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News Release

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## **Notice of Formulation of 2016 Corporate Strategic Plan (5-Year Medium-Term Management Plan)**

### **-- Strengthening the foundations of the business and developing an aggressive business portfolio for sustainable growth beyond the 100th anniversary --**

Olympus Corporation hereby announces that it has formulated its 2016 Corporate Strategic Plan (16CSP), a new five-year, medium-term management plan slated to begin in April 2016. Under this plan, Olympus will work to improve corporate value by strengthening the foundations of the business and developing an aggressive business portfolio for sustainable growth beyond its 100th anniversary in 2019.

#### 1. Basic Policies

##### ■ **“Business to Specialist” Company**

Olympus defines a “Business to Specialist” Company as a company that can accurately understand the demands and unmet needs of highly specialized expert and aspirational customers (specialist) and respond by proposing and providing compelling solutions in a timely manner. Over the years, Olympus has continued to exercise its strengths as a “Business to Specialist” Company to grow by earning the trust of customers.

Going forward, we will continue to utilize these strengths as we seek to become an even-more valuable partner to our customers by calling upon our innovative thinking, expertise in advancing technology, operational excellence, and unsurpassed integrity.

##### ■ **One Olympus**

We will maximize the performance of the entire Olympus Group by sharing values and strategies and making full use of management resources on a global and Groupwide basis.

Driven by this commitment, Olympus will strive to meet or exceed the expectations of all of its stakeholders through sustainable growth and act as a good corporate citizen, thereby contributing to society by making the lives of people around the world healthier, safer, and more fulfilling.

#### 2. Management Goals

<p>We will work to secure an appropriate level of financial soundness and then target balanced improvements in profitability and business growth to consistently realize return on equity (ROE) of 15% and to double earnings per share (EPS) over the five-year period of 16CSP.</p>
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Over the past four years, Olympus has successfully achieved substantial improvements in ROE while raising equity capital. Under 16CSP, we will strive to secure an appropriate level of financial soundness by increasing the equity ratio while continuing to practice management that pays heed to shareholder expectations by emphasizing capital efficiency. We therefore aim to maintain ROE at the 15% level through balanced improvements in profitability and business growth realized by increasing the operating margin and achieving a sharp rise in earnings before interest, taxes, depreciation, and amortization (EBITDA). This process is anticipated to lead to a doubling of EPS over the five-year period of the plan.

Concrete management targets are as follows.

**Capital efficiency ROE: 15%**

We will work to secure an appropriate level of financial soundness and then target balanced improvements in profitability and business growth to consistently realize ROE around the level of 15% (ROE of 14% forecast for fiscal 2016).

**Profitability Operating margin: 15%**

While boosting profitability in the mainstay Medical Business, we will endeavor to realize further profitability improvements by decreasing SG&A expenses through increased development efficiency and streamlined back-office work and processes (operating margin of 12% forecast for fiscal 2016).

**Business growth EBITDA: Double-digit average annual growth rate during 16CSP period**

We will strive to achieve sales growth that exceeds market growth rates in the Medical Business while eliminating operational inefficiencies to realize high-quality (highly efficient) growth (EBITDA of ¥150 billion forecast for fiscal 2016 → EBITDA of ¥240 billion forecast for fiscal 2021).

**Financial soundness Equity ratio: 50%**

Under the medium-term vision, we worked to achieve a sound financial position. Now, however, we believe it is crucial to secure extra leeway for responding to risks if we are to further develop our business. For this reason, we aim to raise the equity ratio to 50% by expanding income through improvements in profitability and business growth (equity ratio of 39% forecast for fiscal 2016).

By achieving the aforementioned management targets, we forecast that figures for various indicators will be as follows.

Consolidated net sales	Compound annual growth rate of 6% Fiscal 2016 forecast: ¥816 billion → Fiscal 2021 forecast: ¥1,100 billion (Medical: ¥900.0 billion; Scientific Solutions: ¥130 billion; Imaging: ¥55 billion)
Consolidated operating income	Compound annual growth rate of 10% Fiscal 2016 forecast: ¥100 billion → Fiscal 2021 forecast: ¥170 billion (Medical: ¥225 billion; Scientific Solutions: ¥13 billion; Imaging: ¥2 billion)
Free cash flow	5-year aggregate of more than ¥250 billion
EPS	¥320 Fiscal 2016 forecast: ¥163 → Fiscal 2021 forecast: ¥320

After securing the internal reserves necessary to ensure a stable financial base, we will first prioritize the allocation of funds toward investments in growth fields, with the remainder of funds used to provide shareholders with an appropriate level of dividends that matches their expectations. (We intend to target a total return ratio of 30% in the future.)

### 3. Priority Strategies

We have defined the following six priority strategies to ensure that we can strengthen foundations and develop an aggressive business portfolio for sustainable growth while achieving our management targets.

- **Take action to grow businesses**
  - Expand lineups and promote sales of strategic products
  - Shift from installation based medical business model to procedure based medical business model
  - Pursue growth opportunities in peripheral businesses
- **Acquire necessary management resources in a timely manner and fully leverage these resources**
  - Manage portfolio of businesses in fields with low growth potential and shift management resources to growing business fields
  - Recruit and develop capable human resources in a timely manner
  - Optimize global R&D systems and production systems (production site planning)
- **Advance forward-looking preparations to realize continued growth**
  - Develop businesses and conduct upfront investments from a long-term perspective (technology research, exploration, and development)
  - Promote development of new businesses to advance *minimally invasive treatments*
  - Advance long-term measures for expanding businesses in emerging countries
- **Pursue further business efficiency improvements**
  - Reduce costs and improve efficiency by optimizing product lineups
  - Standardize processes and improve inventory management
- **Enhance management on a global and Groupwide basis**
  - Strengthen and improve the efficiency of Functions
  - Develop a mindset to realize One Olympus
- **Strengthen QA/RA and internal controls and promote strict compliance**
  - Enhance quality management systems and organizations to further business expansion in medical field
  - Further strengthen internal control functions
  - Construct and implement compliance systems suited to a truly global company

### 4. Positioning of Each Business within Portfolio

We will prioritize the allocation of management resources to the Medical Business.

The Medical Business will expand the scope of its operations centered on *early diagnosis* and *minimally invasive treatments* as it seeks to further improve its earnings capacity.

The Scientific Solutions Business will push forward with strategies tailored to specific customer segments and thereby establish and strengthen earnings foundations. Meanwhile, the Imaging Business will address the changing and contracting digital camera market while examining means of utilizing the technologies and resources of the business in other businesses.

In regard to new businesses for the future, we will explore businesses with the potential to become major pillars supporting Olympus and conduct related incubation activities. At the same time, we will seek to acquire new technologies while establishing business foundations in emerging countries.

Furthermore, we will aggressively conduct mergers, acquisitions, and other investments in strategically important fields.

END

# 2016 CORPORATE STRATEGIC PLAN (16CSP) (For 5 Years from Fiscal 2017 to Fiscal 2021)

# 16CSP

**OLYMPUS**  
Your Vision, Our Future

Strengthening foundations and developing an aggressive business portfolio for sustainable growth beyond the 100th anniversary (2019)

Corporate Philosophy	<b>“Social IN”</b> Integrity    Innovation    Involvement    Vision	<b>Olympus contributes to society by making people’s lives healthier, safer and more fulfilling around the world</b>
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Policies	<p><b>To be the greatest “Business to Specialist” Company</b></p> <ul style="list-style-type: none"> <li>We will strive to be the most valuable partner to experts and customers with high aspirations through the timely provision of appropriate solutions that meet their high-level needs.</li> <li>We will achieve this goal by utilizing our innovative thinking, expertise in advancing technology, operational excellence, and high ethical standards.</li> <li>Through these efforts as well as through sustainable growth, Olympus will meet the expectations of all stakeholders and act as a good corporate citizen.</li> </ul>	<p><b>One Olympus</b></p> <ul style="list-style-type: none"> <li>We will maximize performance of the entire Olympus Group by sharing values and strategies and making full use of the management resources on a global and Groupwide basis.</li> </ul>
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Policies	<p><b>Foundation of Business Advantage (Style of Competition)/Business Domain:</b> We will compete in domains in which we can utilize our strengths as a “Business to Specialist” Company and fully leverage our management resources.</p> <p><b>Growth Style:</b> In principle, we will primarily pursue organic growth. To realize sustained growth, we will manage business pipelines from a medium- to long-term perspective. We will look outside the Company for growth opportunities and proactively take part in M&amp;A transactions and business alliances that are viewed as strategically viable and feasible based on the Company’s organizational strength and integration and management (post-merger integration) capabilities.</p>	<p><b>Organization Management:</b> We will strive to strike a balance between establishing an appropriate level of headquarters control (centripetal force) and realizing highly empowered operating sites (centrifugal force). Business Strategies developed in accordance with the Management Strategy; and Functional Strategies designed to support the Business Strategies. Within this framework, we will practice a matrix style of business operation by merging the business and function sides of operations in a balanced manner to fully utilize the management resources of the entire Company.</p> <p><b>Corporate Governance:</b> Acting in accordance with the Basic Policy for Corporate Governance, we will implement all principles of Japan’s Corporate Governance Code.</p>	<p><b>Human Resources:</b> We aim to develop a lively workplace environment in which a diverse range of human resources from various backgrounds always treat their colleagues with respect and understanding. In this environment, all employees will share one common vision and utilize their unique talents to contribute to the development of the Company.</p> <p><b>Shareholder Returns:</b> After securing the internal reserves necessary to ensure a stable financial base, we will first prioritize the allocation of funds toward investments in growth fields, with the remainder of funds used to provide shareholders with an appropriate level of shareholder returns that matches their expectations.</p> <p><b>Corporate Citizenship:</b> We adhere to standards of good practice and make appropriate contributions to society. We do what we are expected to do as a good corporate citizen.</p>
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Management Goals	<table border="0"> <tr> <td>Capital Efficiency <b>ROE 15%</b></td> <td>Business Growth <b>EBITDA Double-digit growth (CAGR)</b></td> <td>Profitability <b>Operating Margin 15%</b></td> <td>Financial Soundness <b>Equity Ratio 50%</b></td> </tr> </table> <p>Working to secure an appropriate level of financial soundness, we will constantly achieve ROE of 15% through balanced improvements in profitability and business growth and double the bottom line (EPS) over the next five years</p>	Capital Efficiency <b>ROE 15%</b>	Business Growth <b>EBITDA Double-digit growth (CAGR)</b>	Profitability <b>Operating Margin 15%</b>	Financial Soundness <b>Equity Ratio 50%</b>	Emphasized Corporate Culture	<p><b>“Diversity and teamwork” “Willingness to take on challenges”</b> <b>“Sense of speed” “Broad perspective” “Adherence to high ethical standards”</b></p>
Capital Efficiency <b>ROE 15%</b>	Business Growth <b>EBITDA Double-digit growth (CAGR)</b>	Profitability <b>Operating Margin 15%</b>	Financial Soundness <b>Equity Ratio 50%</b>				

Priority Strategies	<p><b>Take action to grow businesses</b></p> <ul style="list-style-type: none"> <li>Expand lineups and promote sales of strategic products</li> <li>Shift from installation based medical business model to procedure based medical business model</li> <li>Pursue growth opportunities in peripheral businesses</li> </ul> <p><b>Acquire necessary management resources in a timely manner and fully leverage these resources</b></p> <ul style="list-style-type: none"> <li>Manage portfolio of business in fields with low growth potential and shift management resources to growing business fields</li> <li>Recruit and develop capable human resources in a timely manner</li> <li>Optimize global R&amp;D systems and production systems (production site planning)</li> </ul>	<p><b>Advance preparation to realize continued growth</b></p> <ul style="list-style-type: none"> <li>Develop businesses and conduct upfront investments from a long-term perspective (technology research, exploration, and development)</li> <li>Promote development of new business to advance <i>minimally invasive treatment</i></li> <li>Advance long-term measures for expanding businesses in emerging countries</li> </ul> <p><b>Pursue further business efficiency improvements</b></p> <ul style="list-style-type: none"> <li>Reduce costs and improve efficiency by optimizing product lineups</li> <li>Standardize processes and improve inventory management</li> </ul>	<p><b>Enhance management on a global and Groupwide basis</b></p> <ul style="list-style-type: none"> <li>Strengthen and improve the efficiency of Functions</li> <li>Develop a mindset to realize One Olympus</li> </ul> <p><b>Strengthen QA/RA and internal control and promote strict compliance</b></p> <ul style="list-style-type: none"> <li>Enhance Quality Management Systems and organizations to further business expansion in Medical field</li> <li>Further strengthen Internal Control function</li> <li>Construct and implement compliance systems suited to a truly global company</li> </ul>
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Positioning of Businesses within Portfolio	<p><b>The Medical Business will be a major target of management resource allocation. Expand our business scope focused on <i>early diagnosis</i> and <i>minimally invasive treatments</i> in order to boost earnings capacity.</b></p> <ul style="list-style-type: none"> <li>Gastrointestinal Endoscopy: We will maintain our dominating No.1 position while further improving profitability</li> <li>General Surgery: We will create a successful disposable product business model and work to develop these operations into a driver for Companywide growth</li> <li>Commence full-fledged development of operations targeting specific clinical fields (urology, gynecology, ear, nose, and throat (ENT), respiratory, orthopedics, and etc.)</li> <li>Develop global service infrastructure and expand profits from service provision as a full-fledged business</li> <li>Take steps to respond to the increasing drive to limit medical expenses as well as the institution of stricter regulations related to medical equipment</li> </ul>	<p><b>Customer group oriented strategies will be advanced in the Scientific Solutions Business to establish and reinforce earnings foundations.</b></p> <ul style="list-style-type: none"> <li>Improve biological microscope profitability and explore a new field in regenerative-related area and others</li> <li>Acquire new technologies and expand product portfolio in industrial and testing fields</li> </ul> <p><b>Appropriate response to changes in and contraction of the digital camera market will be swiftly taken. Technologies and resources developed in Imaging Business will be utilized on a Groupwide basis.</b></p> <ul style="list-style-type: none"> <li>Establish a unique brand position that provides value accepted by a specific group of customers, even if that group may be small</li> <li>Achieve competitive edge of systems with regard to primarily OM-D and Pro-Lens system and keep contributing as a driver of Companywide technology</li> </ul> <p><b>Initiatives will be strengthened to create new businesses.</b></p> <ul style="list-style-type: none"> <li>Research and investigate new technologies for the future, and advance and accelerate the commercialization of these technologies</li> <li>Develop business foundations in emerging countries</li> </ul>
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Performance Indices and Targets	<ul style="list-style-type: none"> <li>Net sales <b>Average annual growth rate of 6%</b> FY2016 ¥816 billion → FY2021 ¥1,100 billion (Medical: ¥900 billion, Scientific Solutions: ¥130 billion, Imaging: ¥55 billion)</li> <li>Operating income <b>Average annual growth rate of 10%</b> FY2016 ¥100 billion → FY2021 ¥170 billion (Medical: ¥225 billion, Scientific Solutions: ¥13 billion, Imaging: ¥2 billion)</li> </ul>	<ul style="list-style-type: none"> <li>Operating margin <b>FY2016 12% → FY2021 15%</b> (Medical: 25%, Scientific Solutions 10%, Imaging: 4%)</li> <li>EBITDA <b>Average annual growth rate of 10%</b> FY2016 ¥150 billion → FY2021 ¥240 billion</li> </ul>	<ul style="list-style-type: none"> <li>Free cash flow <b>5-year total: More than ¥250 billion</b></li> <li>Earnings per share (EPS) <b>FY2016 ¥163 → FY2021 ¥320</b></li> <li>Total return ratio <b>Approx. 30%</b></li> </ul>	<ul style="list-style-type: none"> <li>ROE <b>FY2016 14% → FY2021 15%</b></li> <li>Equity ratio <b>FY2016 39% → FY2019 50%</b></li> </ul> <p><small>*Forecasts for FY2016 are based on 3Q results (February 2016)</small></p>
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**Current Situation For Olympus**

- Recognizing that the new management team had been charged with the task of regaining the credibility lost due to the scandal and improving corporate value, 13CSP set forth the corporate management policies of “Back to Basics,” “One Olympus,” and “Profitable Growth.” Under these policies, we pushed forward with the reconstruction of the company.
- It can be said that we have been successful in getting out of our state of crisis, and that we have been recovering lost trust. This success was largely a result of the restructuring of corporate governance, the restoration of financial health, and the growth of the mainstay Medical Business.
- As our business scope expands and presence grows, stakeholder expectations and demands are increasing.
- In April 2015, companies, namely OT, OMSC and OIMC were integrated and we were reorganized to form a matrix style of business operation. There is a need to strengthen governance through global management and along the functional axis of the organization.

**Operating Environment**

- Pressure to limit medical costs**
  - Early diagnosis* and *minimally invasive treatments* becoming increasingly effective means of providing economic benefits in medical field
- Rise in case numbers and decrease in number of medical institutions due to aging of population**
  - Increasingly high expectations for Olympus to help reduce facility downtime by strengthening service systems
  - Opportunities to expand business by shifting from capital products to disposable products
- More stringent legal regulations and more rigorous demands**
  - Strengthening organization and systems for product registration and quality assurance
- Structural market changes, including growing presence of group purchasing organizations (GPOs) and integrated delivery networks (IDNs) in North America**
  - Need to adapt and strengthen sales systems (key account management, sales personnel management, etc.)
- Economic slowdown and latent potential of Chinese market**
  - Continued strengthening of systems in this focus market while accounting for various risks
- Rising presence of emerging countries and business growth potential for our Medical Business**
  - Ongoing investment from medium-to-long-term perspective in selectively chosen targets (infrastructure development, education support, etc.)
- Diversifying customer needs in Scientific Solutions Business**
  - Shift from strategies based on product lineups to those oriented toward customer groups
- More sophisticated desire of core users in shrinking digital camera market**
  - Provide unique value that is characteristic of Olympus