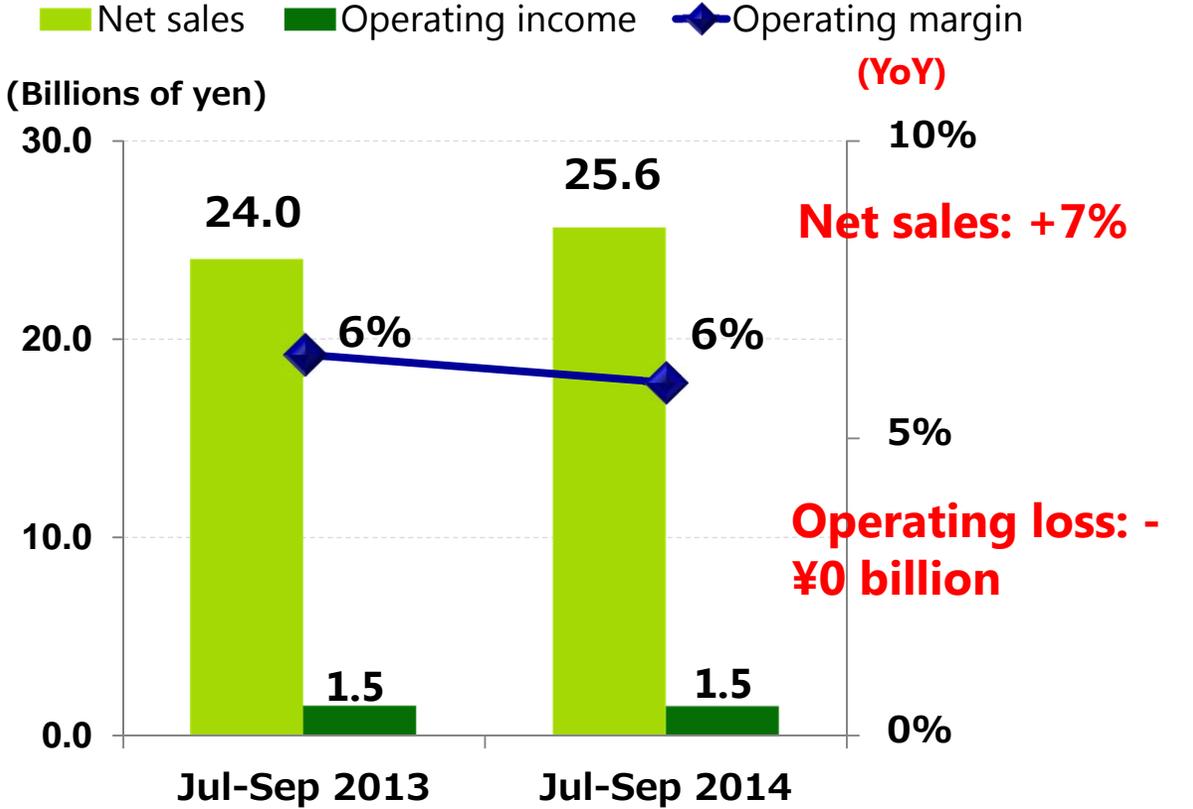
# 2Q of Fiscal 2015 (4) Scientific Solutions Business

- ◆ Higher sales and income achieved on back of favorable performances of non-destructive testing equipment and biological microscopes, primarily overseas
- ◆ Progress of strategy revisions and restructuring measures on schedule

## 1H (Apr-Sep)



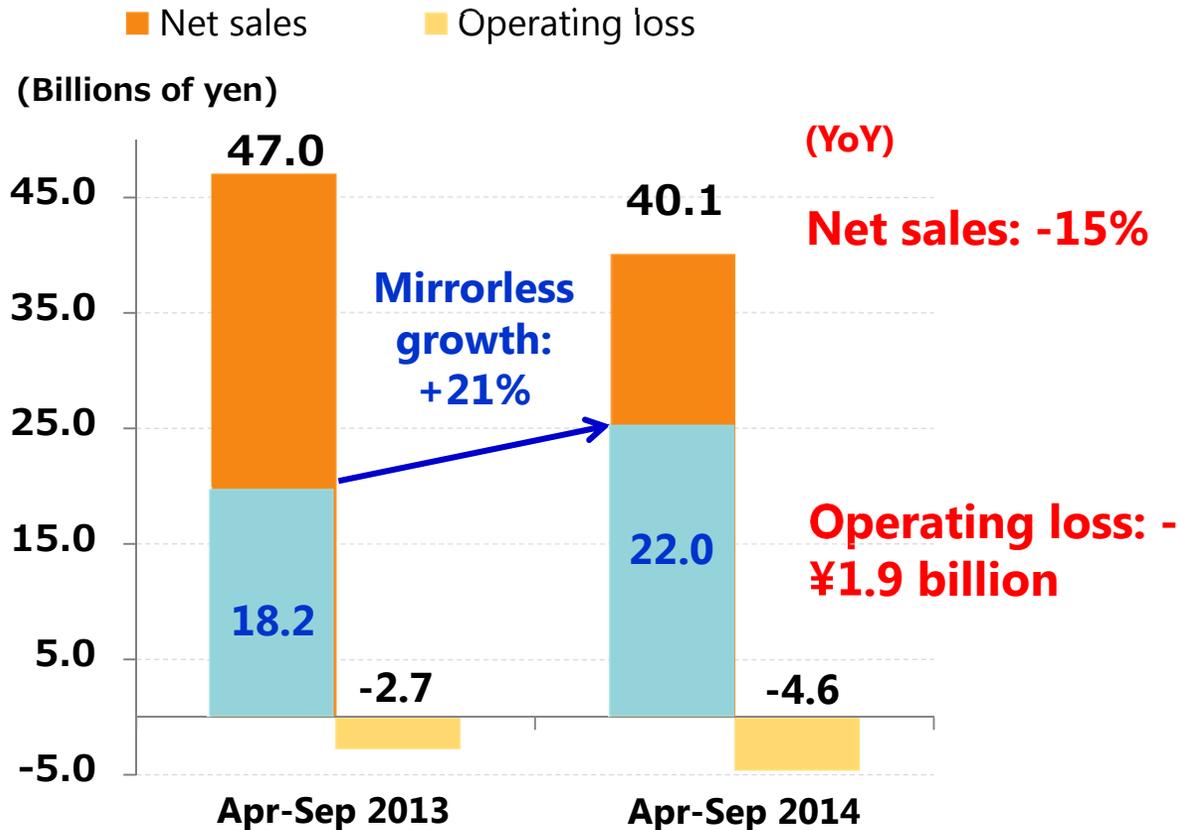
## 2Q (Jul-Sep)



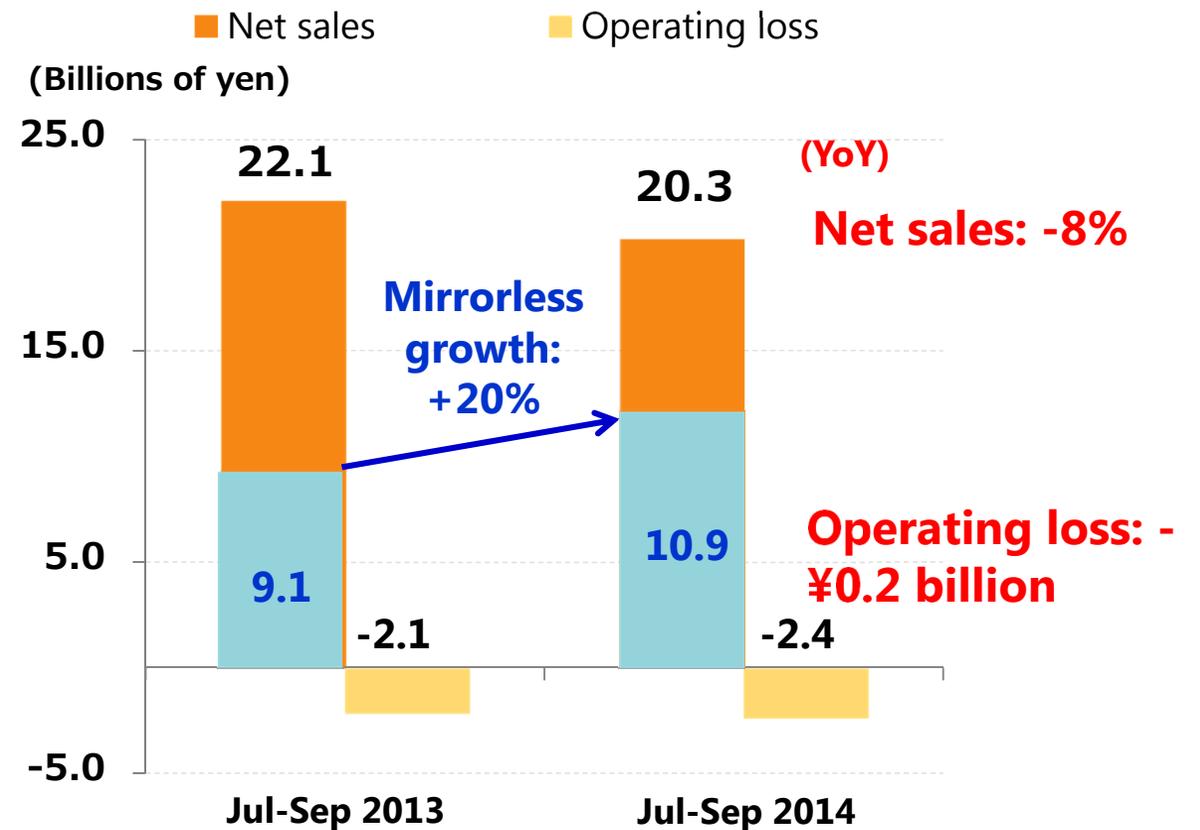
# 2Q of Fiscal 2015 (5) Imaging Business-(i)

- ◆ Decline in compact camera sales volume results in 15% YoY decrease in net sales, mirrorless camera sales up approx. 20%
- ◆ Operating loss of ¥4.6 billion recorded due to higher investments in mirrorless camera and BtoB operations

## 1H (Apr-Sep)



## 2Q (Jul-Sep)



# 2Q of Fiscal 2015 (5) Imaging Business-(ii)

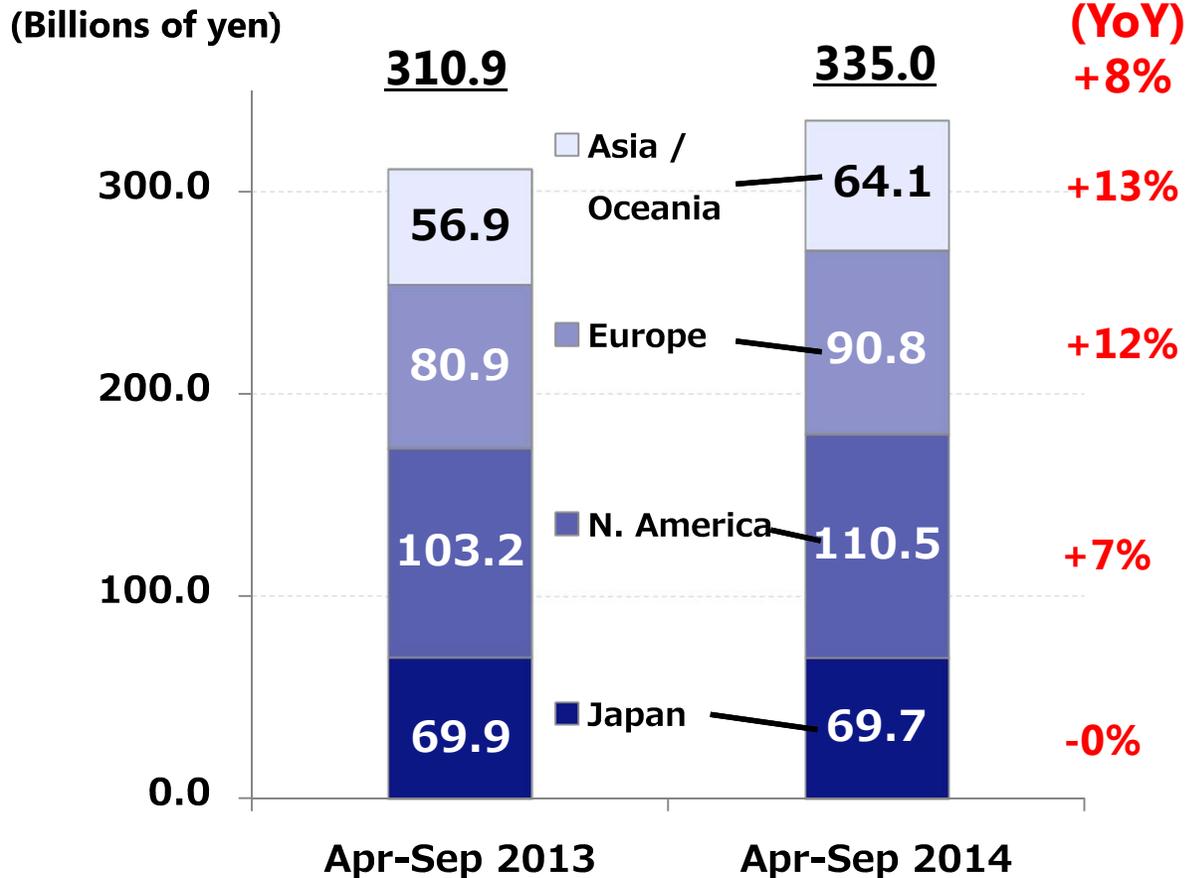
## Difference Year on Year (First half)

(Billions of yen)	FY2014 1H (Apr-Sep)	FY2015 1H (Apr-Sep)	YoY change	
<b>Net sales</b>	<b>47.0</b>	<b>40.1</b>	<b>-6.9...</b>	<b>Net sales down</b> Higher mirrorless camera sales unable to compensate for lower compact camera sales, net sales down YoY accordingly
Mirrorless Camera	<b>18.2</b>	<b>22.0</b>	<b>+3.8</b>	
Compact Camera, Others	28.9	18.1	-10.7	
<b>Gross profit</b>	<b>22.1</b>	<b>18.2</b>	<b>-3.9...</b>	<b>Gross profit down</b>
<b>SG&amp;A expenses</b> (% of sales)	<b>24.8</b> (52.7%)	<b>22.8</b> (56.8%)	<b>-2.0...</b> (+4.1pt)	<b>SG&amp;A ratio deteriorated</b> Higher investments in mirrorless camera and BtoB operations
<b>Operating loss</b>	<b>-2.7</b>	<b>-4.6</b>	<b>-1.9...</b>	<b>Operating loss up</b>

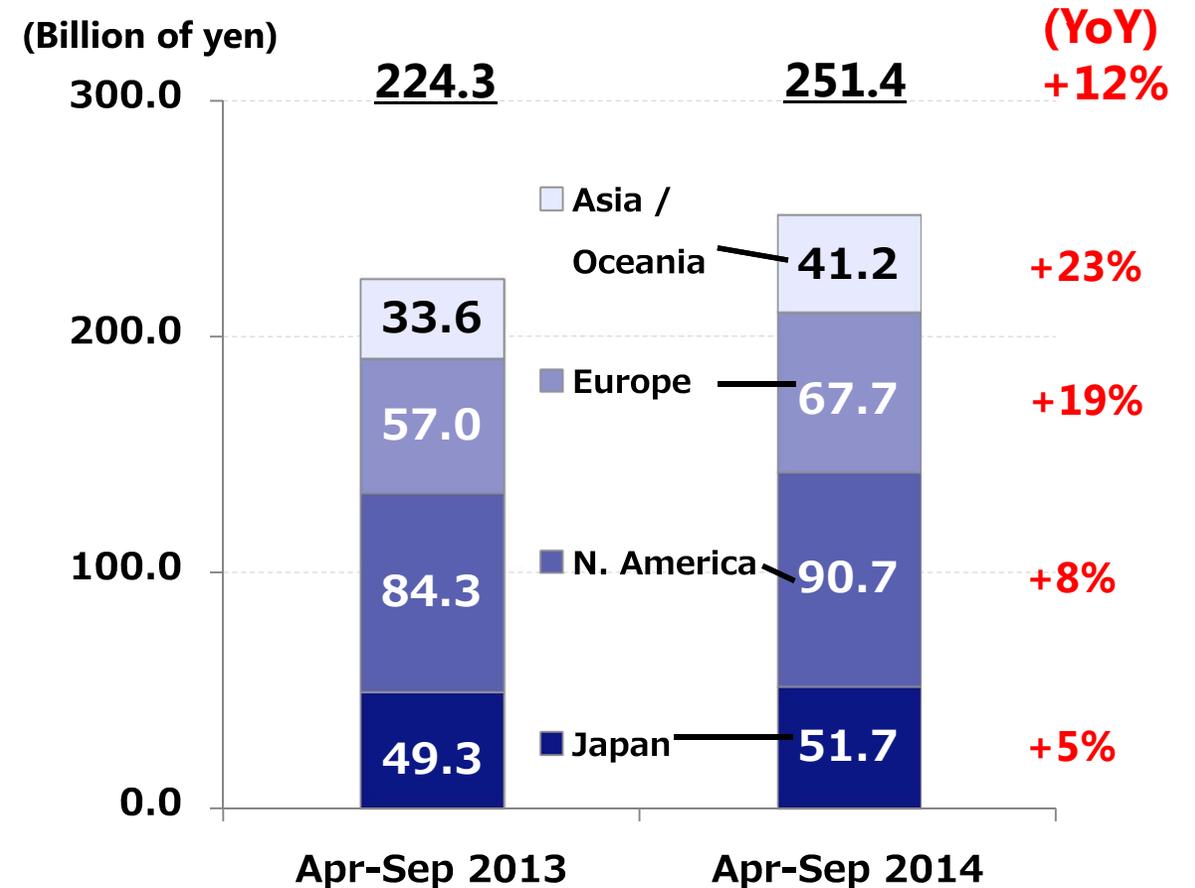
# 2Q of Fiscal 2015 (6) Net Sales by Region

- ◆ Strong Medical Business performance drives consolidated performance, sales increases in all regions except Japan  
(Japan: Imaging and Scientific Solutions Business sales down due to impacts of consumption tax hike)

## Consolidated (Apr-Sep)\*



## Medical Business (Apr-Sep)



# 2Q of FY2015 (7) Operating Profit/Loss (Compared with Initial Forecasts)

**Medical (+¥2.6 billion)**

Forecast-exceeding operating income due to strong sales of high-margin gastrointestinal endoscopes and increased earnings from endotherapy devices

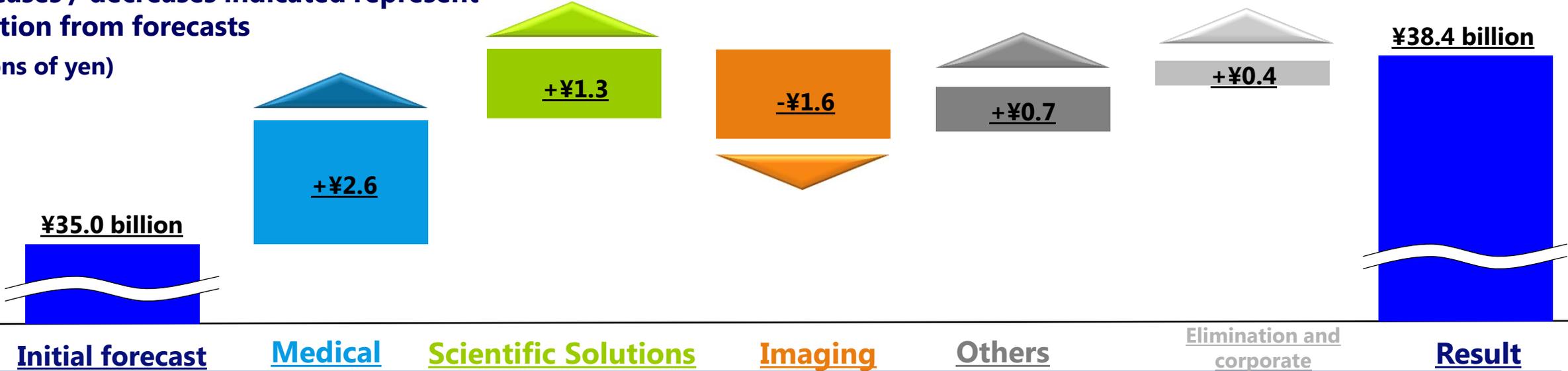
**Scientific Solutions (+¥1.3 billion)**

Forecast-exceeding operating income due to reduced SG&A expenses as well as to improved operating margin stemming from benefits of new industrial field products

**Image (-¥1.6 billion)**

Higher-than-forecast operating loss due to failure to meet mirrorless camera sales target as well as to higher SG&A ratio as result of ongoing investment in mirrorless camera operations

\*Increases / decreases indicated represent deviation from forecasts  
(Billions of yen)



# Consolidated Balance Sheet (End of September 2014)

- ◆ Equity ratio of 36.8%, interest-bearing debt down approx. ¥55.9 billion due to early repayment and other factors
- ◆ Mirrorless and other digital camera inventory issues require attention (inventory depletion anticipated as result of second-half sales)

(Billions of yen)	End Mar 2014	End Sep 2014	Change		End Mar 2014	End Sep 2014	Change
Current assets (Digital camera inventories)	576.5 (21.7)	543.9 (28.1)	-32.7 (+6.4)	Current liabilities	276.3	274.6	-1.7
Property, plant and equipment	135.4	140.5	+5.0	Non-current liabilities (Incl. bonds/long-term loans payable)	419.9 (346.8)	359.5 (283.9)	-60.4 (-62.9)
Intangible assets	173.6	175.2	+1.6	Net assets	331.3	372.9	+41.7
Investments and other assets	142.0	147.5	+5.5	(Equity ratio)	(32.1%)	(36.8%)	(+4.7pt)
Total assets	1,027.5	1,007.0	-20.5	Total liabilities and net assets	1,027.5	1,007.0	-20.5

Interest-bearing debt : ¥359.9 billion (-¥55.9 billion from March 31, 2014)  
 Net interest-bearing debt : ¥151.3 billion (-¥12.5 billion from March 31, 2014)

# Cash Flows (April to September 2014)

(Billions of yen)	FY2014 2Q	FY2015 2Q	Change
Net sales	333.8	355.0	+21.2
Operating income	28.5	38.4	+9.9
(%)	8.5%	10.8%	+2.3pt
CF from operating activities	29.4	29.6	+0.2
CF from investing activities	-10.7	-14.3	-3.5
CF from financing activities	-21.9	-59.7	-37.8
Cash flow	-3.2	-44.4	-41.2
Free Cash flow	18.7	15.3	-3.4
Cash and cash equivalents at end of year	229.0	208.6	-20.4
Depreciation and amortization	16.9	17.4	+0.6
Amortization of goodwill	4.7	4.5	-0.1
Capital expenditures	17.2	17.4	+0.2

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# Forecast for Fiscal 2015

# Forecasts of Consolidated Financial Results for Fiscal 2015

(Billions of yen)	FY2014 (Results)	FY2015 (Forecasts)	YoY change	YoY (%)
Net sales	713.3	760.0	+46.7	+7%
Operating income (% of net sales)	73.4 (10.3%)	88.0 (11.6%)	+14.6 (+1.3pt)	+20%
Non-operating income/expenses	-22.5	-18.0	+4.5	-
Ordinary income (% of net sales)	50.9 (7.1%)	70.0 (9.2%)	+19.1 (+2.1pt)	+38%
Net income (% of net sales)	13.6 (1.9%)	45.0 (5.9%)	+31.4 (+4.0pt)	+230%
¥/US\$	¥100	¥105	¥5(yen depreciation)	
¥/Euro	¥134	¥137	¥3(yen depreciation)	
Impact on net sales	-	+¥16.0 billion		
Impact on operating income	-	+¥8.2 billion		

# Segment Forecasts for Fiscal 2015 (Full Year)

- ◆ Upward revisions to operating income forecasts for Medical, Scientific Solutions, and Others
- ◆ Downward revisions to forecasts for Imaging Business due to mirrorless sales

(Billions of yen)		FY2014 (Results)	FY2015 (Current forecasts)	YoY (%)	FY2015 (Initial forecasts)	Change from initial forecast
Medical	Net sales	492.3	548.0	+11%	540.0	+8.0
	Op. income	112.7	118.5	+5%	115.0	+3.5
Scientific Solutions	Net sales	98.5	104.0	+6%	104.0	±0
	Op. income	4.9	5.0	+1%	4.5	+0.5
Imaging	Net sales	96.1	90.0	-6%	97.0	-7.0
	Op. income	-9.2	-7.5	-	-3.5	-4.0
Others	Net sales	26.4	18.0	-32%	19.0	-1.0
	Op. income	-5.4	0	-	0	±0
Elimination and corporate	Net sales	-	-	-	-	-
	Op. income	-29.7	-28.0	-	-28.0	±0
Consolidated Total	Net sales	713.3	760.0	+7%	760.0	±0
	Op. income	73.4	88.0	+20%	88.0	±0

# Imaging Business—Revised Fiscal 2015 Full-Year Forecasts

## Fiscal 2015 Second-Half Forecasts

	FY2014 2H (Results)	FY2015 2H (Forecasts)	YoY change	
<b>Net sales</b>	<b>49.1</b>	<b>49.9</b>	<b>+0.8</b>	<b>Net sales</b> <ul style="list-style-type: none"> <li>• Sales focused on OM-D series in European and U.S. markets</li> <li>• Introduction of new PEN series model (E-PL7) to improve sales in Japanese market</li> <li>• Expansion of lens sales by leveraging recently enhanced lineup of professional-use lens products</li> <li>• Lowering of entry-level model prices to facilitate sales and thereby reduce inventories</li> </ul>
<b>Mirrorless Camera</b>	<b>24.6</b>	<b>34.3</b>	<b>+9.7</b>	
Compact Camera, Others	24.5	15.6	-8.9	
<b>Gross profit</b>	<b>20.1</b>	<b>21.3</b>	<b>+1.2</b>	<b>Gross profit</b> Shift to mirrorless cameras and other high-value-added products
<b>SG&amp;A expenses</b> (% of net sales)	<b>26.6</b> (54.2%)	<b>24.2</b> (48.5%)	<b>-2.4</b> (-5.7pt)	<b>SG&amp;A expenses</b> Cost cuts through reduction of advertising and other sales promotion expenses
<b>Operating loss</b>	<b>-6.5</b>	<b>-2.9</b>	<b>+3.6</b>	<b>Operating loss down</b>

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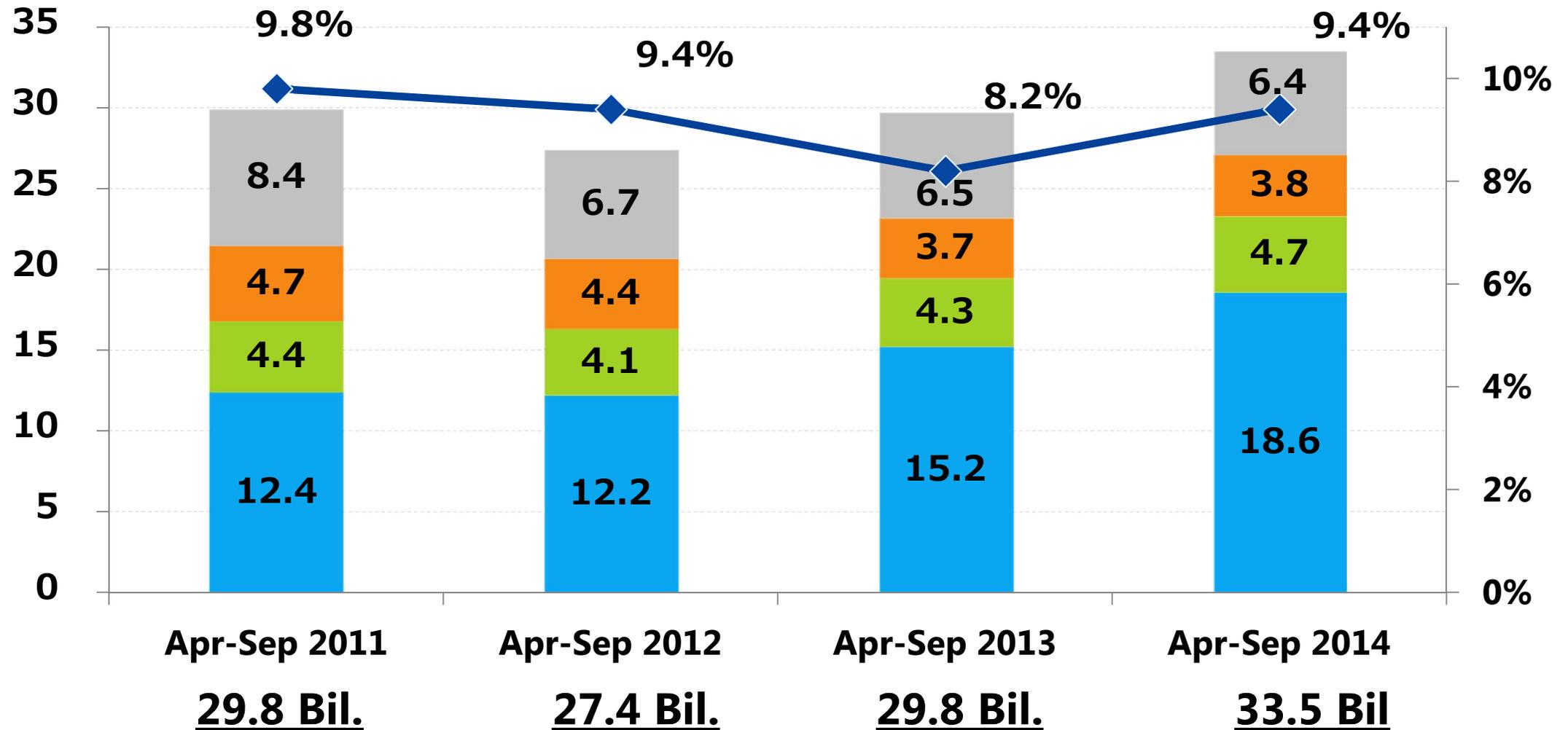
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# Supplementary Materials

# 【Supplementary Materials】 R&D Expenditures

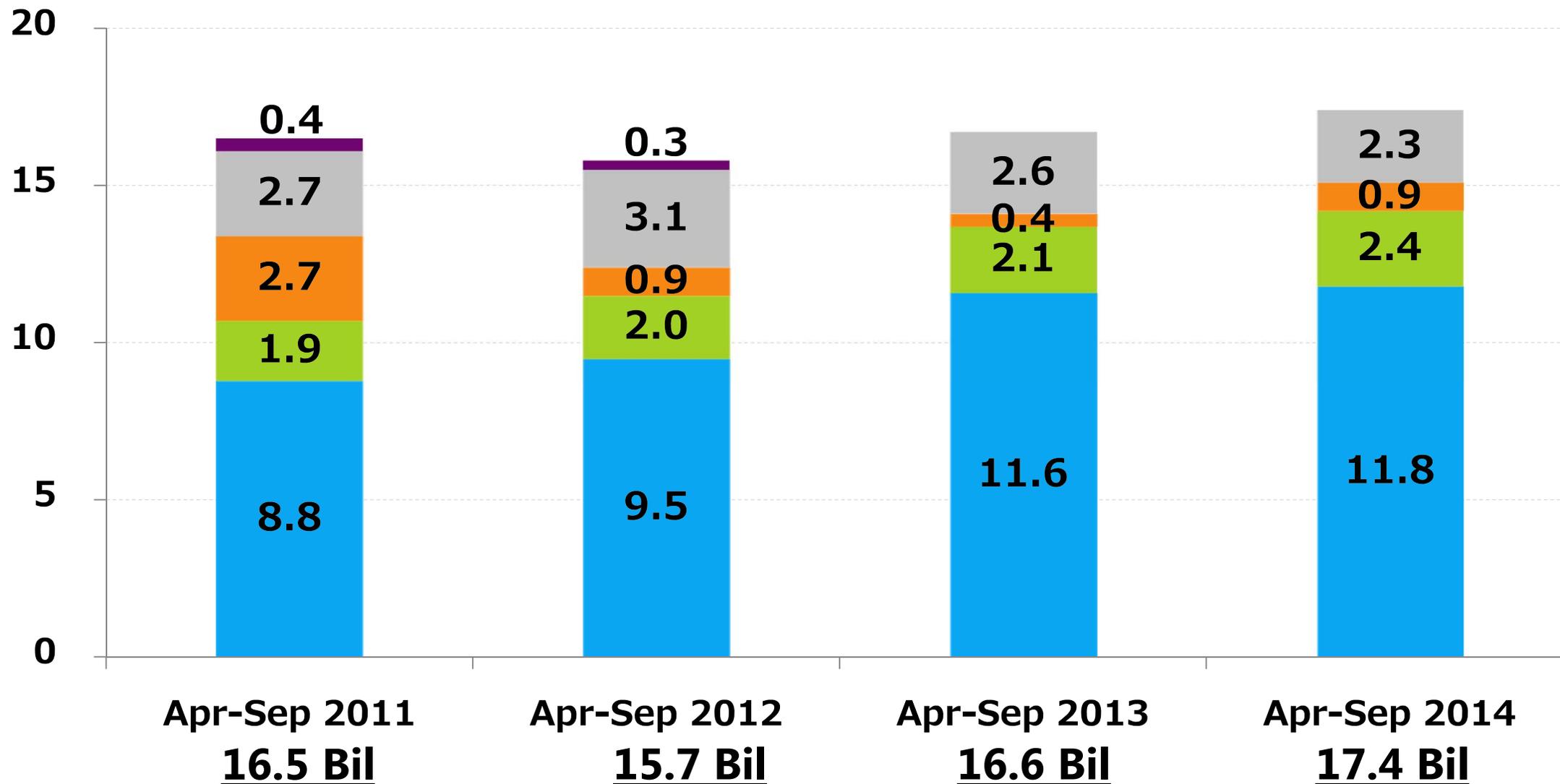
■ Medical 
 ■ Scientific Solutions 
 ■ Imaging 
 ■ Other, Elimination and corporate 
 ◆ % of net sales\*

(Billions of yen)



# 【Supplementary Material】 Depreciation and Amortization

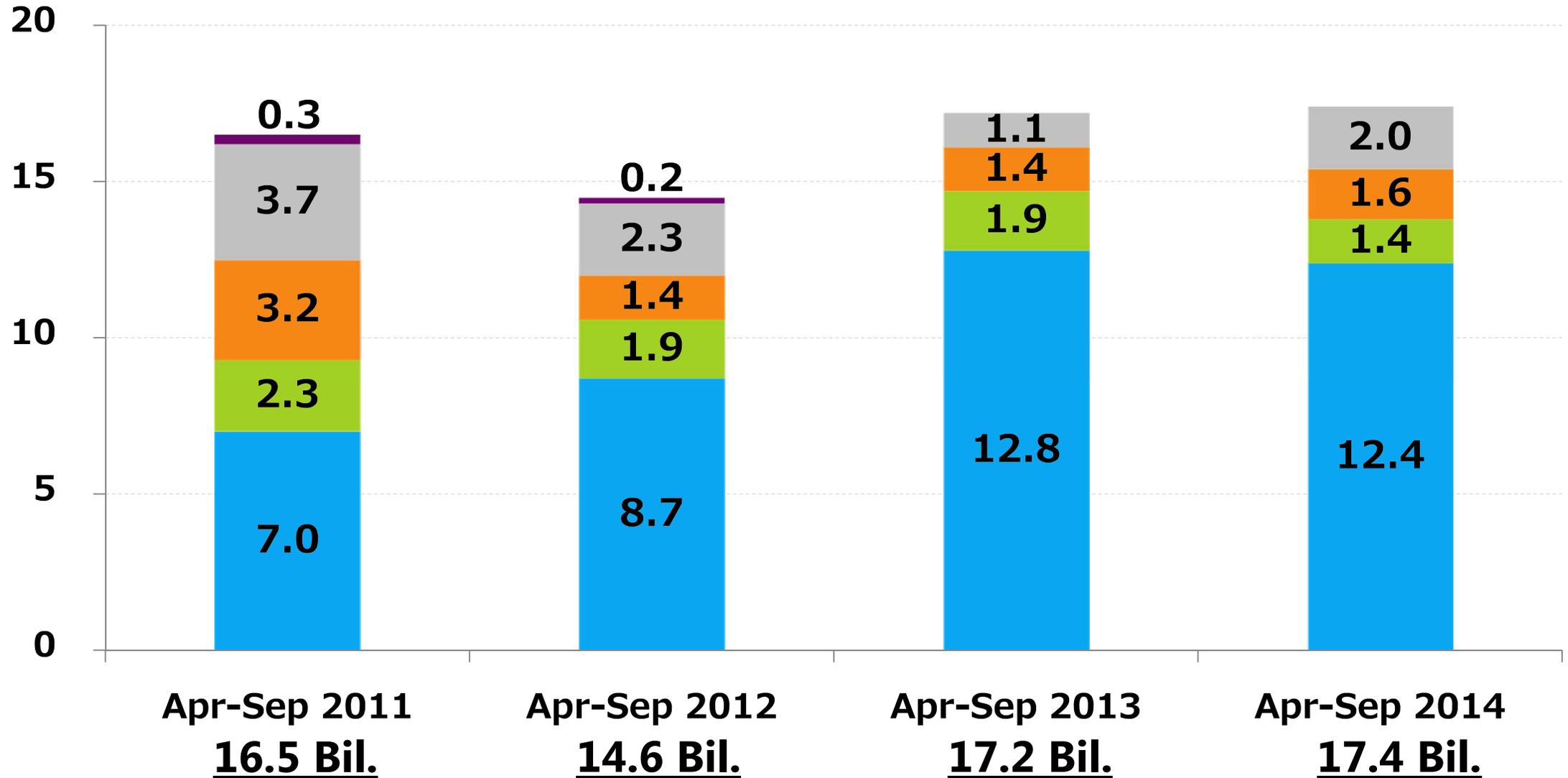
(Billions of yen) ■ Medical ■ Scientific Solutions ■ Imaging ■ Others, Elimination and corporate ■ Information & Communication



# 【Supplementary Materials】 Capital Expenditures

(Billions of yen)

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

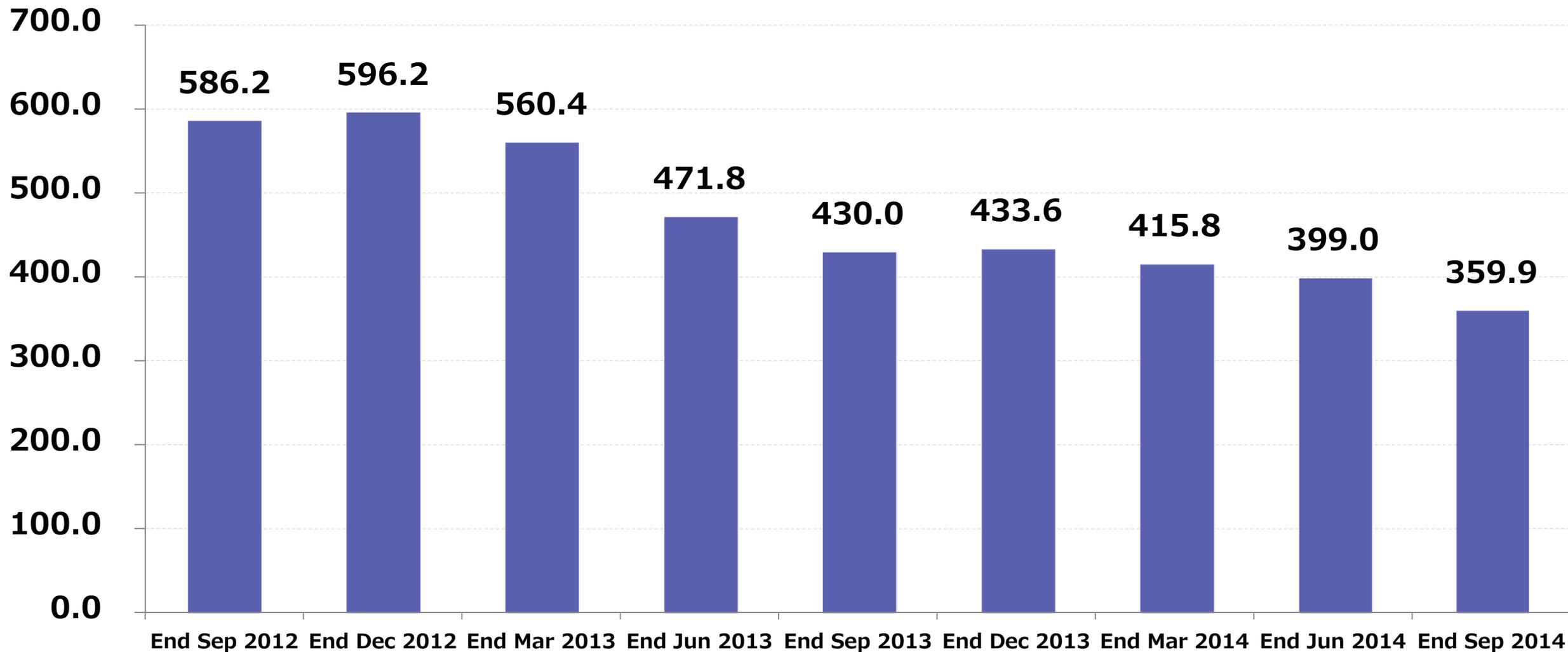


# [Supplementary Materials] Medium-Term Vision-Target by Segment

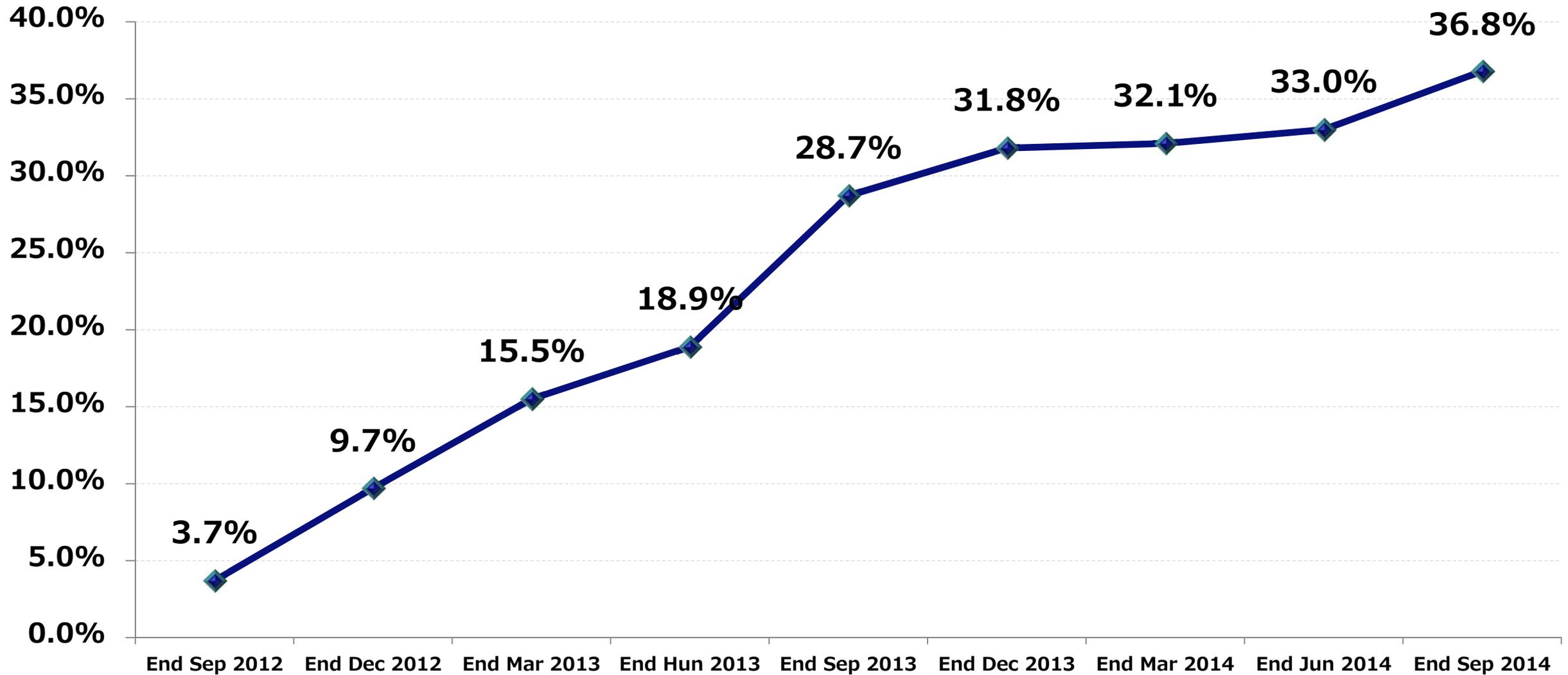
		FY2015 (Previous forecasts)	FY 2015 (Current forecasts)	FY 2017
Net Sales	Medical	5 4 0 . 0	5 4 8 . 0	6 5 0 . 0
	Scientific Solutions	1 0 4 . 0	1 0 4 . 0	1 3 5 . 0
	Imaging	9 7 . 0	9 0 . 0	1 0 0 . 0
	Others	1 9 . 0	1 8 . 0	3 5 . 0
	<b>Total</b>	<b>7 6 0 . 0</b>	<b>7 6 0 . 0</b>	<b>9 2 0 . 0</b>
Operating Income	Medical	1 1 5 . 0	1 1 8 . 5	1 5 0 . 0
	Scientific Solutions	4 . 5	5 . 0	1 5 . 0
	Imaging	- 3 . 5	- 7 . 5	9 . 0
	Others	0	0	1 . 0
	Elimination or Corporate	- 2 8 . 0	- 2 8 . 0	- 3 2 . 0
	<b>Total</b>	<b>8 8 . 0</b>	<b>8 8 . 0</b>	<b>1 4 3 . 0</b>

# 【Supplementary Materials】 Interest-bearing Debt

(Billions of yen)



# 【Supplementary Materials】 Equity Ratio



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