

OLYMPUS

Your Vision, Our Future

Scientific Solutions Business Strategy

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16CSP

1. Business Overview

2. Recognition of Current Conditions

3. Market Trends

4. Business Strategies

5. Targets and Indicators

1. Business Overview

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Business Direction of Scientific Solutions Business

We contribute to the health and safety of society by offering optimal solutions based on innovative products and inspiring support that matches the evolving needs of life science and industrial professionals and exceeds their expectations.

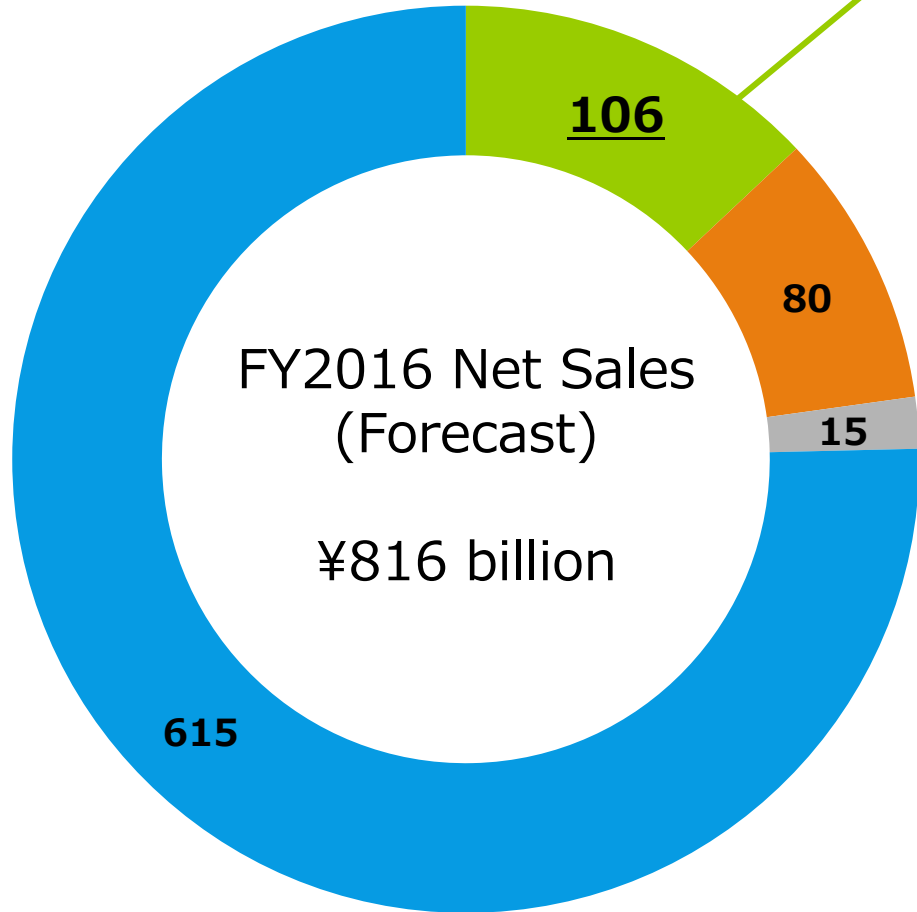
Inspection

Analysis

Measuring

Sales Distribution and Positioning

FY2016 Net Sales (Forecast)



Scientific Solutions Business

Life science field

Research



Sample preparation
Cell culture processes



Pathological examinations



Education



Biological
microscopes

Industrial field

Micro inspections



Industrial
microscopes

Internal inspections



Industrial
endoscopes

Nondestructive inspections



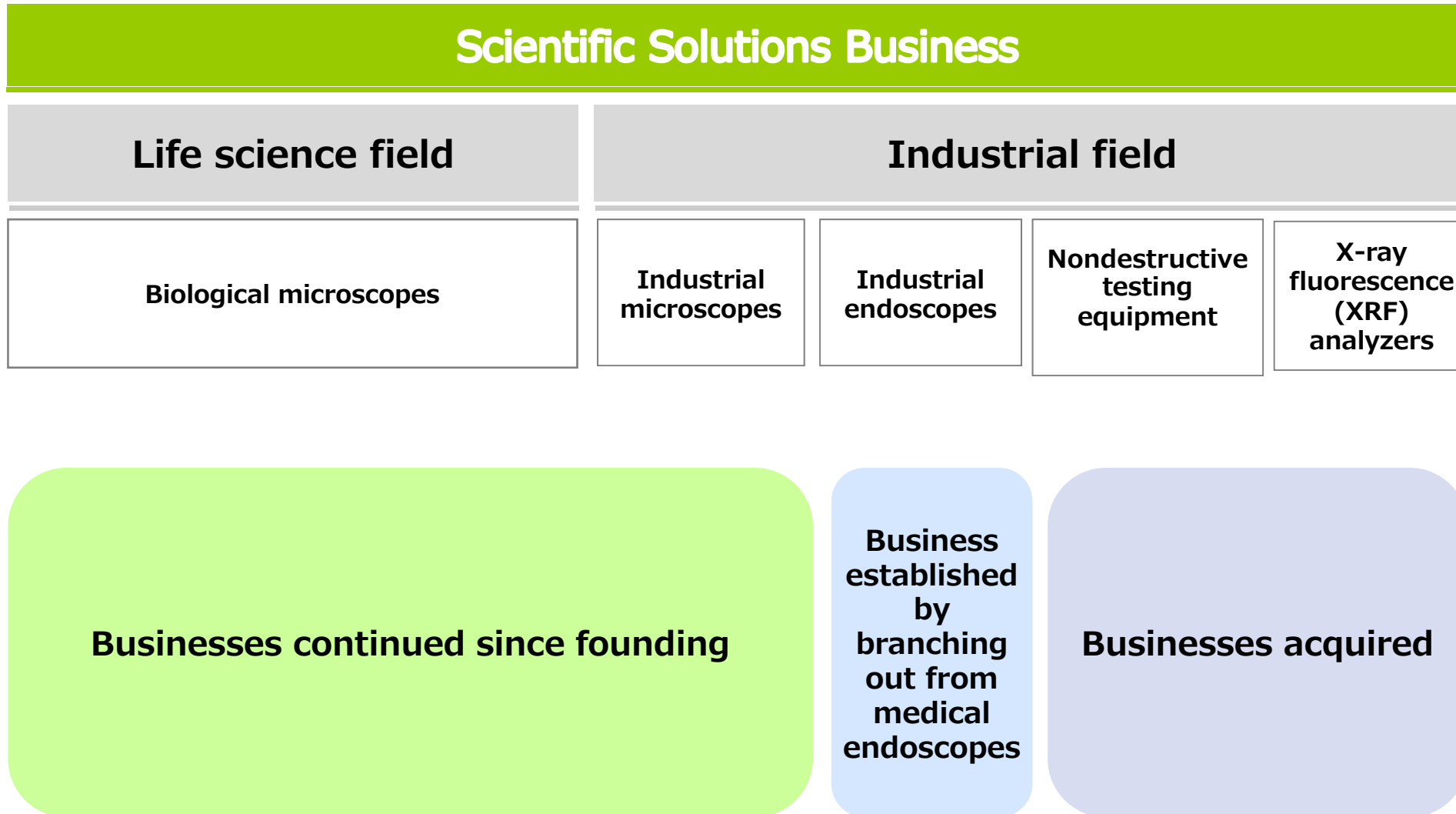
Nondestructive
testing equipment

Material analysis



X-ray
fluorescence
(XRF)
analyzers

Birth of Existing Product Segments



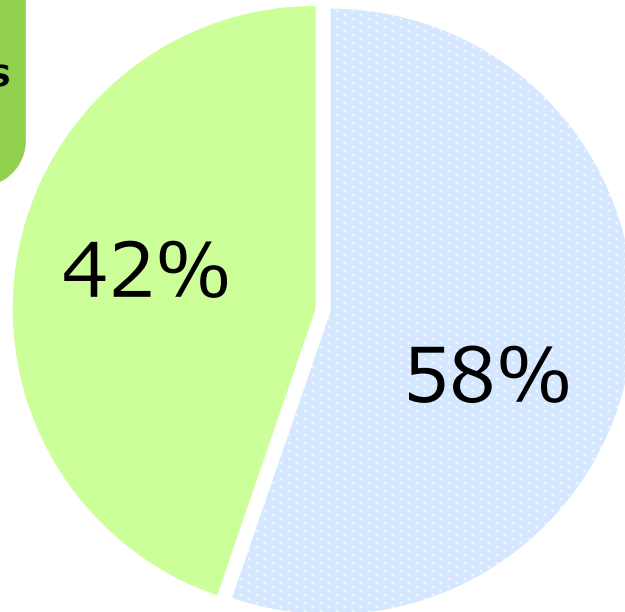
Distribution of Sales in Scientific Solutions Business

Fields / Product segments

Life science field

Industrial field

Biological
microscopes



Industrial
microscopes

Industrial
endoscopes

Nondestructive
testing
equipment

X-ray
fluorescence
(XRF)
analyzers

Regions

Asia

27%

Japan

16%

32%

Americas

Europe,
Middle East, and
Africa

25%

Today's Agenda

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3. Market Trends




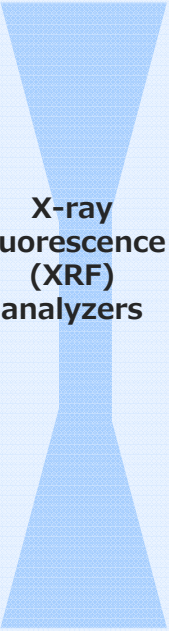
4. Business Strategies

5. Targets and Indicators

Customer Segments and Scientific Solutions Business

Product segment	Customer segment	Application
Biological microscopes	LS Research	■ Life science field research
	Wetlab	■ Sample preparation and cell culture processes
	Clinical	■ Pathological examination
	Education	■ Medical and biology education institutions

Customer Segments and Scientific Solutions Business

Product segment				Customer segment	Application
 <p>Industrial microscopes</p>	 <p>Industrial endoscopes</p>	 <p>Nondestructive testing equipment</p>	 <p>X-ray fluorescence (XRF) analyzers</p>	Infrastructure Maintenance	<ul style="list-style-type: none"> ■ Aircraft and high-speed rail ■ Power generation equipment and petrochemical plants ■ General structures
				Manufacturing	<ul style="list-style-type: none"> ■ Integrated manufacturing process quality management ■ Defect analysis ■ Material research
				Environment & Natural Resource	<ul style="list-style-type: none"> ■ Resource inspection and mining ■ Metal and material analysis ■ Environmental pollution assessments

Recognition of Current Conditions

■ Review of Medium-Term Vision Period (FY2013~)

(Billions of yen)	FY2013		FY2015		FY2016
	Target	Actual	Target*	Actual	Forecast
Net sales	97.0	85.5	108.0	103.9	106.0
Operating income	5.5	3.5	8.0	6.8	8.0
Operating margin	6%	4%	7%	7%	8%

Measure	Evaluation
Aggressively expand product portfolio	<ul style="list-style-type: none"> ■ Introduced new digital industrial microscopes, ultracompact videoscopes, guided wave technologies for realizing more-efficient nondestructive testing, automated cell counters for cell culture, etc.
Reform earnings structures	<ul style="list-style-type: none"> ■ Successfully improved operating margin by withdrawing from and liquidating unprofitable businesses, rationalizing domestic and overseas production bases, reorganizing sales organizations, and improving asset efficiency through structural reforms
Acquire shares in emerging markets	<ul style="list-style-type: none"> ■ Constructed sales systems in Indian subsidiary ■ Launched affordable models of industrial endoscopes, XRF analyzers, ultrasonic nondestructive testing facilities, etc.
Strengthen customer contacts	<ul style="list-style-type: none"> ■ Shifted from product segment based system for business activities to customer segment based system, defined 7 priority customer segments, and made progress in constructing systems for strategies

Recognition of Current Conditions

Medium-term vision period

Conglomeration of individually optimized, product-segment-specific organizations

- Differing target applications and customers
- Maturing technologies and markets for certain product segments
- Inefficiency born out of redundant functions and processes



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Strategies and resource allocation through Companywide optimization

- Improved development and sales efficiency from clarified target customer segments
- Solutions provided from customer perspective
- Global optimization pursued through complete overhaul of function and regional frameworks
- Investments focused on growth fields



Growth strategies exceeding boundaries of existing businesses

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Market Trends

Field	Customer segment	Market Trends (Operating Environment)	Market Scale* (Growth Forecasts)	Share*	Competitors
Life science	LS Research	<ul style="list-style-type: none"> ■ Growing needs in areas ranging from observation to analysis in drug discovery and regenerative medicine markets ■ Market heavily influenced by government budget trends 	¥80.0~¥100.0 billion (CAGR:1-2%)	Approx. 25%	<ul style="list-style-type: none"> ■ Zeiss (Germany) ■ Leica (Germany) ■ Nikon (Japan)
	Wetlab (Cell cultures)	<ul style="list-style-type: none"> ■ Future cell culture support industry market growth projected in drug discovery and regenerative medicine fields (long term) 	¥6.0~¥8.0 billion (CAGR:6-7%)	Approx. 35%	<ul style="list-style-type: none"> ■ Zeiss (Germany) ■ Leica (Germany) ■ Nikon (Japan)

Market Trends

Field	Customer segment	Market Trends (Operating Environment)	Market Scale* (Growth Forecasts)	Share*	Competitors
Life science	Clinical (Pathological examination)	<ul style="list-style-type: none"> ■ Dominating top share held by Olympus due to establishment of anatomic pathology workflow in microscope field ■ Expanding range of examination methods stemming from introduction of new technologies into overall examination market in conjunction with population aging and advances in cancer treatments 	¥20.0~¥30.0 billion (CAGR:3-4%)	Approx. 60%	<ul style="list-style-type: none"> ■ Zeiss (Germany) ■ Leica (Germany) ■ Nikon (Japan)
	Education	<ul style="list-style-type: none"> ■ Growing possibilities for education systems using digital imaging at medical education facilities 	¥8.0~¥10.0 billion (CAGR:1-2%)	Approx. 35%	<ul style="list-style-type: none"> ■ Zeiss (Germany) ■ Leica (Germany) ■ Nikon (Japan) ■ Motic (China)

Market Trends

Field	Customer segment	Market Trends (Operating Environment)	Market Scale* (Growth Forecasts)	Share*	Competitors
Industrial	Infrastructure Maintenance	<ul style="list-style-type: none"> ■ Infrastructure aging expected in developed countries and new infrastructure construction anticipated in emerging countries ■ Ongoing growth in aircraft and high-speed rail demand ■ Severe lack of inspection technicians 	¥70.0~¥90.0 billion (CAGR:7-8%)	Approx. 35%	<ul style="list-style-type: none"> ■ GE (U.S.)
	Manufacturing	<ul style="list-style-type: none"> ■ Long-term growth in automotive, aviation, electricity, and other markets ■ Advances in process efficiency improvements as illustrated by Industry 4.0, etc. 	¥100.0~¥120.0 billion (CAGR:4-5%)	Approx. 25%	<ul style="list-style-type: none"> ■ GE (U.S.) ■ Zeiss (Germany) ■ Leica (Germany) ■ Nikon (Japan) ■ KEYENCE (Japan)
	Environment & Natural Resource	<ul style="list-style-type: none"> ■ Rising need anticipated for energy and materials in emerging countries and for energy, materials, and recycling in developed countries ■ Growing expectations for food and environmental safety 	¥7.0~¥9.0 billion (CAGR:4-5%)	Approx. 25%	<ul style="list-style-type: none"> ■ ThermoFisher (U.S.)

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Business Strengths (SWOT Analysis)

- Superior technological prowess and quality for optical, imaging, ultrasound, and XRF
- Top-class market for all product segments
- Global sales, marketing, and service networks

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- Technological maturity of certain products
- Increased manufacturing and sales costs for certain products
- Lost opportunities and low efficiency due to product segment based business operation

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- Long-term demand growth for social infrastructure construction in emerging countries and aging social infrastructure maintenance in developed countries
- Continuous growth in demand in aviation, automotive, and other manufacturing industries
- New needs arising from regularization of regenerative medicine

- Emergence of alternative technologies
- Economic slowdown in emerging countries
- Ups and downs for specific customer segments

Basic Policies

1

Realize continuing organic growth and keep operating margin consistently above 10% through initiatives tailored to customer segments

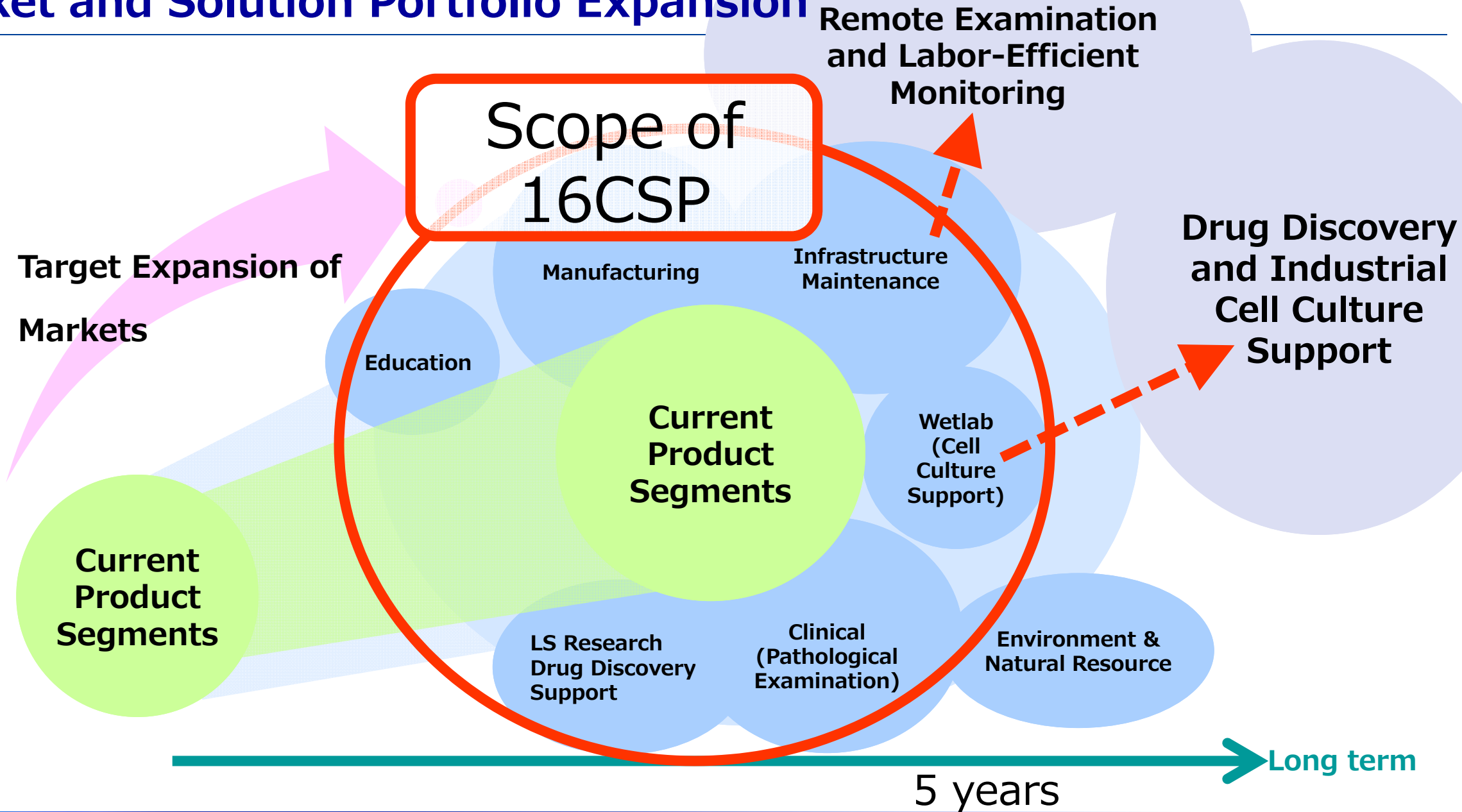
2

Actively expand portfolios targeting customer segments from which particular growth can be anticipated in consideration of Company strengths and market growth potential (add on to numerical targets described later on)

3

Expand development of solutions for drug discovery and regenerative medicine markets in pursuit of long-term growth

Market and Solution Portfolio Expansion



Advancement of Customer Segment Oriented Strategies

Field	Customer segment	Market Trends (Operating Environment)	Olympus' Strengths		Strategy
Life science	LS Research	<ul style="list-style-type: none"> ■ Growing needs in areas ranging from observation to analysis in drug discovery and regenerative medicine markets 	<ul style="list-style-type: none"> ■ 3D and macro observation technologies ■ Contacts with researchers 	<ul style="list-style-type: none"> ■ Global sales and service networks ■ High performance and reliability 	<ul style="list-style-type: none"> ■ Focus on cerebral nerves, cancer, and stem cell markets and optimize product lineups ■ Provide drug discovery workflow solutions
	Wetlab	<ul style="list-style-type: none"> ■ Future cell culture support industry market growth projected in drug discovery and regenerative medicine fields 	<ul style="list-style-type: none"> ■ Contacts with cell culture market 		<ul style="list-style-type: none"> ■ Expand solutions for cell culture market ■ Conduct R&D targeting regenerative medicine support industry

Regenerative Medicine Support Industry Initiatives

Provide solutions for all cell culture processes that adapt core image acquisition, analysis, and data management technologies

2016-2018
Solidify foundations

2019-2020
Expand solutions
(5th year)

Develop
operations in
industry market

Bolster lineup of
regenerative medicine
research products

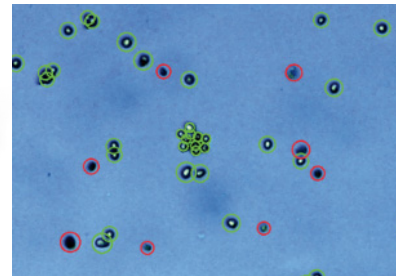
Current solutions
(General cell culture)

New solutions
(Regenerative medicine research)

Respond to establishment
of regenerative medicine
industry



Inverted Microscope
CKX53Cell Counter Model R1



Advancement of Customer Segment Oriented Strategies

Field	Customer segment	Market Trends (Operating Environment)	Olympus' Strengths		Strategy
Life science	Clinical	<ul style="list-style-type: none"> ■ Top share held by Olympus due to establishment of anatomic pathology workflow utilizing microscopes ■ Expanding range of examination methods stemming from introduction of new technologies into overall examination market in conjunction with population aging and advances in cancer treatments 	<ul style="list-style-type: none"> ■ Large microscope market share and contacts with pathologists 	<ul style="list-style-type: none"> ■ Global sales and service networks 	<ul style="list-style-type: none"> ■ <i>Improve diagnosis support technologies</i> ■ <i>Provide pathological examination workflow solutions</i>
	Education	<ul style="list-style-type: none"> ■ Growing possibilities for education systems using digital imaging at medical education facilities 	<ul style="list-style-type: none"> ■ Contacts with medical and biology education institutions 	<ul style="list-style-type: none"> ■ High performance and reliability 	<ul style="list-style-type: none"> ■ <i>Offer digital education solutions</i>

Advancement of Customer Segment Oriented Strategies

Field	Customer segment	Market Trends (Operating Environment)	Olympus' Strengths		Strategy	
Industrial	Infrastructure Maintenance	<ul style="list-style-type: none"> Infrastructure aging expected in developed countries and new infrastructure construction anticipated in emerging countries Ongoing growth in aircraft and high-speed rail demand Severe lack of inspection technicians 	<ul style="list-style-type: none"> Contacts with major customers 		<ul style="list-style-type: none"> Expand solutions for improving inspection quality Provide automation solutions 	
	Manufacturing	<ul style="list-style-type: none"> Long-term growth in automotive, aviation, electricity, and other markets Advances in process efficiency improvements as illustrated by Industry 4.0, etc. 	<ul style="list-style-type: none"> High-speed, highly reliable inspection technologies Integration capabilities 	<ul style="list-style-type: none"> Global sales and service networks High performance and reliability 	<ul style="list-style-type: none"> Expand productivity improvement solutions 	<ul style="list-style-type: none"> Optimize customer segment and industry specific sales systems
	Environment & Natural Resource	<ul style="list-style-type: none"> Rising need anticipated for energy and materials in emerging countries and for energy, materials, and recycling in developed countries Growing expectations for food and environmental safety 	<ul style="list-style-type: none"> Element and material analysis technologies 		<ul style="list-style-type: none"> Expand scope of analysis technology applications Explore emerging markets 	

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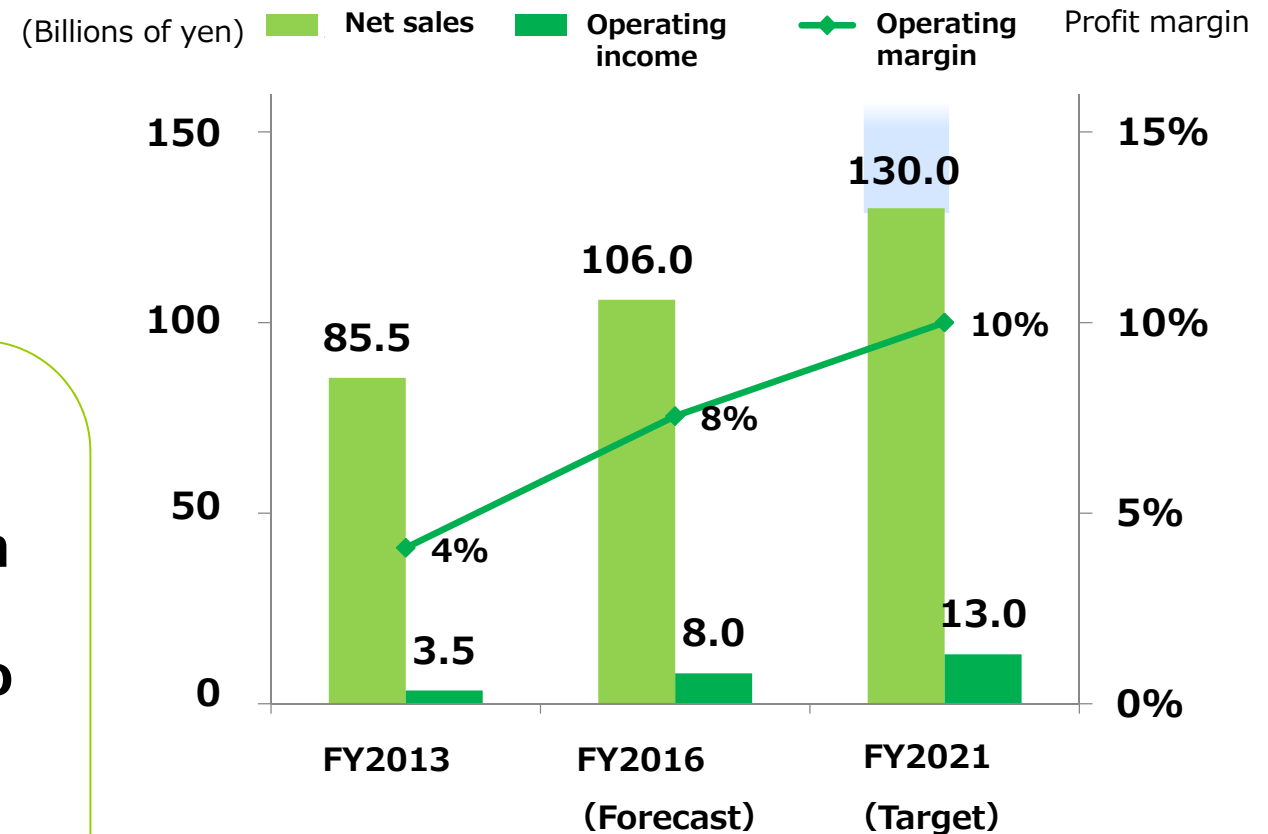
5. Targets and Indicators

Targets and Indicators (FY2021)

1 Net sales: ¥130.0 billion

2 Operating income: ¥13.0 billion
(Operating margin: 10%)

- Structural reforms for improving profitability already implemented
- Organic growth to be realized through selective reinforcement of existing businesses (green portion of graph to right)
- Product and technology portfolio expansion targeting additional sales growth



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