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Olympus Group
Consolidated Financial Results for the 2nd Quarter of
the Fiscal Year Ending March 31, 2017

Hiroyuki Sasa
President and Representative Director
Olympus Corporation
November 2, 2016

Highlights

First-Half Performance

- Sales and income down YOY primarily due to foreign exchange influences, but previously announced forecasts (in 1Q) achieved for operating income, ordinary income, and net income

Full-Year Performance Forecasts

- Forecasts for net sales, operating income and ordinary income revised to reflect rapid appreciation of yen versus British pound and Chinese renminbi as well as current operating environment, forecast for net income unchanged
- Local currency basis operating income forecast unrevised in mainstay Medical Business

Progress of Medium-Term Management Plan (16CSP)

- Measures progressing steadily in accordance with strategies and several noteworthy results have been achieved

2Q of Fiscal 2017 Consolidated Performance

- ① YoY: Net sales relatively unchanged after adjustment for foreign exchange influences despite difficult operating environment
- ② vs. forecasts: All income figures exceeded forecasts announced in 1Q

(Billions of yen)	FY2016	FY2017 (Forecasts announced in 1Q)	1H (Apr.-Sept.)		YoY Change	YoY	vs. forecasts	After foreign exchange adjustment (YOY)
			FY2017					
Net Sales	395.8	366.0	350.0		-45.8	-12%	-4%	① -1%
Operating income (% of sales)	50.1 (12.7%)	29.0 (7.9%)	② 34.4 (9.8%)		-15.7 (-2.9pt)	-31%	+18%	-3%
Ordinary income (% of sales)	43.5 (11.0%)	25.0 (6.8%)	28.8 (8.2%)		-14.7 (-2.8pt)	-34%	+15%	
Net income* (% of sales)	35.8 (9.0%)	20.0 (5.5%)	22.2 (6.3%)		-13.6 (-2.7t)	-38%	+11%	
¥/US\$	¥122	¥107	¥105		-¥17 (yen appreciation)			
¥/Euro	¥135	¥119	¥118		-¥17 (yen appreciation)			
Impact on net sales	-	-¥38.0 billion	-¥43.5 billion					
Impact on operating income	-	-¥15.0 billion	-¥14.3 billion					

Operating Environment Conditions

- ① No change to outlook for rising medical needs and other medium-to-long-term operating environment conditions
- ② Persistently opaque global economic outlook

Outlook in 1Q

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



② Current Outlook

- Slowdowns in China and other emerging economies
- Unstable foreign exchange rates
- Ongoing historic lows for resource prices

① Operating Environment during 16CSP Period

- 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

Steady progress in implementation of strategies for accomplishing 16CSP targets

Forecasts of Consolidated Financial Results for Fiscal 2017

- ① Previously announced forecast for net income to be achieved despite unfavorable foreign exchange rates and difficult operating environment

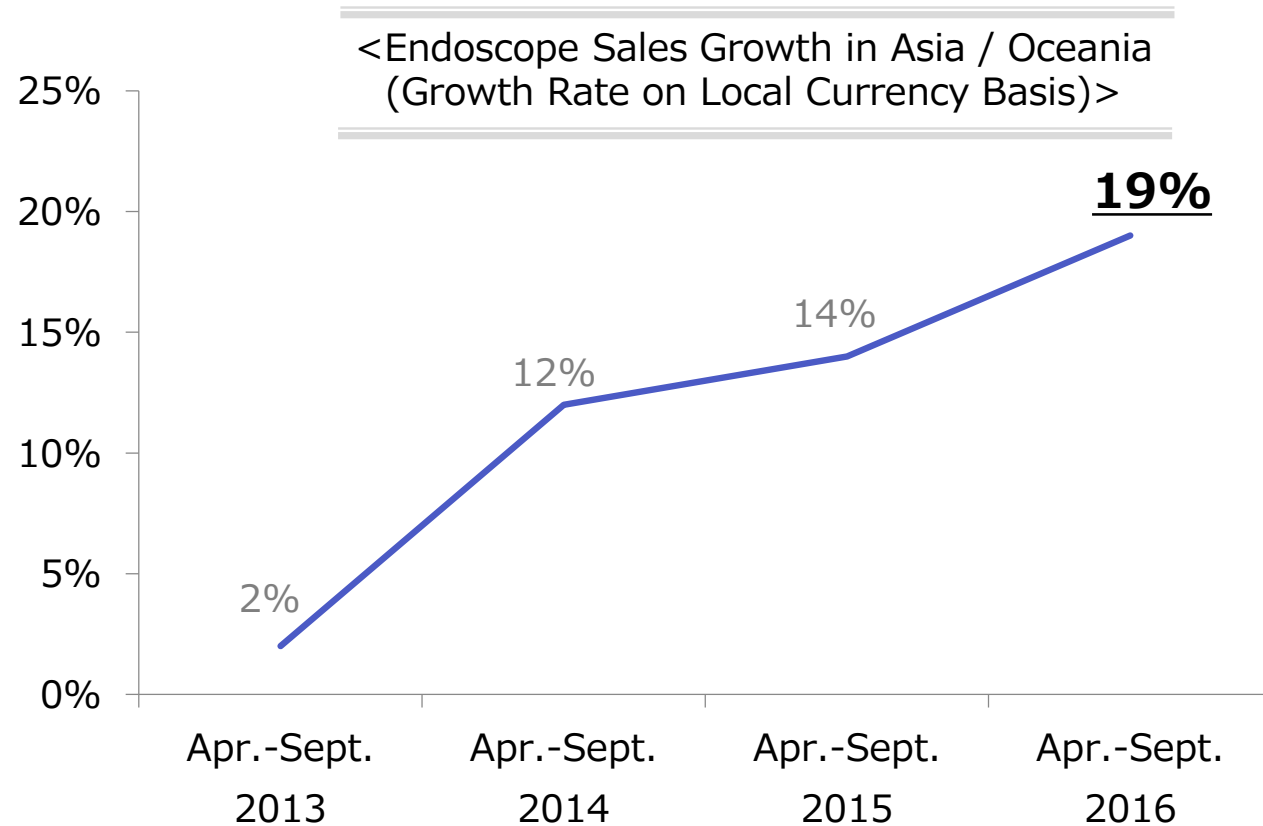
(Billions of yen)	FY2016 (Results)	FY2017 (Initial forecasts)	FY2017 (Newest forecasts)	Change	YoY (%)	After foreign exchange adjustment
Net Sales	804.6	775.0	743.0	-32.0	-8%	+3%
Operating income (% of sales)	104.5 (13.0%)	77.0 (9.9%)	72.0 (9.7%)	-5.0 (-0.2pt)	-31%	-1%
Ordinary income (% of sales)	90.9 (11.3%)	67.0 (8.6%)	60.0 (8.1%)	-7.0 (-0.5pt)	-34%	
Net income* (% of sales)	62.6 (7.8%)	57.0 (7.4%)	57.0 (7.7%)	— (+0.3pt)	-9%	
EPS (Yen)	¥183	¥167	¥167	—	-9%	
¥/US\$	¥120	¥106	¥105	-¥1 (yen appreciation)	-¥15 (yen appreciation)	
¥/Euro	¥133	¥117	¥117	-¥0 (yen appreciation)	-¥16 (yen appreciation)	

Progress of Medium-Term Management Plan (16CSP) (1)

Business Strategies: Grow Medical Business

—Expansion of Operations in Endoscope Field and Emerging Countries

- Double-digit YoY sales growth in Asia and Oceania
- Establishment of training center in Thailand to accelerate growth in Southeast Asia (July)



Exterior and interior of Thai-Training and Education Center (T-TEC)



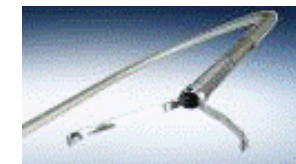
Progress of Medium-Term Management Plan (16CSP) (2)

Business Strategies: Grow Medical Business—Expand Single-Use Device Business

- Realize ongoing sales growth in single-use device business by leveraging strengthened sales force and expanded product lineup
- Surgical energy devices:
Steady increase in sales of strategic product THUNDERBEAT
 - Double-digit YoY growth in North America in 2Q on local currency basis
- Endotherapy devices:
Benefits of sales force strengthening appearing in North American market, world's largest market for these devices
 - 15% YoY growth in North America in 2Q on local currency basis
 - Double-digit growth realized for 10 consecutive quarters YoY



THUNDERBEAT



Endotherapy Devices

Progress of Medium-Term Management Plan (16CSP) (3)

Priority Strategy: Concentrate Management Resources

- Shift management resources to growth fields
 - Transfer of Nippon Outsourcing Corporation to The Longreach Group (October 31)
 - Extraordinary income of approx. ¥3.8 billion to be recorded in 3Q

Priority Strategy: Strengthen Corporate Governance

- Explain measures for improving Board of Directors' effectiveness to stock market
 - Disclosure of results of Board of Directors' evaluation (June 28, also done in FY2016)
 - Corporate governance explanatory forum conducted by chairman of Board of Directors (an outside director and an independent director) (September 28)

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Consolidated Financial Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2016

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

Consolidated Financial Results and Business Overview for the 2Q of Fiscal 2017 (FY Ending March 31, 2017)

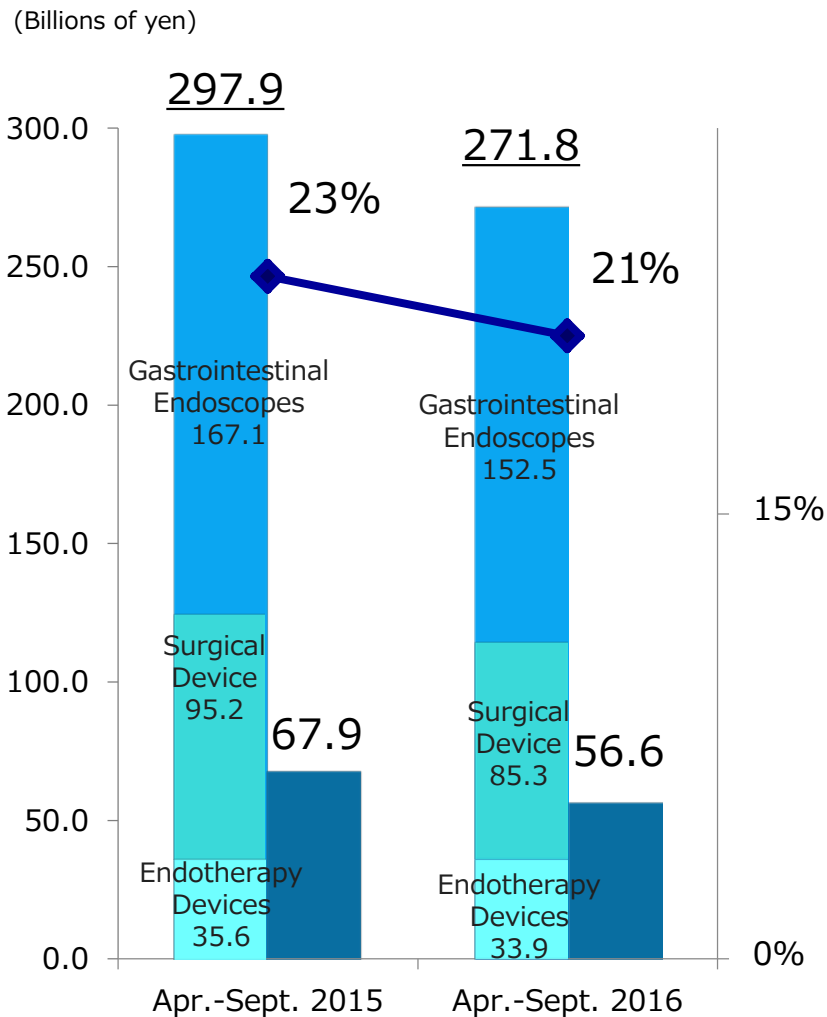
2Q of Fiscal 2017 (1) Consolidated Financial Results

- ① First-half operating income higher than forecast announced in 1Q due to benefits of thorough cost management
- ② Operating margin of approx. 10% secured despite unfavorable foreign exchange rates

(Billions of yen)	FY2016	1H (Apr.-Sept.)		vs. forecasts announced in 1Q		YoY (%)	After foreign exchange adjustment
		FY2017 (Forecasts announced in 1Q)	FY2017	Change	%		
Net sales	395.8	366.0	350.0	-16.0	-4%	-12%	-1%
Gross profit (% of sales)	262.8 (66.4%)	242.2 (66.2%)	232.8 (66.5%)	-9.4	-4%	-11%	+1%
SG&A expenses (% of sales)	212.7 (53.7%)	213.2 (58.3%)	198.4 (56.7%)	-14.8	-7%	-7%	+2%
Operating income (% of sales)	50.1 (12.7%)	29.0 (7.9%)	34.4 (9.8%)	+5.4	+18%	-31%	-3%
Ordinary income (% of sales)	43.5 (11.0%)	25.0 (6.8%)	28.8 (8.2%)	+3.8	+15%	-34%	
Net income* (% of sales)	35.8 (9.0%)	20.0 (5.5%)	22.2 (6.3%)	+2.2	+11%	-38%	
¥/US\$	¥122	¥107	¥105				
¥/Euro	¥135	¥119	¥118				
Impact on net sales	-	-¥38.0 billion	-¥43.5 billion				
Impact on operating income	-	-¥15.0 billion	-¥14.3 billion				

2Q of Fiscal 2017 (3) Medical Business

Net sales Operating income Operating margin



Results

(Billions of yen)

	2Q				1H			
	Jul.-Sept. 2015	Jul.-Sept. 2016	Yen bases	After foreign exchange adjustment	Apr.-Sept. 2015	Apr.-Sept. 2016	Yen bases	After foreign exchange adjustment
Net sales	158.5	141.8	-11%	+3%	297.9	271.8	-9%	+3%
Gastrointestinal Endoscopes	89.7	80.4	-10%	+3%	167.1	152.5	-9%	+3%
Surgical Device	50.5	44.6	-12%	+3%	95.2	85.3	-10%	+2%
Endotherapy Devices	18.3	16.8	-8%	+6%	35.6	33.9	-5%	+8%
OP Income	42.8	34.2	-20%	+3%	67.9	56.6	-17%	+2%
OP margin	27%	24%	-	-	23%	21%	-	-

- Sales and income down on yen basis, sales and income up in all businesses after adjustment for foreign exchange influences
- YoY Consolidated Performance (Local Currency Basis)

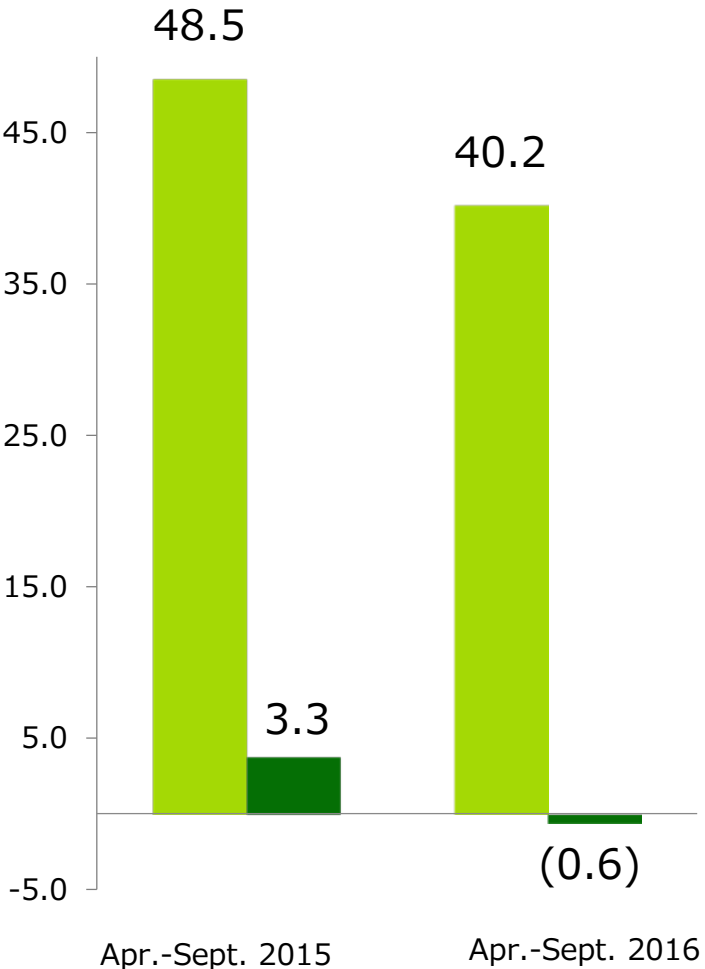
Gastrointestinal Endoscopes
Surgical Device
Endotherapy Devices

- Positive sales growth in Asia and Oceania on back of ongoing strong performance
- Firm sales of mainstay surgical endoscopes, THUNDERBEAT, and other energy devices
- Steady sales growth in Japan, Europe, and United States thanks to strengthened sales forces and expanded lineups

2Q of Fiscal 2017 (4) Scientific Solutions Business

■ Net sales ■ Operating income

(Billions of yen)



Results

(Billions of yen)	2Q				1H			
	Jul.-Sept. 2015	Jul.-Sept. 2016	Yen bases	After foreign exchange adjustment	Apr.-Sept. 2015	Apr.-Sept. 2016	Yen bases	After foreign exchange adjustment
Net sales	25.7	21.8	-15%	-3%	48.5	40.2	-17%	-6%
OP income	2.6	0.7	-71%	-29%	3.3	-0.6	-	-80%
OP margin	10%	3%	-	-	7%	-	-	-

- Sales and income down due to foreign exchange influences, difficult operating environment, and delays in delivering certain products and in launching new products
 - Limited research budget execution primarily in developed countries, sluggish resource-related investment due to low resource prices, and investment austerity in domestic manufacturing industry in view of yen appreciation

2Q of Fiscal 2017 (5) Imaging Business

Net sales Operating income (loss)



Results

(Billions of yen)	2Q				1H			
	Jul.-Sept. 2015	Jul.-Sept. 2016	Yen bases	After foreign exchange adjustment	Apr.-Sept. 2015	Apr.-Sept. 2016	Yen bases	After foreign exchange adjustment
Net sales	20.0	13.8	-31%	-22%	41.5	29.8	-28%	-20%
Compact	4.6	2.7	-41%	-3%	9.6	6.5	-32%	-26%
Mirrorless	12.8	9.6	-25%	-15%	26.8	20.4	-24%	-14%
Others	2.6	1.4	-46%	-40%	5.1	2.8	-44%	-39%
Operating loss	-1.1	-1.2	-	-	0	-1.4	-	-

- Sales down close to 30% YoY due to market contraction and impacts of Kumamoto earthquake
- Sales in line with forecasts announced in 1Q despite difficult operating environment thanks to strong sales of existing mainstay mirrorless camera models

Consolidated Balance Sheet (End of September 2016)

- Net assets: ¥355.2 billion due to negative foreign exchange adjustments as result of yen appreciation
- Interest-bearing debt: Down ¥23.4 billion, to ¥297.7 billion
- Equity ratio: Despite reduction in net assets due to foreign exchange adjustments, 39.2% as result of lower interest-bearing debt

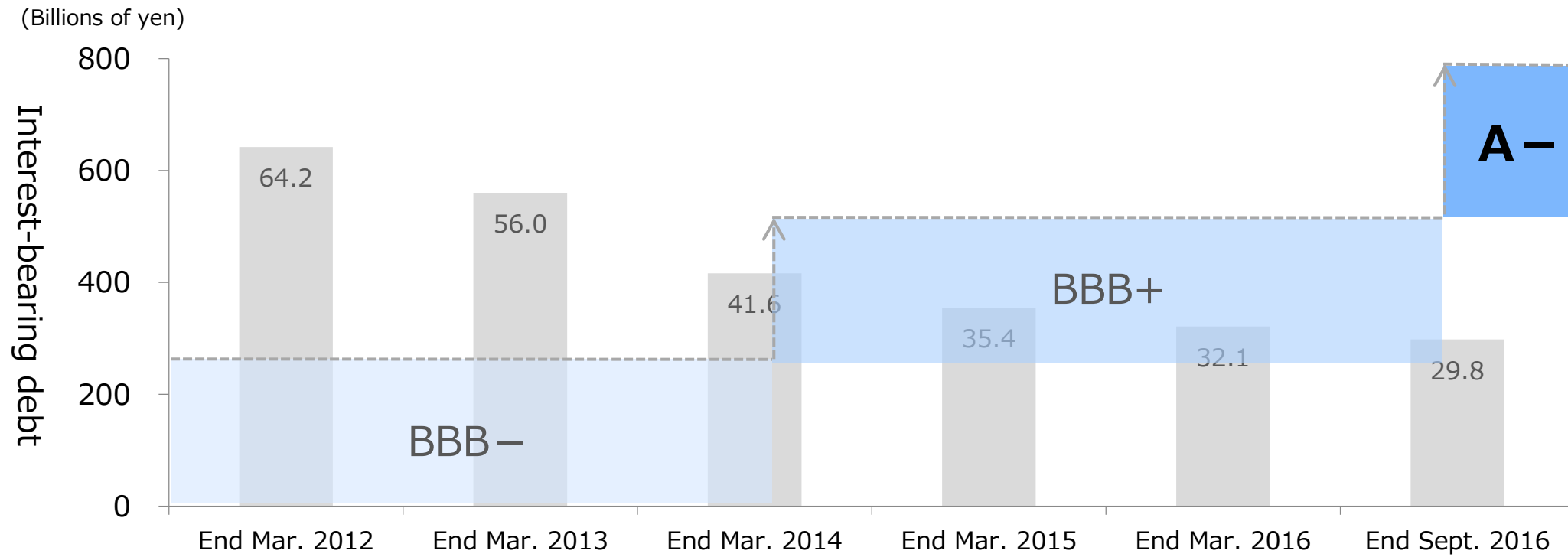
(Billions of yen)	End Mar. 2016	End Sept. 2016	Change		End Mar. 2016	End Sept. 2016	Change
Current assets (Digital camera inventories)	520.7 (14.4)	464.6 (12.2)	-56.1 (-2.2)	Current liabilities	266.6	250.8	-15.8
Property, plant and equipment	166.1	160.7	-5.3	Non-current liabilities (Incl. bonds/long-term loans payable)	349.7 (264.5)	294.7 (222.2)	-55.0 (-42.3)
Intangible assets	150.8	127.1	-23.7	Net assets	384.3	355.2	-29.1
Investments and other assets	163.1	148.4	-14.7	(Equity ratio)	(38.2%)	(39.2%)	(+1.0pt)
Total assets	1,000.6	900.8	-99.8	Total liabilities and net assets	1,000.6	900.8	-99.8

Interest-bearing debt : ¥297.7 billion (-¥23.4 billion from March 31, 2016)

Consolidated Balance Sheet (End of September 2016)—Topics

■ Improve ratings

- Issuer rating from Rating and Investment Information, Inc., raised from BBB+ to A- (October 7)
- Ongoing reduction of interest-bearing debt and improvement of equity capital earn praise for contributing to recent improvements in finances



Consolidated Cash Flows (April to September 2016)

- Free cash flow of positive ¥8.7 billion secured while conducting steady investments for business growth

(Billions of yen)	FY2016 2Q	FY2017 2Q	Change
Net sales	395.8	350.0	-45.8
Operating income	50.1	34.4	-15.7
(%)	12.7%	9.8%	-2.9pt
CF from operating activities	54.9	41.4	-13.5
CF from investing activities	-27.5	-32.7	-5.3
CF from financing activities	-43.1	-24.2	+18.9
Cash flow	-15.7	-15.6	-0.1
Free cash flow	27.4	8.7	-18.7
Cash and cash equivalents at end of year	194.9	138.7	-56.2
Depreciation and amortization	19.4	22.7	+3.3
Amortization of goodwill	5.0	4.2	-0.8
Capital expenditures	31.8	28.4	-3.4

Forecast for Fiscal 2017

Forecasts of Consolidated Financial Results for Fiscal 2017

- ① Profitability to be maintained on full-year basis with operating margin of approx. 10% realized through exhaustive cost management
- ② Net income forecast unchanged from previously announced forecast of ¥57.0 billion in consideration of extraordinary income from transference of subsidiary stocks and reduced tax expenses due to recording of deferred tax income

(Billions of yen)	FY2017 (Forecasts announced in 1Q)	FY2017 (Newest forecasts)	Change	vs. forecasts announced in 1Q	vs. forecasts announced in 1Q after foreign exchange adjustment
Net sales	775.0	743.0	-32.0	-4%	-3%
Gross profit (% of sales)	513.8 (66.3%)	496.0 (66.8%)	-17.8 (+0.5pt)	-3%	-2%
Operating income (% of sales)	77.0 (9.9%)	72.0 (9.7%)	-5.0 (-0.2pt)	-6%	-1%
Ordinary income (% of sales)	67.0 (8.6%)	60.0 (8.1%)	-7.0 (-0.5pt)	-10%	
Net income* (% of sales)	57.0 (7.4%)	57.0 (7.7%)	- (+0.3pt)	0%	
EPS	¥167	¥167	-		
¥/US\$	¥106	¥105	-¥1 (yen appreciation)		
¥/Euro	¥117	¥117	-¥0 (yen appreciation)		
Impact on net sales	-	-¥90 billion			
Impact on operating income	-	-¥40 billion			

2017/3 (Dividend Forecast)

Annual dividend of ¥28 per share

Segment Forecasts for Fiscal 2017

- ① Medical: Operating income to be secured on local currency basis
- ② Scientific Solutions: Net sales and operating income forecasts revised to reflect first-half performance and current operating environment
- ③ Imaging: Forecasts include earnings improvements as result of not changing prices of readily affordable mirrorless camera models

	(Billions of yen)	2017/3 (Forecasts announced in 1Q)	2017/3 (Newest forecasts)	Change	vs. forecasts announced in 1Q	vs. forecasts announced in 1Q after foreign exchange adjustment
Medical	Net sales	598.0	576.0	-22.0	-4%	-2%
	Operating income	120.0	117.0	-3.0	-3%	① 0%
Scientific Solutions	Net sales	96.0	89.0	-7.0	-7%	-6%
	Operating income	4.0	1.0	-3.0	-75%	-63%
Imaging	Net sales	62.0	65.0	+3.0	+5%	+5%
	Operating income	-4.0	-3.0	+1.0	—	—
Others	Net sales	19.0	13.0	-6.0	-32%	-32%
	Operating income	-6.0	-6.0	—	—	—
Elimination and corporate	Net sales	—	—	—	—	—
	Operating income	-37.0	-37.0	—	—	—
Consolidated total	Net sales	775.0	743.0	-32.0	-4%	-3%
	Operating income	77.0	72.0	-5.0	-6%	-1%

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