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Your Vision, Our Future

Management Policies for Fiscal 2017

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Olympus Corporation
May 2, 2016

Presentation Points

Fiscal 2016 Performance

- Consolidated operating income exceeds ¥100 billion for 1st time in 8 years and record-breaking net income posted
- ROE exceeds 15% management goal of 16CSP* (approx. 17% in fiscal 2016)

Operating Environment

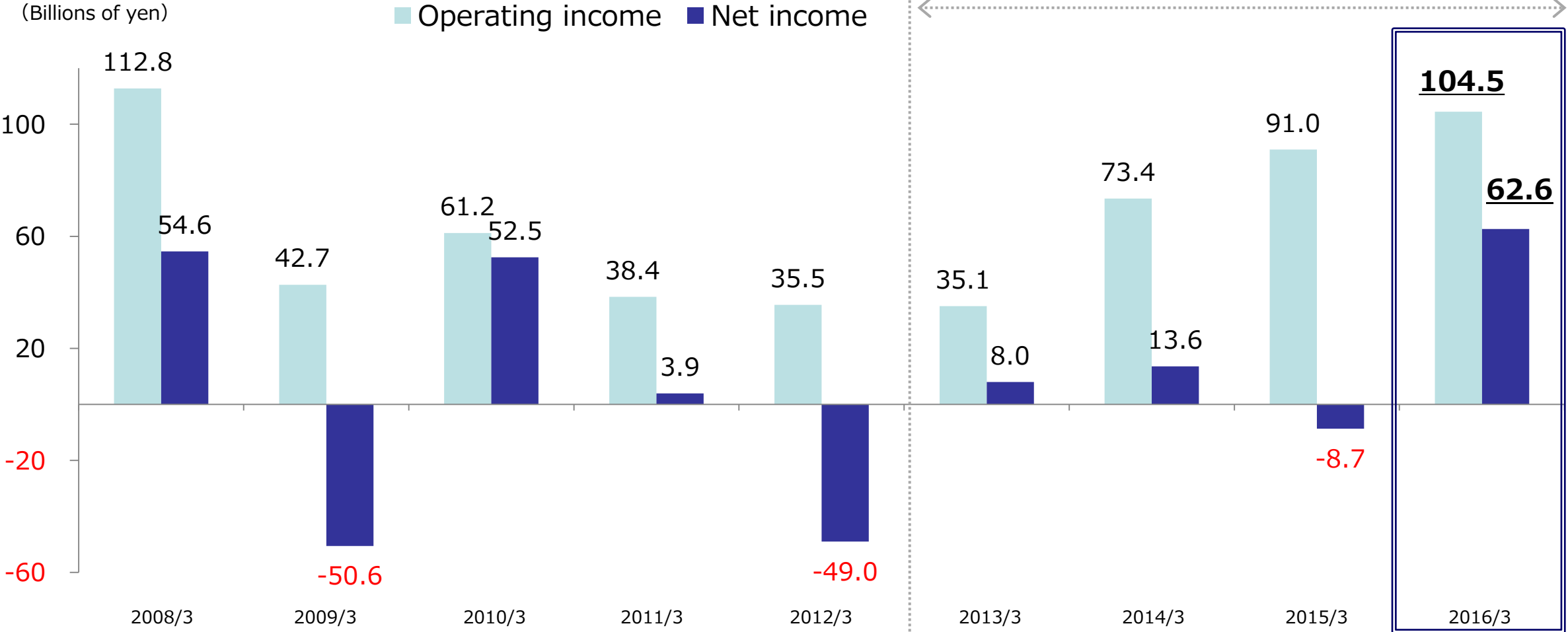
- Increasing sense of uncertainty due to slowed economic growth overseas and other factors
- Ongoing trend of yen appreciation

Fiscal 2017 Management Policies • Full-Year Forecasts

- Advancement of strategic measures to achieve final-year targets of 16CSP and reformation of operating processes to improve corporate constitution
- Reduced operating income forecast due to impacts of strong yen, but growth rate of 7% (in line with 16CSP) anticipated when foreign exchange influences are excluded
- 2nd consecutive year of record-breaking net income to be realized by absorbing impacts of worsening operating environment

Fiscal 2016 Consolidated performance (Operating income/Net income)

- Strong performance of Medical Business drives consolidated performance and operating income exceeds ¥100 billion for 1st time in 8 years since fiscal 2008
- Record-breaking net income* of ¥62.6 billion



16CSP Management Goals: Fiscal 2016 Performance and 16CSP Goals

- YoY improvements in all indices, ROE exceeds 15% management goal of 16CSP

	2015/3 (Results)	2016/3 (Results)	16CSP Management Goals
Capital Efficiency ROE	-2.6%	17%	15%
Profitability Operating Margin	12%	13%	15%
Business Growth EBITDA	¥141.6 billion	Growth of 9%	Double digit CAGR
Financial Soundness Equity ratio	33%	38%	50%

Operating Environment

- 1 Fiscal 2017: Increasing sense of uncertainty due to slowed economic growth overseas and other factors
Ongoing trend of yen appreciation
- 2 16CSP period: No significant changes to operating environment directly impacting Olympus' business

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Operating Environment in Fiscal 2017

- Slowing economic growth rates in China and other emerging countries
- Progressive trend of yen appreciation
- Declining birthrates and aging populations
- Rising medical needs
- Growing pressure to limit medical costs
- Increase in case numbers and decrease in facility numbers
- Diversification of customer needs in Scientific Solutions Business
- Contraction of digital camera market

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Operating Environment during 16CSP Period

Management Policies for Fiscal 2017

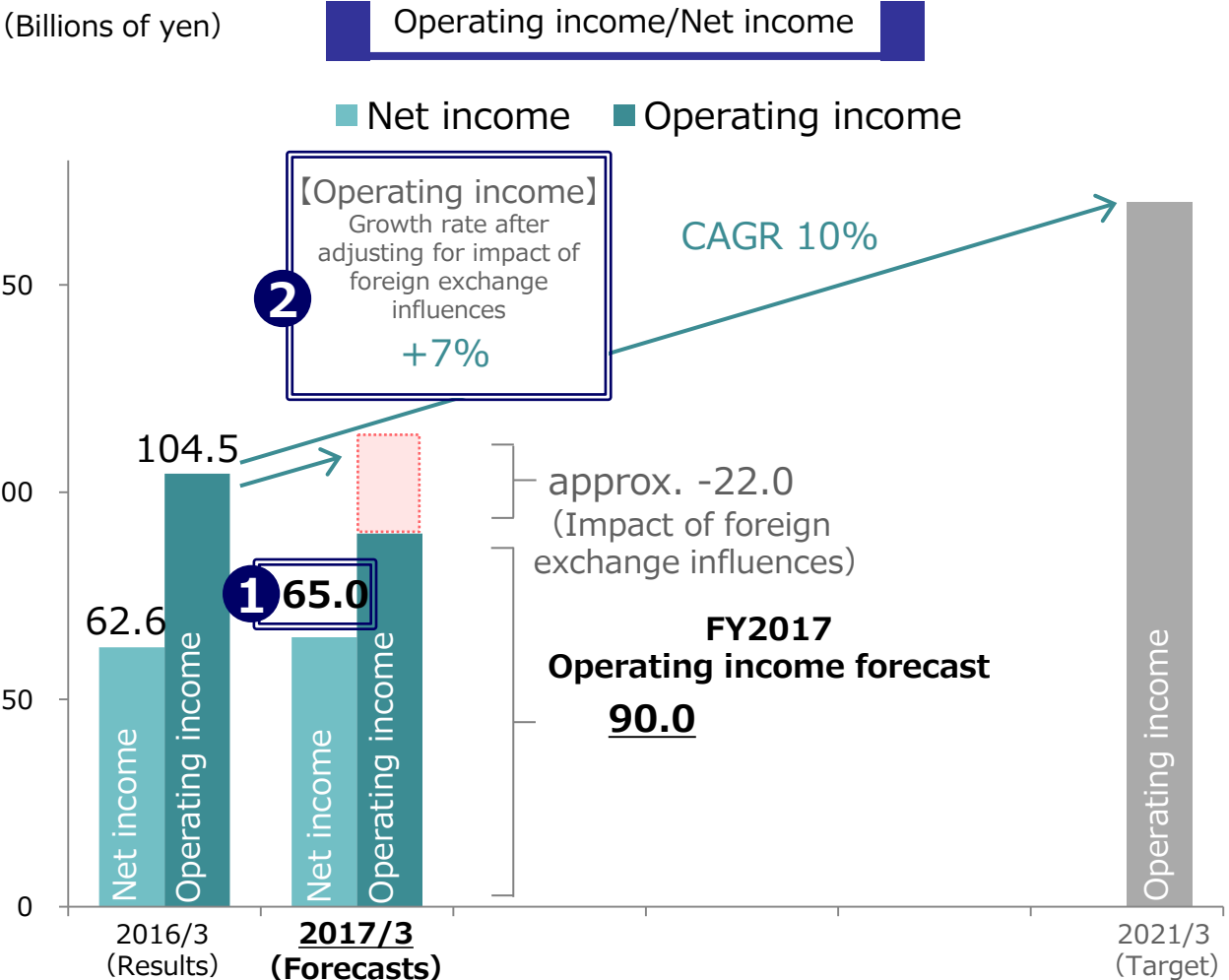
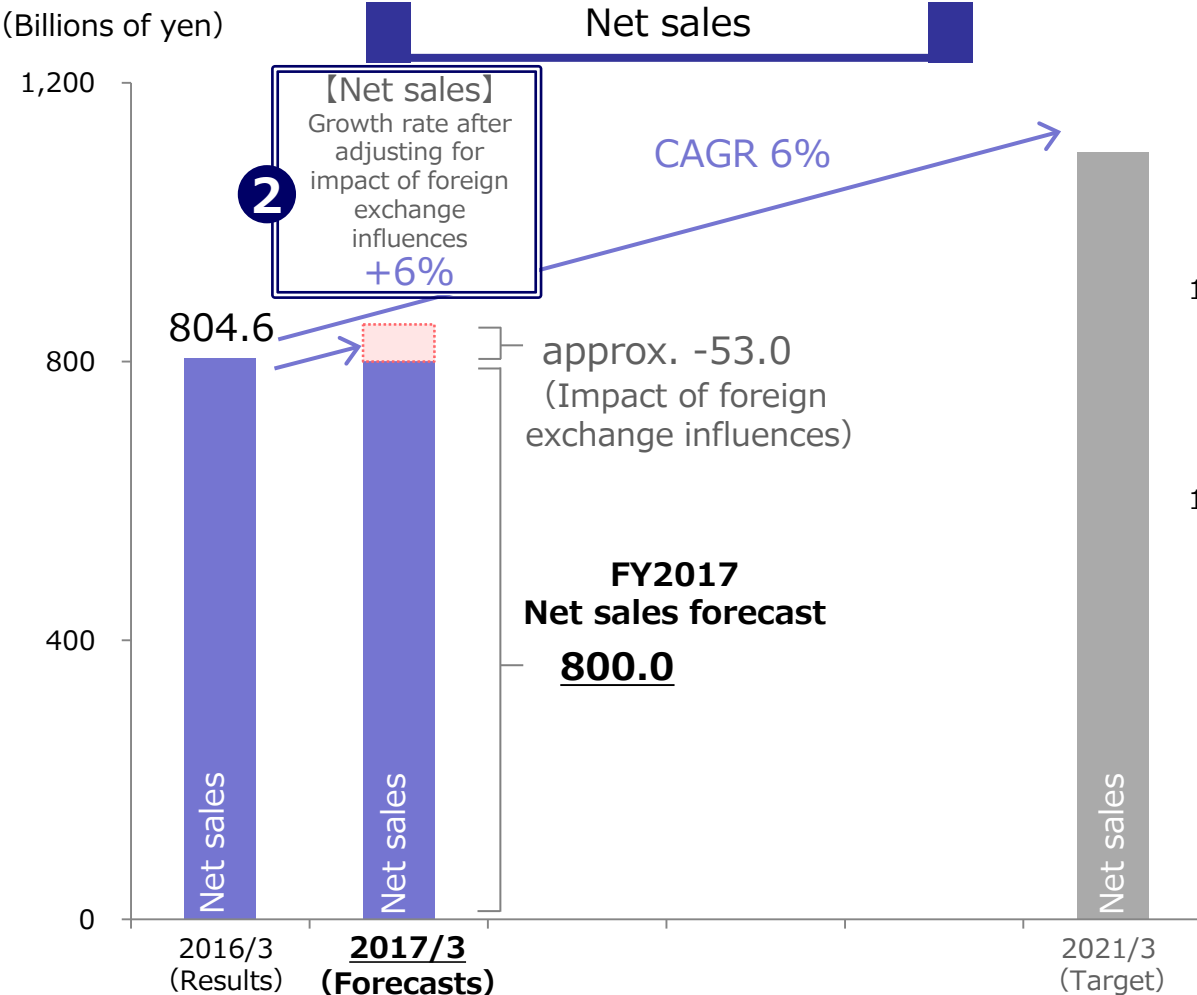
Management Policy

Advancement of measures to achieve final-year targets of 16CSP (fiscal 2021) and reformation of operating processes to improve corporate constitution

- Implement measures to expand operations and strengthen constitution presupposing full utilization of management resources
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- Manufacturing staff associated with plant redevelopment for boosting production capacity
 - Service staff for strengthening maintenance systems
 - Strengthen QA/RA, internal controls, compliance, etc.
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- Improve operational efficiency and productivity through operation process reforms conducted on global basis
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Forecasts for Fiscal 2017

- ① Operating income to decline YoY due to impacts of strong yen, but record-breaking net income of ¥65.0 billion to be recorded (2nd consecutive year of record-breaking net income)
- ② YoY increases in sales and income and progress in line with 16CSP when foreign exchange influences are excluded



Fiscal 2017 Strategies by Business

Medical

- Achieve stable growth and reinforce earnings foundations in gastrointestinal endoscope field
- Increase sales and improve profitability in general surgery field

<Strategies by BU>

- GIR: Improve profitability by reducing cost of sales and raising efficiency of SG&A expenses
- GS: Step up initiatives in disposal device operations and improve profitability
- UG: Steadily increase sales by utilizing competitive products
- ENT: Expand endoscopic sinus surgery (ESS) operations centered on DIEGO ELITE
- MS: Provide optimal services by strengthening contacts with customers

Scientific Solutions

- Continue implementing strategies for strengthening contacts with customers

Imaging

- Reduce expenses to level matched to scale of sales by stepping up coordination with functional axis

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Consolidated Financial Results for Fiscal 2016 Full-Year Forecasts for Fiscal 2017

Yasuo Takeuchi
Director, Vice President and CFO
Olympus Corporation
May 2, 2016

FY2016 – Consolidated Financial Results

Record-breaking profit margins

- ① Record-high operating margin of 13% following cost of sales ratio reductions
- ② Record-breaking ordinary income ratio and net income ratio

(Billions of yen)	Full Year (Apr.-Mar.)				4Q (Jan.-Mar.)		
	2015/3	2016/3	YoY Change	YoY(%)	2015/3	2016/3	YoY Change
Net Sales	764.7	804.6	+39.9	+5%	214.7	212.0	-1%
Cost of sales (% of sales)	274.8 (35.9%)	269.3 ① (33.5%)	-5.5 (-2.4pt)	-2%	75.2 (35.1%)	70.6 ① (33.3%)	-6%
SG&A expenses (% of sales)	398.9 (52.2%)	430.8 (53.5%)	+31.9 (+1.3pt)	+8%	110.5 (51.4%)	110.6 (52.2%)	+0%
Operating income (% of sales)	91.0 (11.9%)	104.5 ① (13.0%)	+13.5 (+1.1pt)	+15%	28.9 (13.5%)	30.8 (14.5%)	+7%
Ordinary income (% of sales)	72.8 (9.5%)	90.9 ② (11.3%)	+18.1 (+1.8pt)	+25%	24.6 (11.5%)	26.2 ② (12.3%)	+7%
Net income* (% of sales)	-8.7 (-%)	62.6 ② (7.8%)	+71.3 (-pt)		-40.7 (-%)	19.7 ② (9.3%)	-0%
EPS (Yen)	-26	183	+209				
¥/US\$	¥110	¥120	¥10 (Yen depreciation)				
¥/Euro	¥139	¥133	-¥6 (Yen appreciation)				
Impact on net sales	-	+¥19.2 billion					
Impact on operating income	-	+¥11.3 billion					

FY2016 – Results by Business Segment

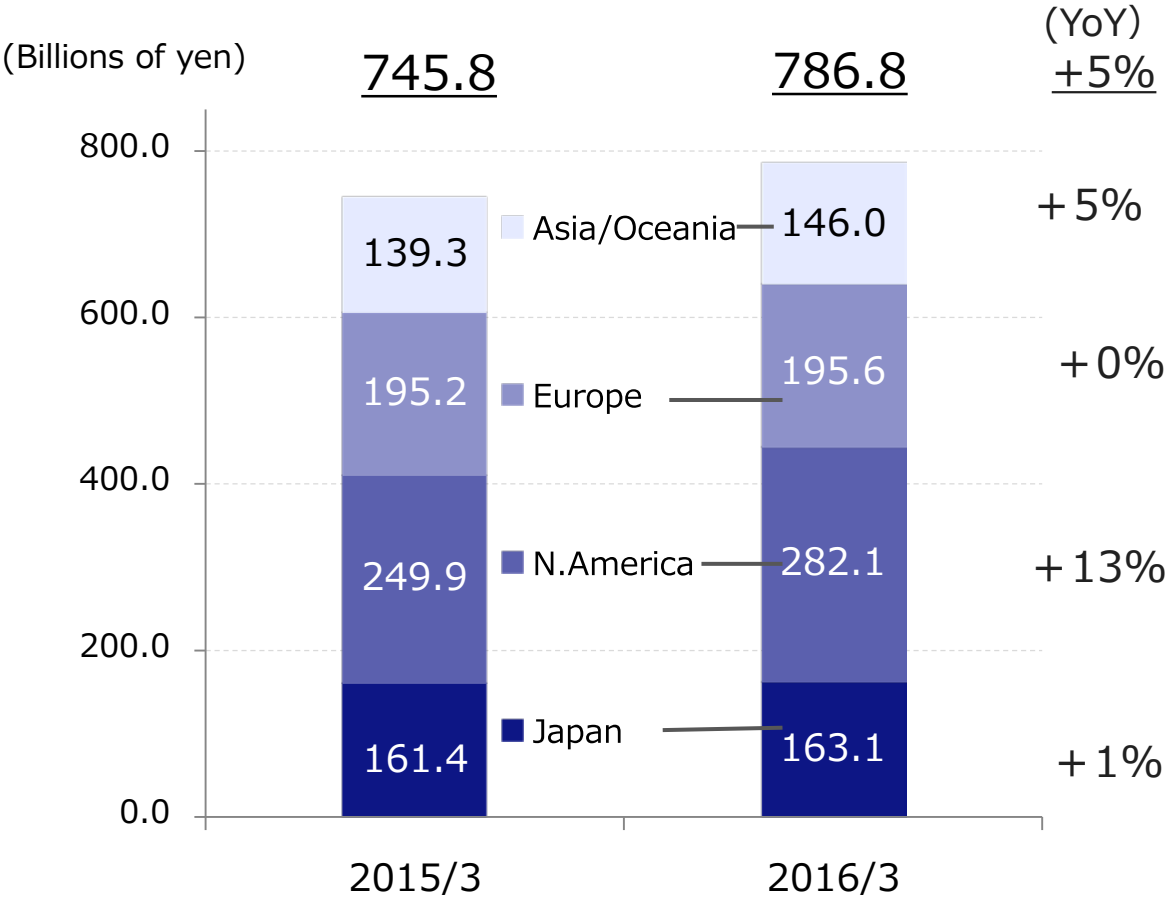
- ① Medical Business: Record-breaking net sales and operating income
- ② Scientific Solutions Business: Lower net sales due to worsening of operating environment, but increased operating income following reduced ratio of manufacturing costs to net sales and ongoing cost cutting measures
- ③ Imaging Business: Massive reduction in operating loss due to benefits of restructuring measures

(Billions of yen)		Full Year (Apr.-Mar.)				4Q (Jan.-Mar.)			
		2015/3	2016/3	YoY Change	YoY (%)	2015/3	2016/3	YoY Change	YoY (%)
Medical	Net Sales	558.3	608.9	+50.6	+9%	160.2	163.7	+3.5	+2%
	Op. income	124.9	140.2	+15.3	+12%	40.9	41.6	+0.7	+2%
Scientific Solutions	Net Sales	103.9	101.6	-2.3	-2%	31.1	28.1	-3.0	-10%
	Op. income	6.8	8.5	+1.6	+24%	3.3	2.9	-0.3	-11%
Imaging*	Net Sales	79.4	78.3	-1.2	-1%	18.8	16.3	-2.6	-14%
	Op. income	-11.7	-2.1	+9.6	-	-6.8	-2.2	+4.6	-
Others*	Net Sales	23.0	15.8	-7.2	-32%	4.5	4.0	-0.5	-12%
	Op. income	-1.0	-5.8	-4.8	-	-0.6	-1.0	-0.4	-
Elimination and corporate	Net Sales	-	-	-	-	-	-	-	-
	Op. income	-28.1	-36.4	-8.3	-	-7.9	-10.6	-2.7	-
Consolidated Total	Net Sales	764.7	804.6	+39.9	+5%	214.7	212.0	-2.6	-1%
	Op. income	91.0	104.5	+13.5	+15%	28.9	30.8	-1.9	+7%

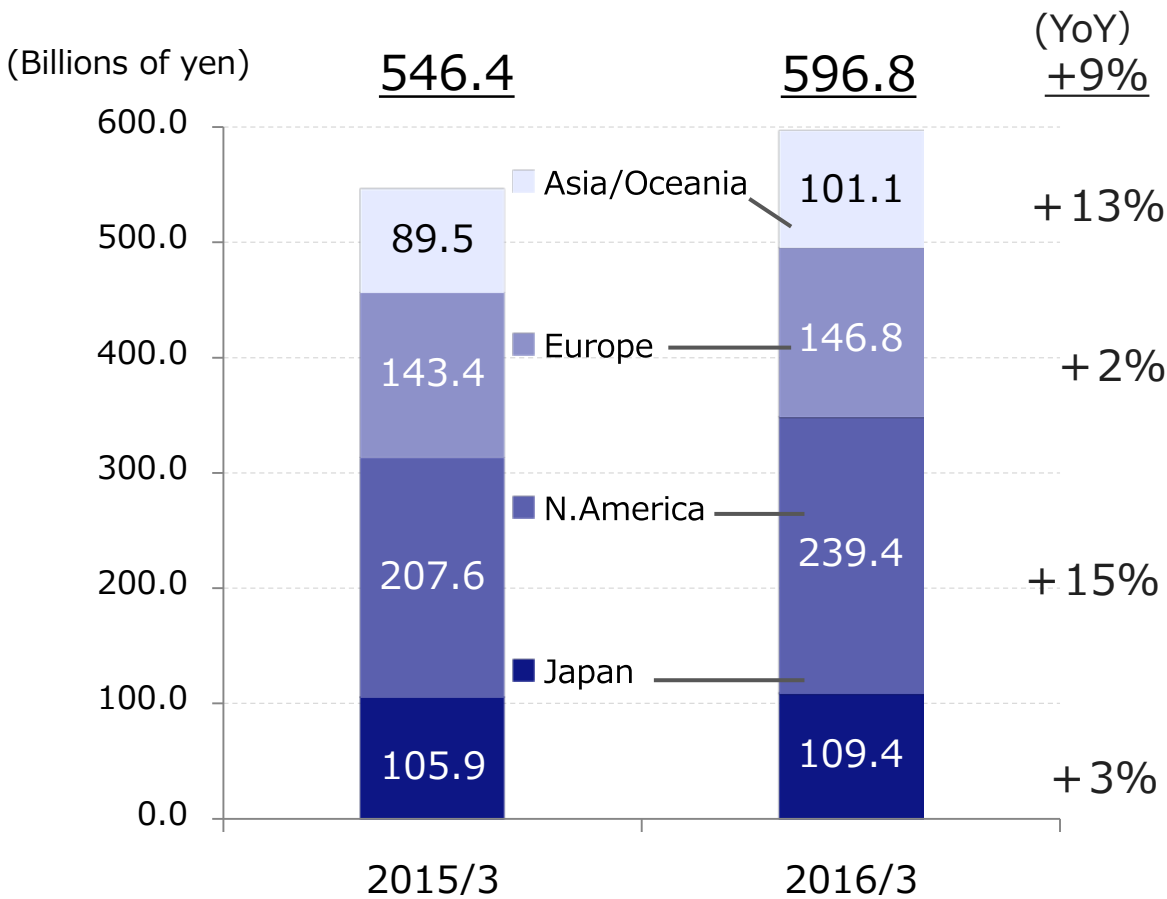
FY2016 – Net Sales by Region

- Consolidated: Strong Medical Business performance drives consolidated performance, sales increases in all regions
- Medical Business: Favorable performance overseas, sales up in all regions

Consolidated (Apr.-Mar.)



Medical Business (Apr.-Mar.)



Consolidated Balance Sheet (End of March 2016)

- ① Interest-bearing debt down approx. ¥33.0 billion, equity ratio of 38.2%
- ② Digital camera inventory reductions progressing as planned, down ¥9.3 billion, to ¥14.4 billion

(Billions of yen)	End Mar. 2015	End Mar. 2016	Change		End Mar. 2015	End Mar. 2016	Change
Current assets (Digital camera inventories)	577.5 (23.7)	520.7 (14.4)	-56.8 (-9.3)	Current liabilities	374.8	266.6	-108.2
Property, plant and equipment	150.1	166.1	+15.9	Non-current liabilities (Incl. bonds/long-term loans payable)	349.5 (253.3)	349.7 (264.5)	+0.2 (+11.2)
Intangible assets	180.6	150.8	-29.9	Net assets	357.3	384.3	+27.0
Investments and other assets	173.2	163.1	-10.2	(Equity ratio)	(32.9%)	(38.2%)	(5.3pt)
Total assets	1,081.6	1,000.6	-80.9	Total liabilities and net assets	1,081.6	1,000.6	-80.9

① Interest-bearing debt : ¥321.1 billion (-¥33.3 billion from March 31, 2015)

Net interest-bearing debt : ¥154.6 billion(+¥10.0 billion from March 31, 2015)

Consolidated Cash Flows (April 2015 to March 2016)

- ① Negative free cash flow resulted primarily from criminal penalties and civil fines (approx. ¥72.5 billion) paid in relation to settlement with U.S. DOJ

(Billions of yen)	2015/3	2016/3	Change
Net Sales	764.7	804.6	+39.9
Operating income	91.0	104.5	+13.5
(% of sales)	11.9%	13.0%	+1.1pt
CF from operating activities	66.8	48.6	-18.2
CF from investing activities	-39.6	-52.9	-13.3
CF from financing activities	-70.2	-33.9	+36.3
Cash flow	-43.0	-38.1	+4.8
Free cash flow	27.2	-4.3	-31.5
Cash and cash equivalents at end of year	209.8	166.3	-43.5
Depreciation and amortization	41.2	39.9	-1.3
Amortization of goodwill	9.4	9.9	+0.4
Capital expenditures	47.7	64.4	+16.7

Full-Year Forecasts for Fiscal 2017

Forecasts for Fiscal 2017 (Full Year)

- Forecasts of ¥800.0 billion for net sales and ¥90.0 billion for operating income in consideration of impacts of strong yen
- Ongoing investments to achieve final-year targets of 16CSP
- Record-breaking net income of ¥65.0 billion forecast due to improved non-operating income and expenses and extraordinary income and loss

(Billions of yen)	2016/3 (Results)	2017/3 (Forecasts)	YoY Change	YoY (%)	After foreign exchange adjustment
Net sales	804.6	800.0	-4.6	-1%	+6%
Cost of sales (% of net sales)	269.3 (33.5%)	269.0 (33.6%)	-0.3 (+0.1pt)	-0%	-
SG&A expenses (% of net sales)	430.8 (53.5%)	441.0 (55.1%)	+10.2 (+1.6pt)	+2%	-
Operating income (% of net sales)	104.5 (13.0%)	90.0 (11.3%)	-14.5 (-1.7pt)	-14%	+7%
Ordinary income (% of net sales)	90.9 (11.3%)	80.0 (10.0%)	-10.9 (-1.3pt)	-12%	
Net income* (% of net sales)	62.6 (7.8%)	65.0 (8.1%)	+2.4 (+0.3pt)	+4%	
EPS (Yen)	183	190	+7	+4%	
¥/US\$	¥120	¥108	-¥12 (Yen appreciation)		
¥/Euro	¥133	¥120	-¥13 (Yen appreciation)		

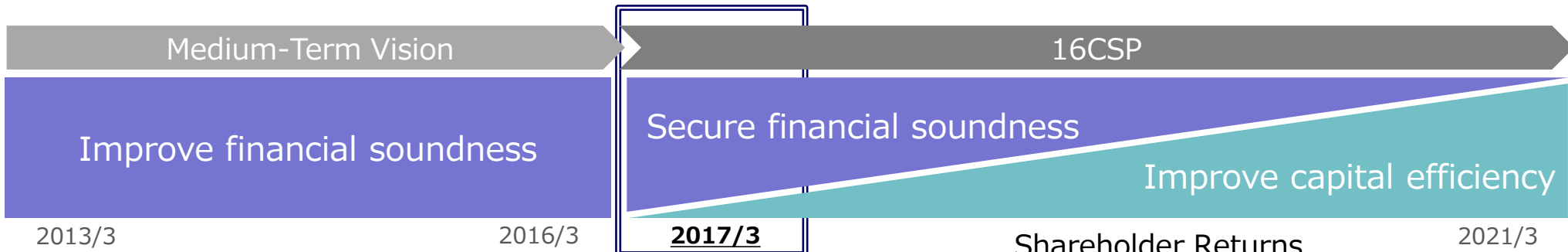
Segment Forecasts for FY2017 (Full Year)

- 1 Medical Business: Ongoing driver of consolidated performance, despite lower income due to impacts of strong yen; growth rates in line with 16CSP when excluding foreign exchange influences
- 2 Imaging Business: Breakeven to be achieved by reducing SG&A expenses to level matching business scale

	(Billions of yen)	2016/3 (Results)	2017/3 (Forecasts)	YoY Change	YoY (%)	Growth rate after adjusting for impact of foreign exchange influences	
Medical	Net sales	608.9	610.0	+1.1	+0%	1	+7%
	Op. income	140.2	127.0	-13.2	-9%		+5%
Scientific Solutions	Net sales	101.6	100.0	-1.6	-2%		+5%
	Op. income	8.5	6.0	-2.5	-29%		+7%
Imaging	Net sales	78.3	70.0	-8.3	-11%		-6%
	Op. income	-2.1	0	+2.1	-%		-%
Others (New Businesses)	Net sales	15.8	20.0	+4.2	+27%		+29%
	Op. income	-5.8	-6.0	+0.2	-%		-%
Elimination and corporate	Net sales	-	-	-	-		-
	Op. income	-36.4	-37.0	-0.6	-%		-%
Consolidated Total	Net sales	804.6	800.0	-4.6	-1%		+6%
	Op. income	104.5	90.0	-14.5	-14%		+7%

Fiscal 2017 Financial Measures

16CSP Directive

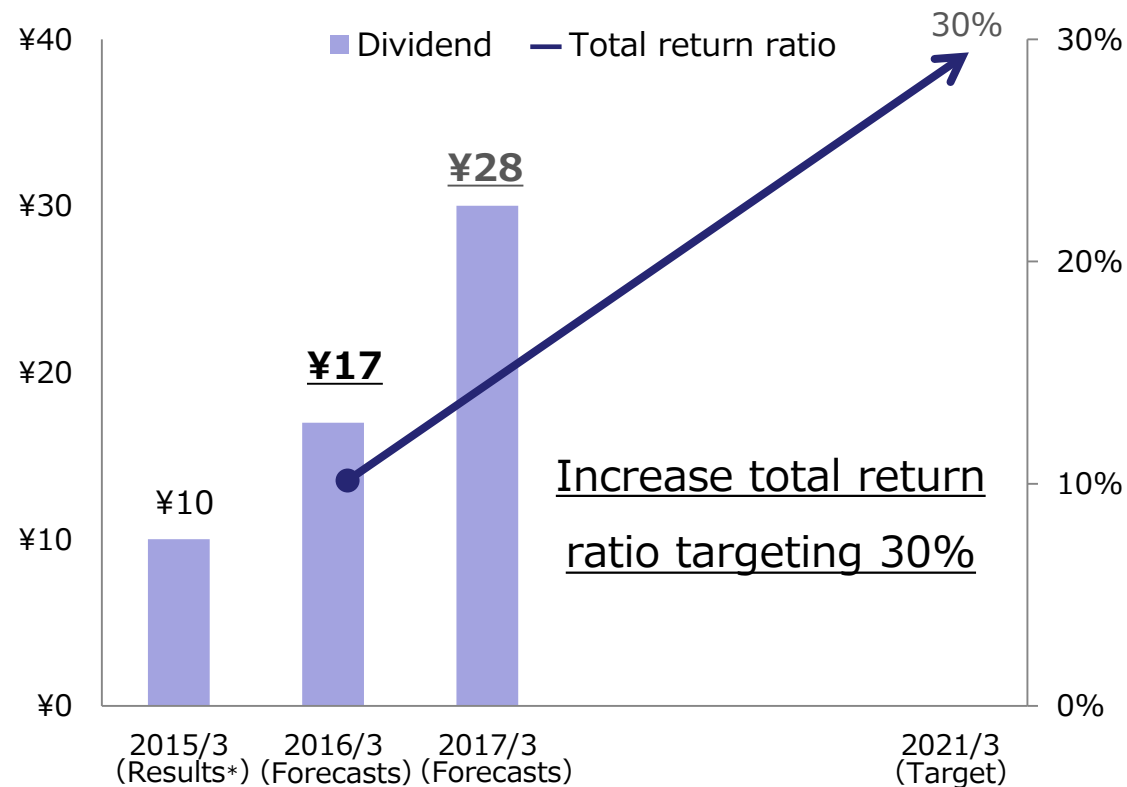


Fiscal 2017 Financial Measures

- Secure stable equity capital levels
- Strategically control interest-bearing debt
- Realize phased increase in shareholder returns

Dividend Forecast

2016/3	Year-end dividend payment of ¥17 per share
2017/3	Annual dividend of ¥28 per share



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Supplementary Materials

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

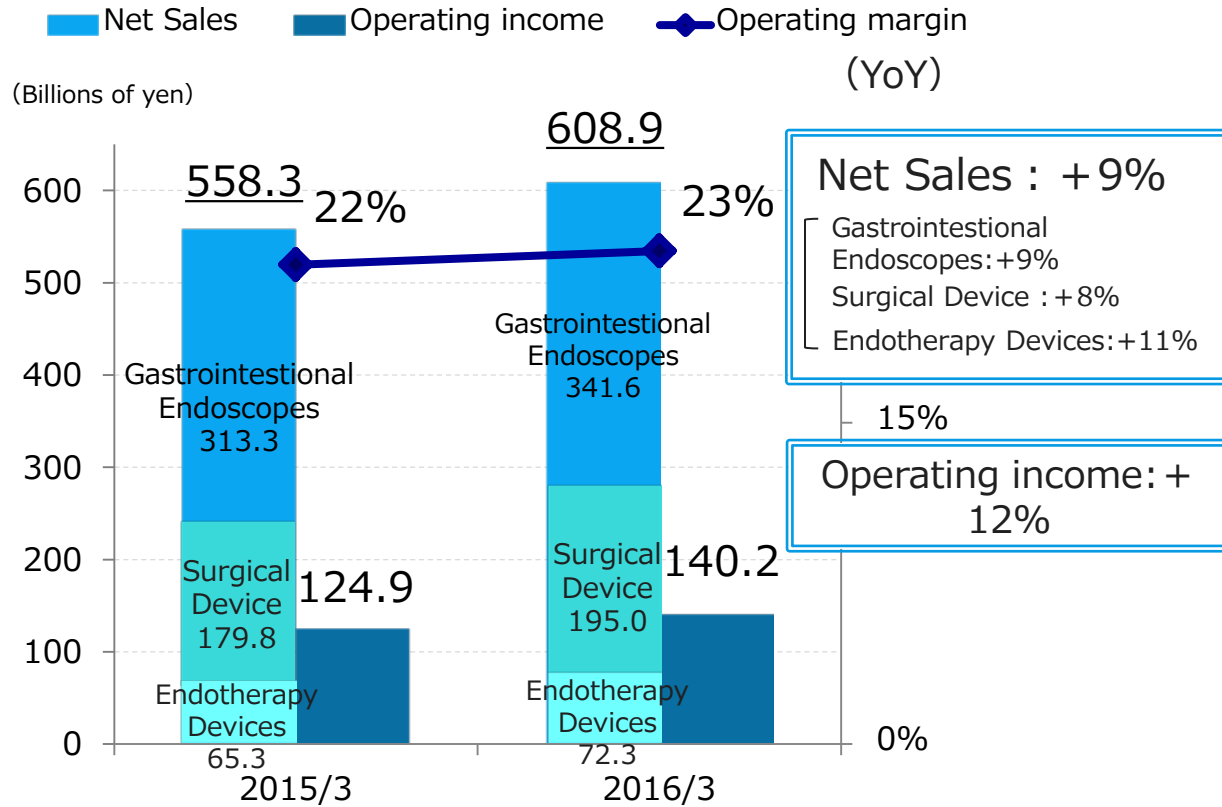
(Billions of Yen)	FY2016 (Results)		FY2017 (Forecast)		YoY (%)	
	1H	2H	1H	2H	1H	2H
Net Sales	395.8	408.8	380.0	420.0	-4%	+3%
Operating income (% of net sales)	50.1 (12.7%)	54.4 (13.3%)	37.0 (9.7%)	53.0 (12.6%)	-26%	-3%
Non-operating Income and expenses	-6.6	-7.0	-5.0	-5.0	-	-
Ordinary income (% of net sales)	43.5 (11.0%)	47.4 (11.3%)	32.0 (8.4%)	48.0 (11.4%)	-26%	+1%
Net income (% of net sales)	35.8 (9.0%)	26.8 (6.6%)	27.0 (7.1%)	38.0 (9.1%)	-25%	+42%

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

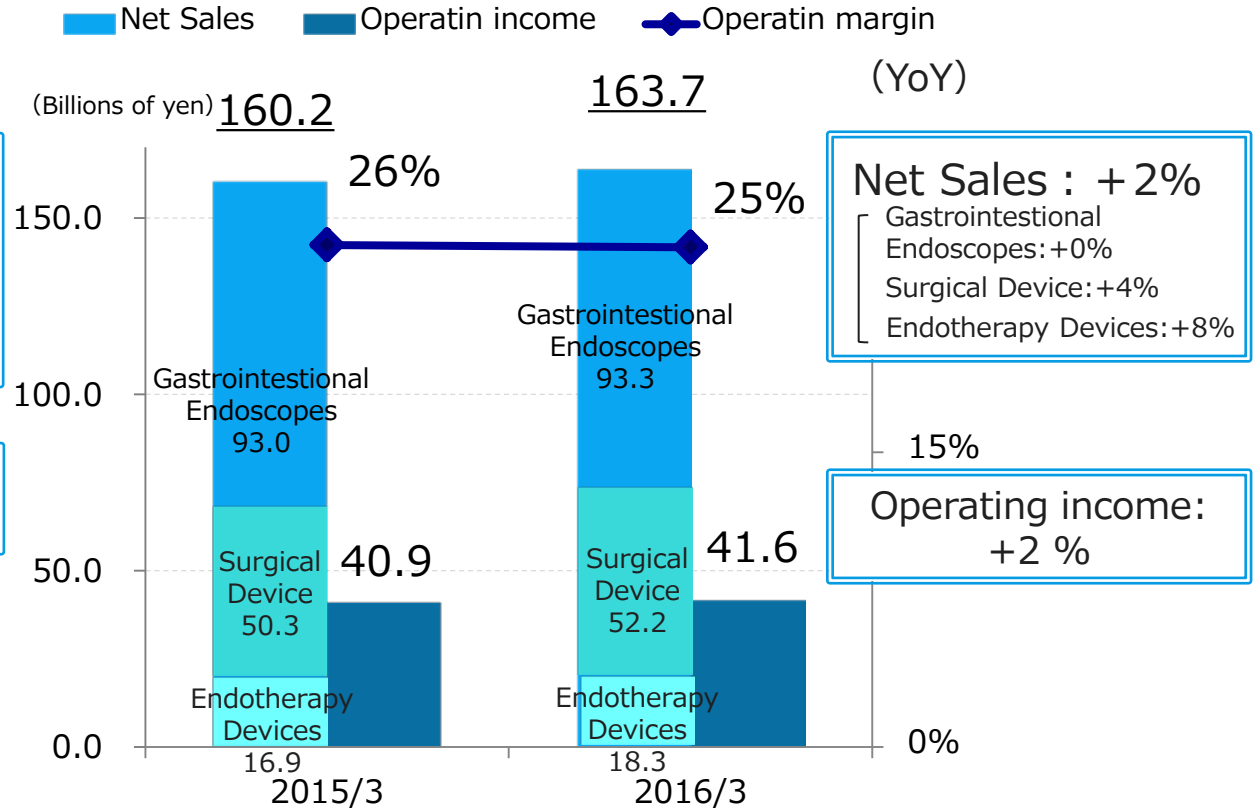
(Billions of yen)		FY2016 (Results)		FY2017 (Forecast)		YoY (%)	
		1H	2H	1H	2H	1H	2H
Medical	Net Sales	297.9	311.0	292.0	318.0	-2%	+2%
	Op. income	67.9	72.3	59.0	68.0	-13%	-6%
Scientific Solutions	Net Sales	48.5	53.1	47.0	53.0	-3%	-0%
	Op. income	3.3	5.2	1.0	5.0	-70%	-3%
Imaging	Net Sales	41.5	36.8	32.0	38.0	-23%	+3%
	Op. income	0	-2.1	-2.0	2.0	-	-
Others (New Business)	Net Sales	7.9	7.9	9.0	11.0	+14%	+40%
	Op. income	-3.3	-2.6	-3.0	-3.0	-	-
Elimination and corporate	Net Sales	-	-	-	-	-	-
	Op. income	-17.9	-18.5	-18.0	-19.0	-	-
Consolidated Total	Net Sales	395.8	408.8	380.0	420.0	-4%	+3%
	Op. income	50.1	54.4	37.0	53.0	-26%	-3%

【Supplementary Materials】 FY2016 Results (Medical)

Full Year

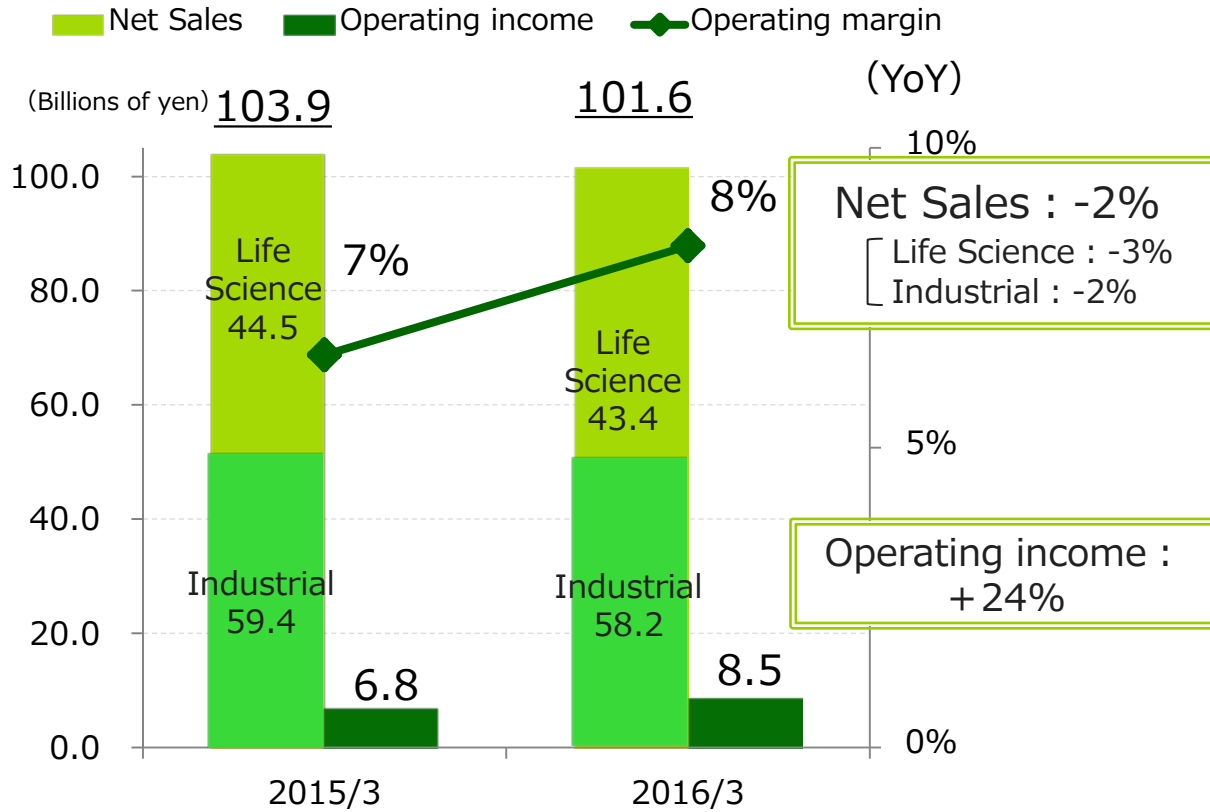


4Q (Jan-Mar)

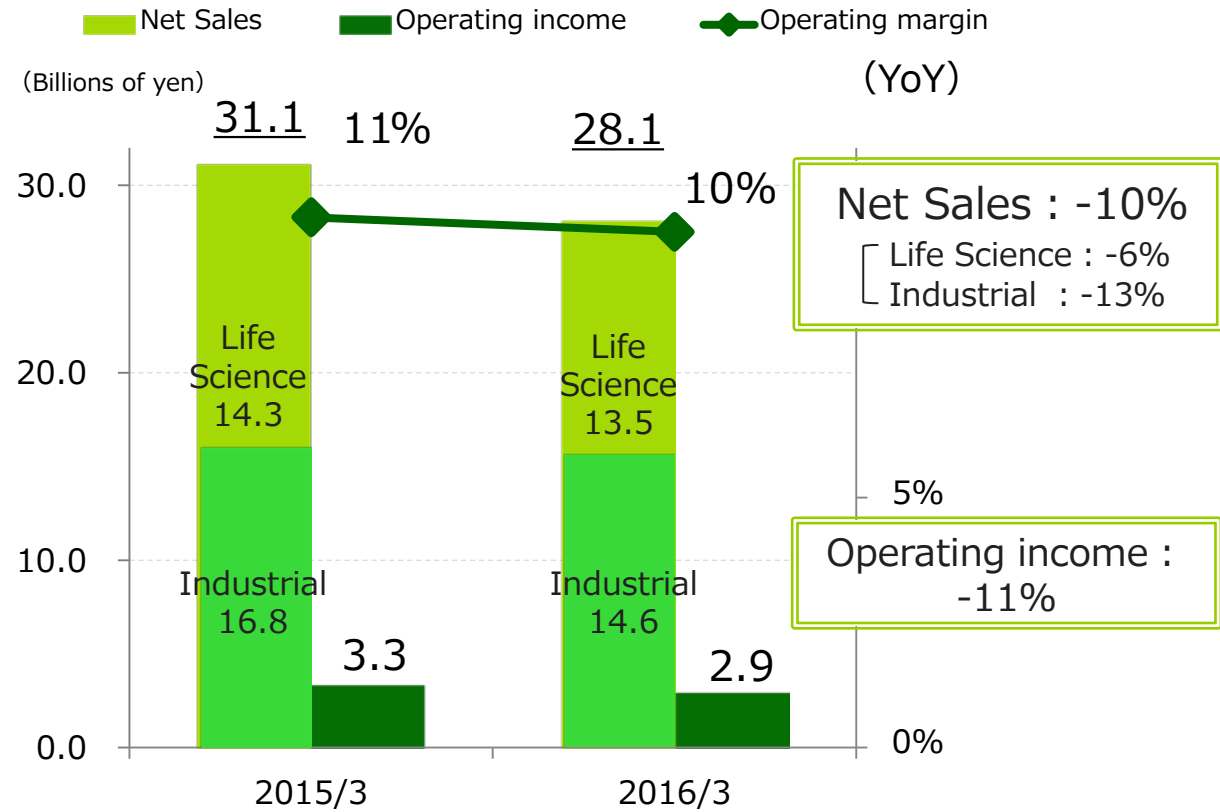


[Supplementary Materials] FY2016 Results (Scientific Solutions)

Full Year

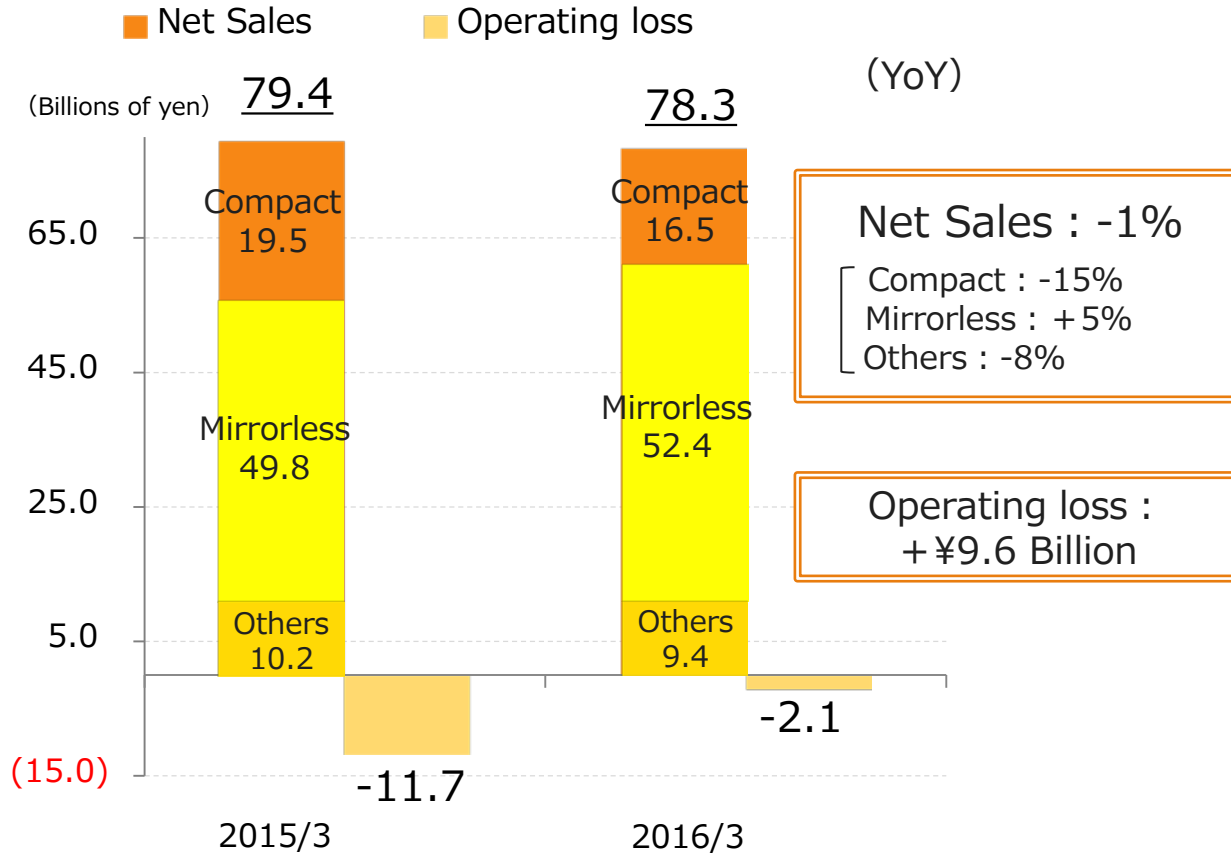


4Q (Jan-Mar)

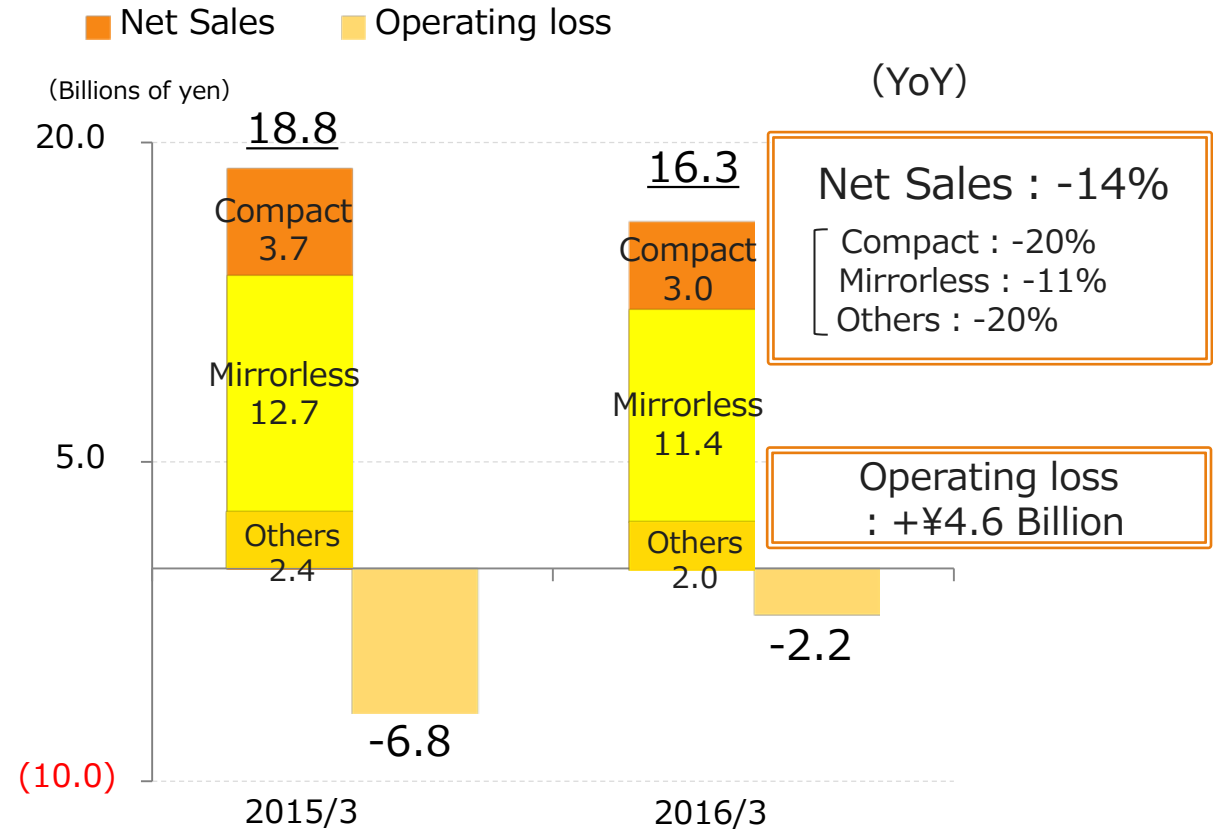


[Supplementary Materials] FY2016 Results (Imaging)

Full Year



4Q (Jan-Mar)



* The new business previously included under the Imaging Business is now included in Others. Figures for FY2015 have been restated to reflect this change.

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