Today’s Agenda

1. Review of Medium-Term Vision (From FY2013) for Medical Business
2. Recognition of Current Conditions
3. Directives for Medical Business Strategy
4. Priority Measures
5. Numerical Indicators
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**Review of Medium-Term Vision for Medical Business: Performance**

- Net sales and operating income targets achieved 1 year in advance
- 3-year net sales growth of ¥220 billion (1.6 times higher than FY2013) and operating income of ¥50 billion (1.6 times higher than FY2013)

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2015</th>
<th>FY2016</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Target</td>
<td>Actual</td>
<td>Target</td>
</tr>
<tr>
<td>Net sales (Billions of yen)</td>
<td>383.0</td>
<td>394.7</td>
<td>470.0</td>
</tr>
<tr>
<td>Operating income</td>
<td>75.0</td>
<td>87.1</td>
<td>97.0</td>
</tr>
<tr>
<td>Operating margin</td>
<td>19%</td>
<td>22%</td>
<td>20%</td>
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* Targets are figures set when the medium-term vision was announced in June 2012.

**Medical Business Net Sales (Billions of yen)**
- GI: Gastrointestinal endoscopes
- Surgical: Surgical devices
- ET: Endotherapy devices

**Medium-Term Vision**: Targets

**Actual**: GI, Surgical, ET

**Medical Business Operating Income (Billions of yen)**

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# Review of Medium-Term Vision for Medical Business: Overview

- Earnings growth exceeds targets in GI and ET fields, further sales growth and profitability improvement needed in Surgical field.
- Additional upfront investments conducted in manufacturing and repair service functions as well as in sales functions centered on Surgical and ET fields in North America.

## Strategies and Measures and Evaluation

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Measures and Evaluation</th>
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| Reinforcement of GI business foundation and securing of stable earnings (CAGR of 9%) | ✓ Achieved earnings growth substantially higher than expected (CAGR of 15%)  
✓ Contributed to increased sales and income for entire Medical Business  
✓ Launched new mainstay products and realized early-stage replacement after launch |
| Significant growth of surgical device field business (CAGR of 14%) | ✓ Conducted additional upfront investments primarily for bolstering sales staff in North America and expanded business  
○ Launched new products and expanded sales (mainstay surgical endoscope products, differentiated 3D/4K imaging products and THUNDERBEAT strategic energy device)  
✓ Improved profitability |
| Sales increase in emerging markets (CAGR of 23%) | ✓ Achieved CAGR of 25% in Asia  
✓ Established Olympus' largest training center in China (Guangzhou)  
✓ Strengthened sales systems through strategic investments |

(Note) GI: Gastrointestinal endoscopes; ET: EndoTherapy devices; Surgical: Surgical devices
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Operating Environment (1)

Megatrends

- Declining birthrates and aging populations
- “Great Rebalancing” (growing presence of emerging countries in global market)
- Economic slowdown and potential of China and other emerging countries
- Technological advances (ICT, IoT, Industry 4.0, etc.)
- Growing pressure to limit medical costs
- Institution of more stringent regulations
Operating Environment for Medical Business

- No rise in number of hospitals (operating rooms and endoscopic treatment facilities) due to growing pressure to limit medical costs, but increase in case numbers due to aging population

- Accelerated market structure changes exemplified by growing presence of GPOs/IDNs in North America

- Increases in necessary measures, workloads and costs due to technological advances and institution of more stringent regulations

- High potential of Chinese market and other emerging markets, which will be strategically important drivers of Medical Business growth, but differences in medical infrastructure development speed and patterns between countries
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Olympus’ Management Vision

Olympus contributes to society by making people’s lives healthier, safer, and more fulfilling around the world.

Value to Be Provided by Medical Business

- Endoscopes
- Early diagnosis
- Minimally invasive treatments
Directives for Medical Business Strategy(2)

Concentrate investments on 5 BUs and increase sales and income

(Note) GIRBU: Gastrointestinal and Respiratory Business Unit; GSBU: General Surgery Business Unit; UGBU: Urology / Gynecology Business Unit; ENTBU: Ear, Nose, and Throat Business Unit; MSBU: Medical Service Business Unit
Directives for Medical Business Strategy (3): Investment Policies

**Sales Function Investments**
- Respond to North American GPOs/IDNs and strengthen training
- Bolster sales systems and step up promotion activities in emerging countries

**QA/RA Investments**
- Strengthen quality management systems
- Reinforce medical affairs functions

**R&D Investments**
- Advance R&D ventures for developing next-generation products and new businesses
- Strengthen disposable device technologies

**Manufacturing Function Investments**
- Create globally optimized production systems (including repairs) with eye to 10 years from now

Growth potential

Balance
Efficiency
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Expand dominant GI market share and improve profitability while realizing substantial growth in ET and Surgical business operations

Shift from installation-based medical business model to procedure-based medical business model
→ Expand disposable device operations

-- To be the greatest “Business to Specialist” Company --

[Sales and Marketing Functions]
- Expand procedure shares and strengthen account management
- Provide 3 types of value (medical value, economic value and patient value)

[R&D Function]
- Accelerate development and strengthen product life cycle management
- Develop products that improve efficiency of medical institutions (reduce downtime)

[Manufacturing Function]
- Boost cost competitiveness
- Improve responsiveness to production fluctuations
- Strengthen SCM
Expand operations in emerging countries
- Countries with sufficient medical infrastructure: Position as growth driver and continue appropriate investment
- Countries without sufficient medical infrastructure: Contribute to medical infrastructure development

Strengthen ability to respond to GPOs/IDNs
- Respond to market structure changes exemplified by growing presence of GPOs/IDNs in North America
- Propose value as One Olympus with unified R&D, manufacturing and service functions
- Establish processes for acquiring GPO/IDN contracts and strengthen project management

Strengthen QA/RA functions
- Reinforce global quality management systems with eye toward external requirements expected 10 years from now
- Strengthen global QA and RA systems in consideration of future business development
- Reinforce medical affairs functions

Improve productivity
- Improve productivity of all functions (R&D, manufacturing, sales & marketing and service)
Strategic Initiatives for Each Business Unit: GIRBU

- Secure strong market leader position in GI business and improve profitability through selection and concentration
- Expand business in following fields: respiratory, CDS (Cleaning, Disinfection and Sterilization), ultrasound endoscopy, capsule endoscope and IT
- Realize business growth in emerging markets
- Grow endotherapy devices operations

*CDS: Cleaning, Disinfection and Sterilization
Strategic Initiatives for Each Business Unit: GSBU

- Establish new de facto standard in surgical imaging market
- Secure No. 3 position in energy device market and encroach upon No. 2 and No. 1 positions
- Establish disposable device business model
- Fully leverage Olympus’ strength in GI field
Strategic Initiatives for Each Business Unit: UGBU

- Secure dominant shares in markets for flexible endoscopes and TURis products that leverage Olympus’ technological prowess
- Strengthen urinary tract stone treatment business operations to expand market share
- Efficiently increase market share by leveraging existing products and technologies
Strategic Initiatives for Each Business Unit: ENTBU

- Expand ENT flexible endoscope operations centered on “videonization”
- Acquire endoscopic sinus surgery (ESS) operations
  - Expand sinus surgery imaging operations centered on 4K systems
  - Expand sinus surgery product portfolio centered on DIEGO ELITE
  - Implement measures in preparation for introduction of minimally invasive treatments into alternate sites of care
- Establish global sales systems
Strategic Initiatives for Each Business Unit: MSBU

- Introduce service contracts that realize high levels of customer satisfaction, increase number of such contracts and improve profitability
- Expand service operations on surgical products
- Provide services that improve medical institution efficiency
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Numerical Indicators: Entire Medical Business

**[Net sales: CAGR of 8%]**
- Continually achieve growth of approx. 8% for entire Medical Business through stable growth that exceeds market growth rates in GI field, and continually achieve growth substantially higher than market growth rates in surgical field

**[Operating income: CAGR of 10%; operating margin: 3 pt. increase]**
- Reduce ratio of SG&A expenses to net sales by improving efficiency of business operation expenses related to R&D, manufacturing, supply chain management and other areas
- Raise operating margin by 3 pts. to approx. 25%

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**[Medical Business Net Sales: CAGR of 8%]**
(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales</th>
<th>Operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2016</td>
<td>615</td>
<td>137</td>
</tr>
<tr>
<td>FY2021</td>
<td>900</td>
<td>225</td>
</tr>
</tbody>
</table>
### Numerical Indicators: 5 Business Units

<table>
<thead>
<tr>
<th>Business Units</th>
<th>FY2016 Net sales (forecast)</th>
<th>FY2021 CAGR (Olympus)</th>
<th>Global share*</th>
<th>Key points</th>
</tr>
</thead>
</table>
| GIRBU GI       | ¥337.4 bil                  | 6%                    | More than 70% | • Achieve stable growth exceeding market growth rates  
• Expand businesses peripheral to endoscopes and operations in emerging markets  
• Grow ET operations |
| GI ET          | ¥72.0 bil                   | 9%                    | Approx. 20%   |            |
| GSBU Surgical  | ¥205.6 bil                  | Imaging: 10% Energy: 14% | Imaging: 20-25% Energy: 18-20% | • Achieve growth substantially higher than market growth rates  
• Establish new de facto standard in surgical imaging  
• Establish disposable device business model |
| UGBU Surgical  | ¥205.6 bil                  | 8%                    | Urology: 30% Gynecology: 10% | • Secure shares in flexible endoscope and TURis markets  
• Expand urinary tract stone treatment market share |
| ENBUT Surgical |                             | 13%                   | Laryngology: 50-60% Rhinology: 10-15% Otology: 40-50% | • Acquire ESS operations  
• Establish global sales systems |
| MSBU**         |                             | 5%                    | –             | • Promote spread of service contracts  
• Expand service operations on surgical products |
| Medical Total  | ¥615 bil                    | ¥900 bil CAGR 8%       | –             | Drive growth of entire Medical business with surgical and ET field growth |

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* Source of global share: Olympus  
** MSBU (Medical Service Business Unit) net sales from FY2016 are included in the figures of ¥337.4 billion for GI and ¥205.6 billion for Surgical.
**Medical Business Portfolio and Growth 5 Years from Now**

**FY2016 Net Sales (Forecast)**
- GI: Gastrointestinal endoscopes
- ET: Endotherapy devices

**FY2021 Net Sales (Forecast)**
- MSBU: CAGR 5%
- GIRBU: CAGR 7%
- ENTBU: CAGR 13%
- UGBU: CAGR 8%
- GSBU: CAGR 11%

**FY2016 Net Sales (Forecast)**
- GI: ¥337.4 billion
- ET: ¥72.0 billion
- Surgical Devices: ¥205.6 billion
- Total: ¥615 billion

**FY2021 Net Sales (Forecast)**
- Medical Business FY2021: ¥900 billion

*Medical service net sales from FY2016 are included in the figures for GI and Surgical devices.*
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