

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2017 <under Japanese GAAP>



August 3, 2016

Company Name: Olympus Corporation
Code Number: 7733
(URL: <http://www.olympus.co.jp/>)
Stock Exchange Listing: First Section of Tokyo Stock Exchange
Representative: Hiroyuki Sasa, Representative Director, President
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Scheduled date to submit the Quarterly Securities Report: August 3, 2016
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 Three Months of the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to June 30, 2016)

(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)	%
Three months ended								
June 30, 2016	168,438	(10.2)	10,808	(37.0)	8,313	(50.2)	8,530	(49.0)
June 30, 2015	187,572	12.3	17,165	14.0	16,679	49.5	16,734	105.5

Note: Comprehensive income: Three months ended June 30, 2016: ¥(26,989) million [–%]
Three months ended June 30, 2015: ¥30,991 million [1,050.8%]

	Net income per share	Fully diluted net income per share
	(¥)	(¥)
Three months ended		
June 30, 2016	24.93	24.92
June 30, 2015	48.89	48.88

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(¥ million)	(¥ million)	%
As of			
June 30, 2016	947,280	351,417	36.9
March 31, 2016	1,000,614	384,283	38.2

Note: Equity as of June 30, 2016: ¥349,563 million March 31, 2016: ¥382,359 million

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2016	–	0.00	–	17.00	17.00
Fiscal year ending March 31, 2017	–				
Fiscal year ending March 31, 2017 (Forecast)		0.00	–	28.00	28.00

Note: Revisions of the forecast most recently announced: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(% 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)	%	(¥)
Six months	366,000	(7.5)	29,000	(44.1)	25,000	(42.5)	20,000	(44.1)	58.44
Full year	775,000	(3.7)	77,000	(26.3)	67,000	(26.3)	57,000	(8.9)	166.55

Note: Revisions of the forecast most recently announced: Yes

* Notes

- (1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the changes in scope of consolidation): No
- (2) Application of special accounting for preparing quarterly consolidated financial statements: Yes
- (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: No
 - 2) Changes in accounting policies due to other reasons: No
 - 3) Changes in accounting estimates: No
 - 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 June 30, 2016	342,671,508 shares
As of March 31, 2016	342,671,508 shares

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

As of June 30, 2016	436,985 shares
As of March 31, 2016	436,607 shares

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

Three months ended June 30, 2016	342,234,661 shares
Three months ended June 30, 2015	342,236,942 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 Act. 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 Three Months

(1) Explanation of Results of Operations

Overall

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	187,572	168,438	(19,134)	(10.2)%
Operating income	17,165	10,808	(6,357)	(37.0)%
Ordinary income	16,679	8,313	(8,366)	(50.2)%
Net income attributable to owners of the parent	16,734	8,530	(8,204)	(49.0)%
Exchange rate (Yen/U.S. dollar)	121.36	108.14	(13.22)	–
Exchange rate (Yen/Euro)	134.16	122.02	(12.14)	–

In the global economy during the three months ended June 30, 2016, improvements in personal consumption and the employment situation in the U.S. continued to drive the economic recovery. In Europe also there was a trend of moderate improvement, primarily in Germany, but in developing countries such as China, economic growth decelerated. In addition, the decision of the United Kingdom to leave the EU led to a sense of poor visibility with regard to the future direction of the global economy. In the Japanese economy, there has been a visible stalling in corporate profits caused by the sudden appreciation of the yen, and the situation is volatile.

Faced with this business environment, the Olympus Group's overall net sales decreased over the three months of the fiscal year under review to ¥168,438 million (down 10.2% year on year), due to appreciation of the yen and other factors. Operating income was ¥10,808 million (down 37.0% year on year), due to sales decline and other factors. Ordinary income was ¥8,313 million (down 50.2% year on year), due mainly to the decline of operating income. Moreover, income taxes became negative due to the recording of deferred income taxes and other factors, resulting in net income attributable to owners of the parent of ¥8,530 million (down 49.0% year on year).

Regarding foreign exchange, the yen appreciated against both the U.S. dollar and the euro compared to the same period of the previous fiscal year. The average exchange rate during the period was ¥108.14 against the U.S. dollar (¥121.36 in the same period of the previous fiscal year) and ¥122.02 against the euro (¥134.16 in the same period of the previous fiscal year), which caused net sales and operating income to drop by ¥17,251 million and ¥3,673 million, respectively, year on year.

Medical Business

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	139,394	129,998	(9,396)	(6.7)%
Operating income	25,046	22,429	(2,617)	(10.4)%

Consolidated net sales in the Medical Business amounted to ¥129,998 million (down 6.7% year on year), while operating income amounted to ¥22,429 million (down 10.4% year on year).

Net sales in the Medical Business fell as a result of the stronger yen, but excluding the impact of the foreign exchange rate, they grew by 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, and the 3D laparoscopy system were strong, while the sales of “THUNDERBEAT” integrated energy device with both advanced bipolar and ultrasonic energy continued to grow. In the therapeutic devices field, there was growth in sales of “VisiGlide 2” disposable guidewire for use in endoscopic diagnosis and treatment of biliary and pancreatic ducts and others.

Operating income in the Medical Business declined as a result of the stronger yen, but excluding the impact of the foreign exchange rate, operating income rose by 1% year on year, due to strong results in all fields.

Scientific Solutions Business

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	22,731	18,395	(4,336)	(19.1)%
Operating income/loss	760	(1,396)	(2,156)	–

Consolidated net sales in the Scientific Solutions Business amounted to ¥18,395 million (down 19.1% year on year), while operating loss amounted to ¥1,396 million (compared with an operating income of ¥760 million in the same period of the previous fiscal year).

Delays in budget execution of research institutions affected sales of biological microscopes and devices for research, while the fall in commodity price such as crude oil prevented growth in sales of non-destructive testing equipment, etc., leading to a decline in net sales for the Scientific Solutions Business.

Although the Company made efforts to improve efficiency, such as by reducing expenses, the stronger yen and the fall in sales resulted in an operating loss for the Scientific Solutions Business.

Imaging Business

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	21,533	16,039	(5,494)	(25.5)%
Operating income/loss	1,085	(218)	(1,303)	–

Consolidated net sales in the Imaging Business amounted to ¥16,039 million (down 25.5% year on year), while operating loss amounted to ¥218 million (compared with an operating income of ¥1,085 million in the same period of the previous fiscal year).

Ongoing moves to shrink the Imaging Business to a scale more appropriate for the shrinking market and the impact of the Kumamoto earthquake of April 2016, which caused delays in the supply of some products, resulted in lower sales for the Imaging Business.

Despite efforts to squeeze expenses, lower sales resulted in an operating loss in the Imaging Business.

Others

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016	Increase (Decrease)	Increase (Decrease) Ratio
Net sales	3,914	4,006	92	2.4%
Operating income/loss	(1,388)	(920)	468	–

Consolidated net sales for other businesses amounted to ¥4,006 million (up 2.4% year on year) and operating loss was ¥920 million (compared with an operating loss of ¥1,388 million in the same period of the previous fiscal year).

Due to growth in sales in the external lens sales business, other businesses recorded higher net sales.

The company conducted investment aimed at creating new businesses in the medical and imaging technology domains, but it was primarily an improvement in the profitability of the external lens sales business that led to a smaller operating loss in other businesses.

(2) Explanation of Financial Position

As of the end of the first quarter under review, total assets decreased ¥53,334 million compared to the end of the previous fiscal year to ¥947,280 million.

This was primarily as a result of an increase in cash and time deposits of ¥3,029 million, and decreases in notes and accounts receivable of ¥25,486 million and goodwill of ¥11,304 million.

Total liabilities decreased ¥20,468 million compared to the end of the previous fiscal year to ¥595,863 million due mainly to an increase in short-term borrowings of ¥6,301 million and decreases in long-term borrowings of ¥6,138 million and income taxes payable of ¥3,710 million.

Net assets decreased ¥32,866 million compared to the end of the previous fiscal year to ¥351,417 million, primarily due to an increase in retained earnings mainly reflecting ¥8,530 million in net income attributable to owners of the parent and a decrease in accumulated other comprehensive income of ¥35,506 arising from fluctuations in foreign exchange.

As a result of the foregoing, equity ratio decreased from 38.2% as of the end of the previous fiscal year to 36.9%.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements

With regard to the forecast of consolidated financial results for the six months ending September 30, 2016 and the fiscal year, both net sales and each item of income seem likely to undershoot the initial forecasts due to the surge in the appreciation of the yen and the effects of the Kumamoto earthquake, etc. Accordingly we have revised the forecasts as follows.

The average exchange rates for the first six months and onward of the fiscal year ending March 31, 2017, which are a precondition for the forecast, are expected to be ¥105 against the U.S. dollar and ¥115 against the euro.

(Six months of the fiscal year ending March 31, 2017)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous Forecast (A)	380,000	37,000	32,000	27,000	¥81.81
Revised Forecast (B)	366,000	29,000	25,000	20,000	¥58.44
Increase (Decrease) (B-A)	(14,000)	(8,000)	(7,000)	(7,000)	–
Increase (Decrease) ratio (%)	(3.7)	(21.6)	(21.9)	(25.9)	–

(Full year)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous Forecast (A)	800,000	90,000	80,000	65,000	¥189.93
Revised Forecast (B)	775,000	77,000	67,000	57,000	¥166.55
Increase (Decrease) (B-A)	(25,000)	(13,000)	(13,000)	(8,000)	–
Increase (Decrease) ratio (%)	(3.1)	(14.4)	(16.3)	(12.3)	–

2. Matters Regarding Summary Information (Notes)

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

No items to report

All the shares held in Adachi Co., Ltd., which was an affiliated company accounted for under the equity method, have been sold, leading to said company being excluded from the scope of the equity method from the first quarter ended June 30, 2016 onward. This does not correspond to changes in specified subsidiaries.

(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 first 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

(Additional Information)

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter ended June 30, 2016, the Company has applied the “Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

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, 2016	As of June 30, 2016
ASSETS		
Current assets		
Cash and time deposits	166,554	169,583
Notes and accounts receivable	140,666	115,180
Merchandise and finished goods	54,245	55,518
Work in process	21,993	19,298
Raw materials and supplies	35,320	38,948
Other current assets	108,504	105,800
Allowance for doubtful accounts	(6,590)	(6,094)
Total current assets	520,692	498,233
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	56,480	59,799
Machinery and equipment, net	12,283	11,666
Tools, furniture and fixtures, net	55,088	50,255
Land	22,832	22,251
Lease assets, net	9,582	10,080
Construction in progress	9,799	4,441
Net property, plant and equipment	166,064	158,492
Intangible assets		
Goodwill	97,190	85,886
Others	53,607	48,384
Total intangible assets	150,797	134,270
Investments and other assets		
Investment securities	71,141	68,259
Other assets	100,974	96,923
Allowance for doubtful accounts	(9,054)	(8,897)
Total investments and other assets	163,061	156,285
Total fixed assets	479,922	449,047
Total assets	1,000,614	947,280

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
LIABILITIES		
Current liabilities		
Notes and accounts payable	40,597	38,337
Current maturities of bonds	30,000	30,000
Short-term borrowings	26,656	32,957
Income taxes payable	9,120	5,410
Provision for product warranties	6,314	5,894
Provision for points	207	213
Provision for loss on business liquidation	298	224
Provision for loss on litigation	567	567
Other current liabilities	152,866	143,076
Total current liabilities	266,625	256,678
Non-current liabilities		
Long-term bonds, less current maturities	25,000	25,000
Long-term borrowings, less current maturities	239,482	233,344
Net defined benefit liability	38,645	36,677
Other reserves	38	18
Other non-current liabilities	46,541	44,146
Total non-current liabilities	349,706	339,185
Total liabilities	616,331	595,863
NET ASSETS		
Shareholders' equity		
Common stock	124,520	124,520
Capital surplus	90,940	90,940
Retained earnings	172,989	175,701
Treasury stock, at cost	(1,122)	(1,123)
Total shareholders' equity	387,327	390,038
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	24,947	23,751
Net unrealized gains (losses) on hedging derivatives, net of taxes	(7)	-
Foreign currency translation adjustments	(8,686)	(46,564)
Remeasurements of defined benefit plans	(21,222)	(17,661)
Total accumulated other comprehensive income	(4,968)	(40,474)
Subscription rights to shares	428	428
Non-controlling interests	1,496	1,425
Total net assets	384,283	351,417
Total liabilities and net assets	1,000,614	947,280

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

Quarterly Consolidated Statements of Income (cumulative)

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	187,572	168,438
Costs of sales	65,832	56,432
Gross profit	121,740	112,006
Selling, general and administrative expenses	104,575	101,198
Operating income	17,165	10,808
Non-operating income		
Interest income	151	107
Dividends income	628	562
Foreign currency exchange gain	656	–
Others	1,390	791
Total non-operating income	2,825	1,460
Non-operating expenses		
Interest expense	2,004	1,929
Foreign currency exchange loss	–	720
Net loss of investment in affiliated companies carried on the equity method	1,216	517
Others	91	789
Total non-operating expenses	3,311	3,955
Ordinary income	16,679	8,313
Extraordinary income		
Legal settlement compensation	–	13
Total extraordinary income	–	13
Extraordinary losses		
Impairment loss on fixed assets	–	230
Loss on sales of investments in subsidiaries and affiliates	–	760
Loss related to the U.S. Anti-kickback Statute	2,421	–
Total extraordinary losses	2,421	990
Income before provision for income taxes	14,258	7,336
Income taxes	(2,484)	(1,217)
Net income	16,742	8,553
Net income attributable to non-controlling interests	8	23
Net income attributable to owners of the parent	16,734	8,530

Quarterly Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net income	16,742	8,553
Other comprehensive income		
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	470	(1,195)
Net unrealized gains (losses) on hedging derivatives, net of taxes	8	7
Foreign currency translation adjustments	13,220	(37,913)
Remeasurements of defined benefit plans, net of taxes	551	3,561
Share of other comprehensive income of associates accounted for using equity method	(0)	(2)
Total other comprehensive income	14,249	(35,542)
Comprehensive income	30,991	(26,989)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	30,979	(26,976)
Comprehensive income attributable to non-controlling interests	12	(13)

(3) 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, etc.)

[Segment Information]

I. Three months of the fiscal year ended March 31, 2016 (from April 1, 2015 to June 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	Scientific Solutions	Imaging	Others	Total		
Sales							
Sales to outside customers	139,394	22,731	21,533	3,914	187,572	–	187,572
Internal sales or transfer among segments	–	–	–	–	–	–	–
Total	139,394	22,731	21,533	3,914	187,572	–	187,572
Segment income (loss)	25,046	760	1,085	(1,388)	25,503	(8,338)	17,165

Notes:

- The deduction of ¥8,338 million listed as an adjustment to segment income (loss) includes corporate expenses of ¥8,338 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.
 - 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. Three months of the fiscal year ending March 31, 2017 (from April 1, 2016 to June 30, 2016)

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	Scientific Solutions	Imaging	Others	Total		
Sales							
Sales to outside customers	129,998	18,395	16,039	4,006	168,438	–	168,438
Internal sales or transfer among segments	–	8	1	172	181	(181)	–
Total	129,998	18,403	16,040	4,178	168,619	(181)	168,438
Segment income (loss)	22,429	(1,396)	(218)	(920)	19,895	(9,087)	10,808

Notes:

1. The deduction of ¥9,087 million listed as an adjustment to segment income (loss) includes corporate expenses of ¥9,087 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

No items to report