

Management Policies

(Fiscal Year Ended March 2014 – 2017)

Hiroyuki Sasa
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Today's Contents

- I. A Look Back at the 1st Year under New Management**
- II. Restructuring of the Imaging Business**
- III. Initiatives to Meet Medium-Term Vision Goals
(For FY Ended March 2014 - 2017)**

I. A Look Back at the 1st Year under New Management

Consolidated Financial Results for FY Ended March 2013

Net sales and all income figures exceed most recent forecasts

(Billions of yen)	March 2012 (Results)	March 2013 (Forecast as of Feb. 2013)	March 2013 (Results)	YoY (%)	Compared to forecast
Net sales	848.5	740.0	743.9	-12%	+1%
Operating income (% of sales)	35.5 (4.2%)	35.0 (4.7%)	35.1 (4.7%)	-1%	+0%
Ordinary income	17.9	11.5	13.0	-27%	+13%
Net income	-49.0	6.0	8.0	-	+34%

Medium-Term Vision - Progression of Four Basic Strategies -

**(i) Rebuilding of business portfolio/
Optimal allocation of management resources**

(ii) Review of cost structures

(iii) Restoration of financial health

(iv) Restructuring of governance

A Look Back at the 1st Year under New Management (1)

Results and Challenges

(i)
allocation of management resources

Medical

**Forecast-exceeding
progress and
performance**

- Gastrointestinal endoscope field: Introduced new products worldwide, which contributed to improved earnings
- Surgical field: Introduced new products, formed business alliance with Sony (established JV)
- Management resource allocation: Increase production capacity of major production sites

Life Science
& Industrial

**Implemented profitability improvement
measures in response to deterioration
of macro-economic environment**

- Introduced new products in mainstay model lines on schedule
- Rationalized production sites (Philippines, Nagano)

Imaging

**Responses to rapidly changing
market conditions and drastic
reform of earnings structure**

- Revised product lineup (shifted to high-value-added products)
- Reorganized manufacturing systems
- Implemented SG&A expense reduction measures

Restructuring
of non-core
business

**Accelerated reorganization of
non-core business domains**

- Transferred Information & Communication Business (Sept. 2012)
- Liquidated / sold approx. 30 subsidiaries and affiliated companies

A Look Back at the 1st Year under New Management (2)

Results and Challenges

Further rationalization of indirect departments

- Reorganized production sites worldwide: 30 → 22 sites
- Optimized staff size: Accomplished ahead of schedule
→ Approx. 6,000* lower than on March 2012
(*includes full-time and part-time employees)

- Commenced capital alliance with Sony
- Interest-bearing debt: Decreased approx. ¥82 billion
- Equity ratio: Improved from approx. 5% to over 15%

- Instituted new management system clearly separating supervision and execution
- Submitted a “written affirmation on the internal control system” to the TSE

(ii)
Review of cost structures

(iii)
Restoration of financial health

(iv)
Restructuring of governance

II. Restructuring of the Imaging Business

Factors Preventing Accomplishment of Forecasts in FY Ended March 2013 (1)

Initiatives to revise product lineups, reorganize manufacturing systems, reduce SG&A expenses, etc. completed ahead of initial schedule, but unable to prevent net sales decreases stemming from unexpected degree of compact camera market contraction

【Imaging Business losses (FY Ended March 2013)】

(Billions of yen)	March 2013 (Initial plans in June)	March 2013 (Results)	YoY Change (Difference)	
Compact camera	91.2	57.2	-34.0	Compact camera sales significantly lower than forecasts
SLR (mirrorless)	42.5	37.8	-4.7	▼
Others (IC recorder)	15.3	12.5	-2.8	▼
Net sales	149.0	107.6	-41.4	▼
Gross margin	61.0	32.6	-28.4	Gross profit down due to lower sales
SG&A expenses	60.0	55.7	-4.3	▼
Operating income	1.0	-23.1	-24.1	Unable to reduce SG&A expenses, operating loss recorded

【Rapidly changing market conditions】

- 1. Unexpected degree of compact camera market contraction
(gross profit down due to lower sales)**

【Lack of responsiveness to market changes】

- 2. Delayed production adjustment (resulting in inventory surplus)**
- 3. High expenses in comparison to sales**



**Revised Imaging Business management policies
to respond to these factors**

Policy Changes

Risk Minimization

New policy: Risk Minimization

1.

**Minimize risks in
compact camera
operations**

2.

**Focus resources
on high-margin
mirrorless cameras**

3.

**Improve
responsiveness to
market changes**

**Construct cost structure appropriate
for business scale**

1. Minimize Risks in Compact Camera Operations

Significantly reduce business scale and limit risks

- ◆ **Substantially reduce number of compact camera models (cease production of low-price models)**
- ◆ **Reduce target for compact camera sales volumes to half of FY2013's target (FY2013 results: 5.1 mil. → FY2014 forecast: 2.7 mil.)**

2. Focus Resources on High-Margin Mirrorless Cameras

Focus allocation of management resources on mirrorless cameras

- ◆ Focus management resources on major cities where mirrorless camera demand is expected to grow
 - ◆ Accelerate investment in sales channels highly suited to mirrorless cameras
- 
- ◆ Achieve strong growth in conjunction with mirrorless camera market trends

3. Improve Responsiveness to Market Changes

Accurately manage risks through more stringent monitoring and swifter decision making

◆ Respond swiftly and objectively based on monitoring findings

- Monitor plan progression in timely manner
- Make companywide decisions based on objective viewpoint



**Minimize inventory risks,
maintain appropriate level of costs**

Establishment of Cost Structure Appropriate for Business Scale (1)

Shift to cost structure appropriate for business scale

- ◆ Significantly reorganize manufacturing systems (consolidate 5 sites into 2) → Shenzhen and Vietnam
- ◆ Cut R&D expenditures and operating costs by substantially reducing number of models
- ◆ Reduce Imaging Business staff by 30% by March 2014 compared with March 2012 levels
- ◆ Significantly reorganize sales systems (consolidate overseas sales bases, reduce sales channels efficiently)

Establishment of Cost Structure Appropriate for Business Scale (2)

Aim to lower costs by ¥23 billion through reductions in manufacturing costs and SG&A expenses

◆ Reduction targets for manufacturing costs and SG&A expenses

Initiative		FY2014 (YoY)	
Manufacturing costs	Improve manufacturing cost ratio by shifting to mirrorless cameras (adjusting product mix)	+ ¥4bil.	(Change in costs as a percentage of net sales after reduction costs and expenses) +11pt
	Reduce costs by reorganizing manufacturing systems	+ ¥3bil.	
	Reduce costs by decreasing inventory expenses	+ ¥4bil.	
SG&A expenses	Lower R&D expenditures by reducing number of models	+ ¥3bil.	+12pt
	Reduce expenses by consolidating sales bases and channels	+ ¥2bil.	
	Implement other reduction measures (IT/distribution expenses, system revisions, etc.)	+ ¥7bil.	
Total reductions		Approx. + ¥23bil.	+23pt

Earnings Improvement Forecasts for FY2014

Earnings structure after substantial reduction of compact camera business scale

【Imaging Business profit & losses forecast (FY Ending March 2014)】

(Billions of yen)	March 2013 (Results)	March 2014 (Forecast)	YoY Change
Compact camera	57.2	40.3	-16.9
SLR (mirrorless)	37.8	50.0	+12.2
Others (IC recorder)	12.5	13.7	+1.2
Net sales	107.6	104.0	-3.6
Gross margin	32.6	44.0	+11.4
SG&A expenses	55.7	44.0	-11.7
Operating income	-23.1	0.0	+23.1

Account for substantial reduction
in compact camera sales



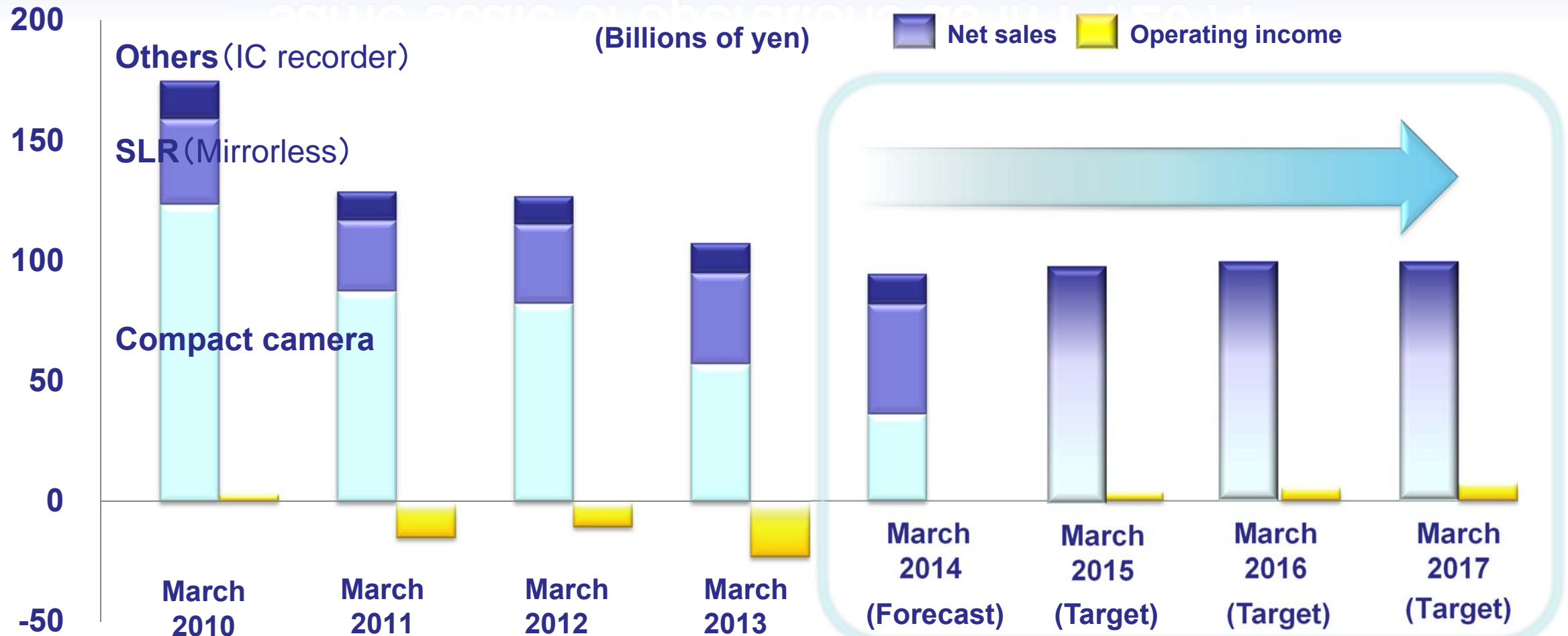
Increase gross profit by
reducing costs



Breakeven on operating income
basis by cutting SG&A expenses

Medium- to Long-Term Direction

Return to profitability in medium to long term by maintaining same scale of operations as in FY2014



III. Initiatives to Meet Medium-Term Vision Goals

Major Initiatives and Tasks (Medical Business)

Accelerate medium-term vision's strategies and expand business scope for future growth

Reinforcement of the gastrointestinal endoscope field

- Further expand scale of operations by enhancing sales efforts for strong-performing new products
- Address standardization of early diagnosis procedures utilizing NBI
- Promote use of definitive diagnosis methods for lung cancer in bronchial tube field



Realization of drastic growth in the surgical field

- Imaging field
 - Enhance lineup of differentiated products geared toward minimally invasive procedures
- Energy field
 - Develop surgery-related business into new growth pillar by bolstering lineup and expanding share



Sales expansion in emerging markets

- Expand market by accelerating training center construction
- Introduce new products for emerging markets (lower-cost models)



Major Initiatives and Tasks (Life Science & Industrial, Review of cost structures)

Improve profitability of life science field and expand industrial field

Life Science & Industrial Business

- Improve profitability by introducing high-value-added products (focus development resource allocation, expand sales in emerging markets)
- Further innovate production structure (reduce costs through centralized purchasing)
- Rationalize back-office departments on a global scale
- Expand product portfolio



Accelerate reforms by team of in-house specialists

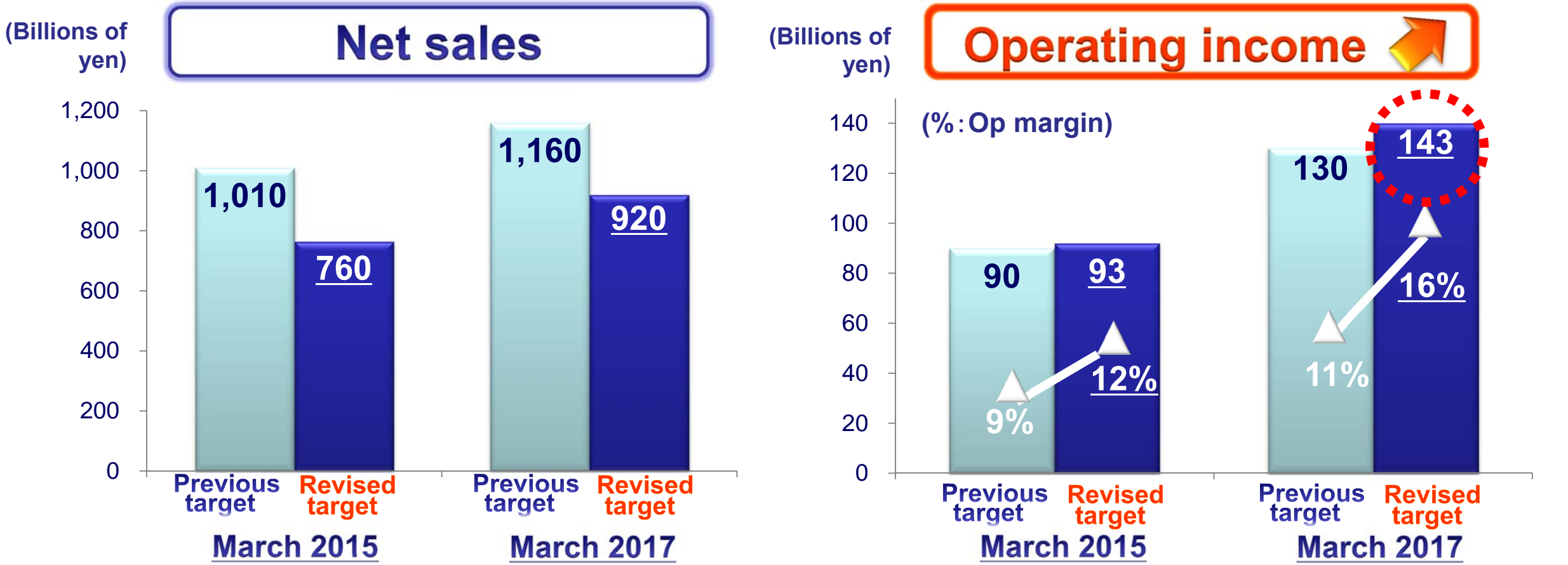
Review of cost structures

- Rationalize and reorganize redundant indirect departments (reduce IT, distribution, indirect material, and corporate expenses; standardize workflow processes)
- Cut costs by accelerating revision of production sites and strengthening procurement capabilities



Quantitative Goals of Medium-Term Vision (Consolidated)

Upward revision of operating income and net income targets



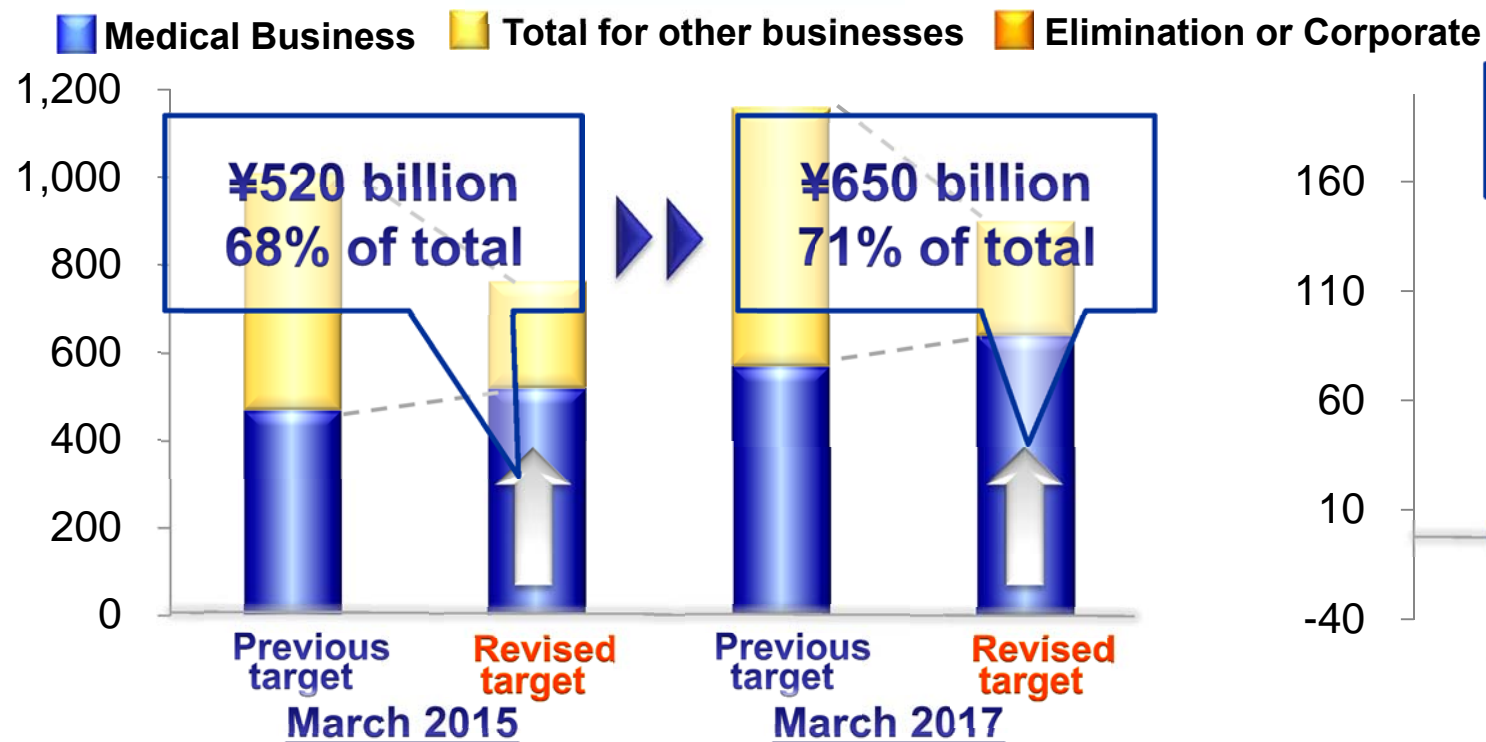
Exchange rate assumptions for revised targets: US\$1 = ¥90, 1 EUR = ¥120 (previous target assumptions: US\$1 = ¥80, 1 EUR = ¥100)
(Note) Previous targets are those detailed in the medium-term vision that was released on June 8, 2012. Revised targets reflect the recently announced revisions.

Quantitative Goals (By Segment)

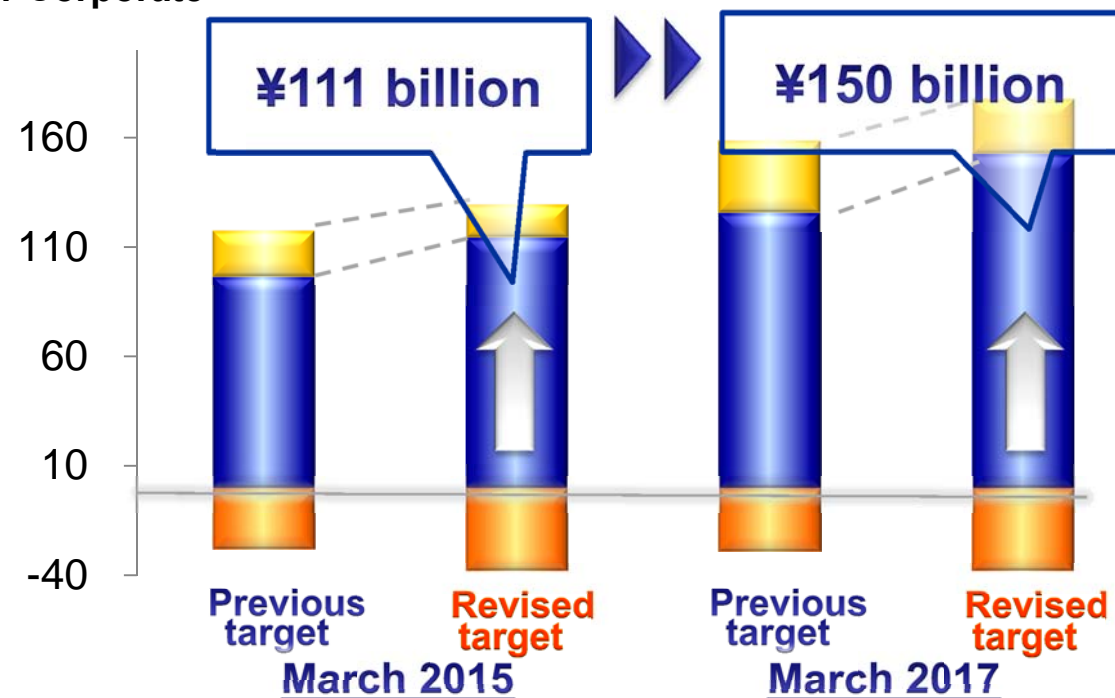
Strong contributions by Medical Business

Net sales

(Billions of yen)



Operating income



Exchange rate assumptions for revised targets: US\$1 = ¥90, 1 EUR = ¥120 (previous target assumptions: US\$1 = ¥80, 1 EUR = ¥100)

(Note) Previous targets are those detailed in the medium-term vision that was released on June 8, 2012. Revised targets reflect the recently announced revisions.

Performance Indices and Targets

	FY Ended March 2012 (Results)	FY Ended March 2013 (Results)	FY Ending March 2017 (Target)
Return on invested capital(ROIC)	2.7%	2.7%	10% or more
Operating margin	4.2%	4.7%	10% or more
Free cash flow (Cash flow from operating activities + cash flow from investing activities)	-4.8 billion yen	58.7 billion yen	70 billion yen or more
Equity ratio	4.6%	15.5%	30% or more



Supplementary Materials (Consolidated)

	FY Ending March 2015		FY Ending March 2017	
	Previous target	Revised target	Previous target	Revised target
Net sales	1,010 billion yen	760 billion yen	1,160 billion yen	920 billion yen
Operating income (Operating margin)	90 billion yen 9%	93 billion yen 12%	130 billion yen 11%	143 billion yen 16%
Ordinary income (Ordinary income ratio)	70 billion yen 7%	70 billion yen 9%	115 billion yen 10%	125 billion yen 14%
Net income (Net income ratio)	40 billion yen 4%	45 billion yen 6%	85 billion yen 7%	85 billion yen 9%

Exchange rate assumptions for revised targets: US\$1 = ¥90, 1 EUR = ¥120 (previous target assumptions: US\$1 = ¥80, 1 EUR = ¥100)

(Note) Previous targets are those detailed in the medium-term vision that was released on June 8, 2012. Revised targets reflect the recently announced revisions.

Supplementary Materials (By Segment)

		FY Ending March 2015		FY Ending March 2017	
		Previous target	Revised target	Previous target	Revised target
Net sales	Medical	470 billion yen	→ 520 billion yen	570 billion yen	→ 650 billion yen
	Life Science & Industrial	108 billion yen	115 billion yen	120 billion yen	135 billion yen
	Imaging	160 billion yen	100 billion yen	170 billion yen	100 billion yen
	Others	38 billion yen	25 billion yen	55 billion yen	35 billion yen
	Total	1,010 billion yen	760 billion yen	1,160 billion yen	920 billion yen
Operating income	Medical	97 billion yen	→ 111 billion yen	126 billion yen	→ 150 billion yen
	Life Science & Industrial	8 billion yen	9 billion yen	14 billion yen	15 billion yen
	Imaging	7 billion yen	7 billion yen	9 billion yen	9 billion yen
	Others	1 billion yen	-1 billion yen	5 billion yen	1 billion yen
	Elimination or Corporate	-28 billion yen	-33 billion yen	-29 billion yen	-32 billion yen
	Total	90 billion yen	93 billion yen	130 billion yen	143 billion yen

Exchange rate assumptions for revised targets: US\$1 = ¥90, 1 EUR = ¥120 (previous target assumptions: US\$1 = ¥80, 1 EUR = ¥100)

(Note) Previous targets are those detailed in the medium-term vision that was released on June 8, 2012. Revised targets reflect the recently announced revisions.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2013

Yasuo Takeuchi

**Director, Senior Executive Managing Officer
Group President of Group Management Office
Olympus Corporation**

May 15, 2013

FY Ended March 2013 (1) Consolidated Financial Results

- ✓ Strong performance in Medical Business, achieved increases for all income figures in 4Q
- ✓ Net income up ¥57 bil. YOY due in part to sales of non-core businesses and fixed assets

(Billions of yen)	March 2012 Full Year	March 2013 Full Year	YoY Change	YoY (%)	YoY After adjusting impact (*)	March 2012 4Q(Jan-Mar)	March 2013 4Q(Jan-Mar)	YoY (%)
Net sales	848.5	743.9	-104.7	-12%	+0%	223.9	182.6	-18%
SG&A expenses (% of sales)	348.3 (41.0%)	343.1 (46.1%)	-5.2 (+5.1pt)	-2%	-	90.7 (40.5%)	92.8 (50.9%)	+2% (+10.4pt)
Operating income (% of sales)	35.5 (4.2%)	35.1 (4.7%)	-0.4 (+0.5pt)	-1%	+5%	9.6 (4.3%)	10.5 (5.7%)	+10% (+1.4pt)
Ordinary income (% of sales)	17.9 (2.1%)	13.0 (1.8%)	-4.8 (-0.3pt)	-27%	-	2.9 (1.3%)	4.3 (2.4%)	+51% (+1.1pt)
Net income (% of sales)	-49.0 (-)	8.0 (1.1%)	+57.0 (-)	-	-	-15.9 (-)	0.4 (0.2%)	

[Foreign exchange rates and impact]

¥/US\$	¥79	¥83	+¥4 (yen depreciation)
¥/Euro	¥109	¥107	-¥2 (yen appreciation)
Impact on net sales	-	12.8 bil.	
Impact on Op. income	-	0.2 bil.	

(*) YoY After adjusting impacts of FX and the transference of Information & Communication Business

FY Ended March 2013 (2) Results by Business Segment

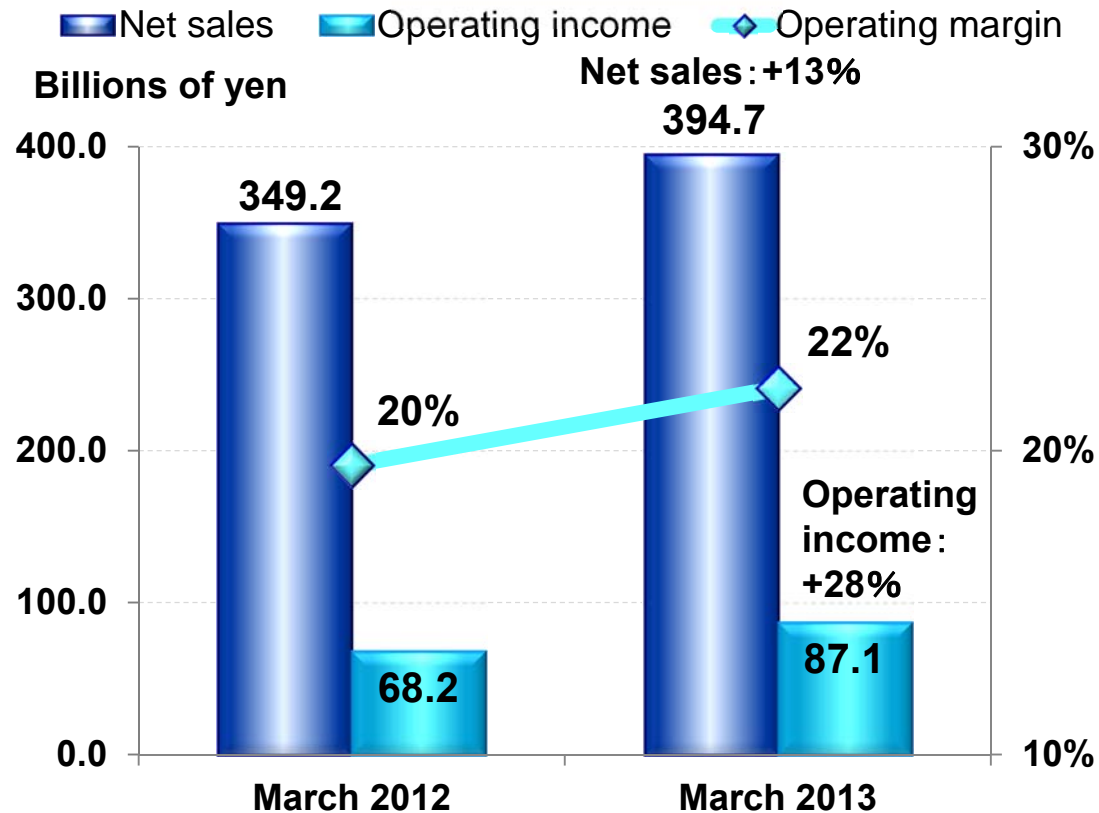
✓ Substantial YOY increases in full-year and 4Q sales and income for Medical Business

(Billions of yen)		March 2012		March 2013		YoY Change	
		Full Year	4Q(Jan-Mar)	Full Year	4Q(Jan-Mar)	Full Year	4Q(Jan-Mar)
Medical	Net sales	349.2	96.7	394.7	124.5	+13%	+29%
	Op. income	68.2	21.0	87.1	30.6	+28%	+46%
Life Science & Industrial	Net sales	92.4	26.5	85.5	28.0	-7%	+ 6%
	Op. income	5.4	1.9	3.5	2.3	-35%	+22%
Imaging	Net sales	128.6	23.8	107.6	20.8	-16%	-13%
	Op. income	-10.8	-7.0	-23.1	-14.3	-	-
Information & Communication	Net sales	229.4	65.4	114.2	-	-50%	-
	Op. income	5.3	1.7	1.7	-	-68%	-
Others	Net sales	48.9	11.5	41.7	9.4	-15%	-19%
	Op. income	-8.0	-2.8	-4.9	-1.6	-	-
Elimination and corporate	Net sales	-	-	-	-	-	-
	Op. income	-24.6	-5.3	-29.3	-6.6	-	-
Consolidated Total	Net sales	848.5	223.9	743.9	182.6	-12%	-18%
	Op. income	35.5	9.6	35.1	10.5	-1%	+10%

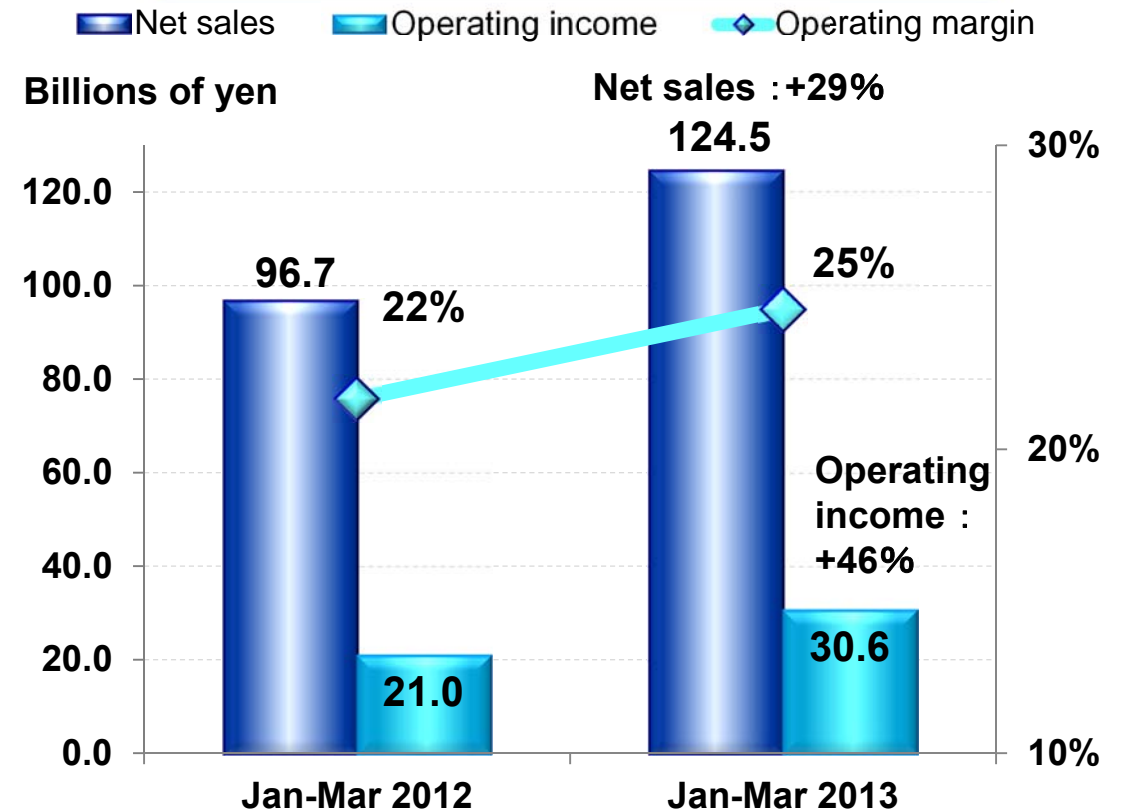
FY Ended March 2013 (3) Medical Business

- ✓ Introduced new products in Japan in 4Q and saw sales strong in Japan and overseas for mainstay gastrointestinal endoscopy products
- ✓ Operating margin improved due to increased sales of high-margin gastro endoscopy products

Full Year



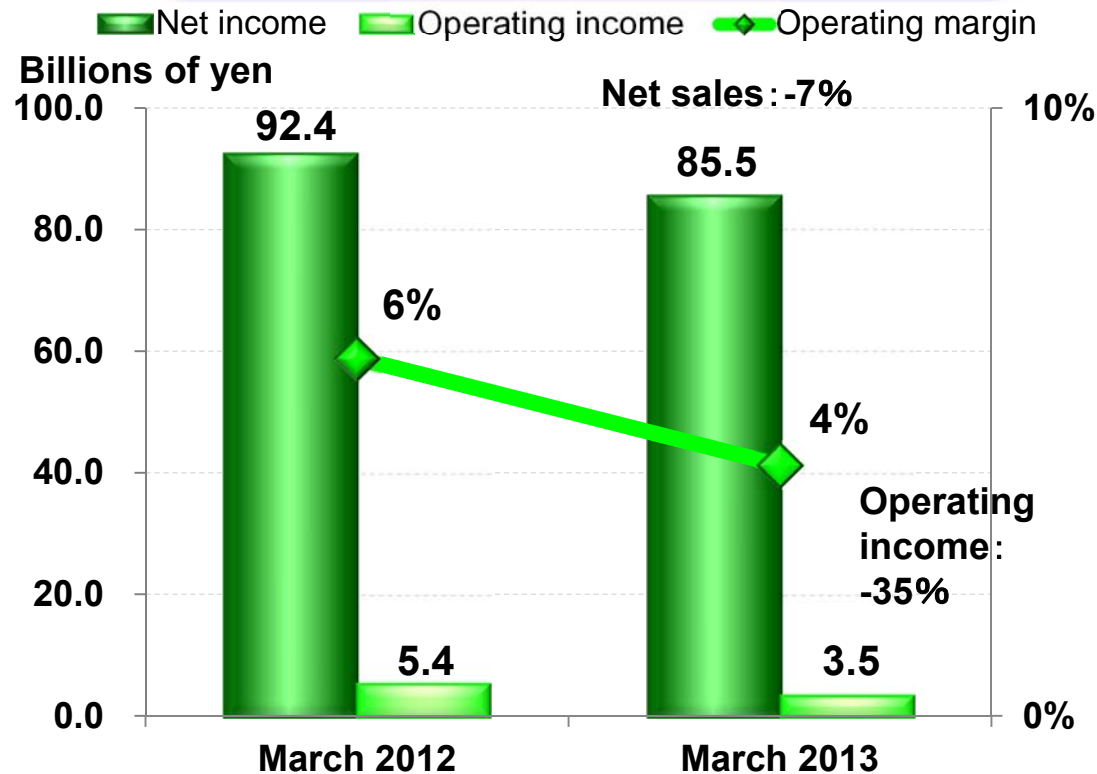
4Q(Jan-Mar)



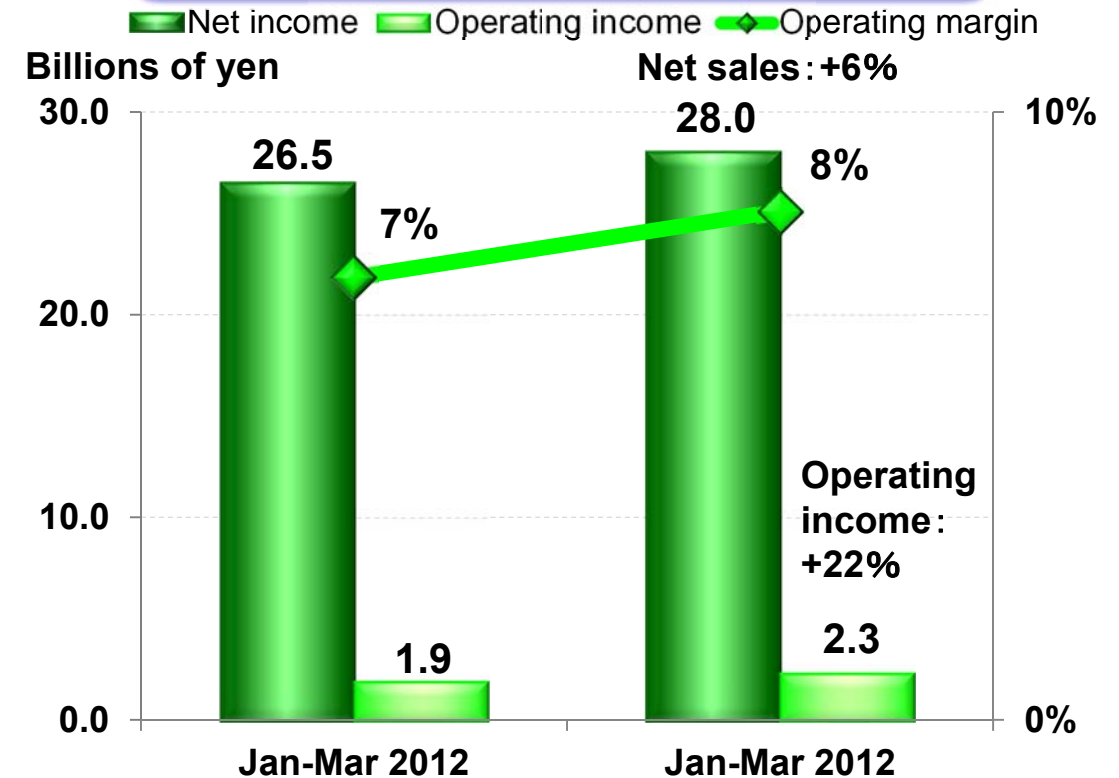
FY Ended March 2013 (4) Life Science & Industrial Business

- ✓ Full-year sales and income down due to limited private-sector capital investment and delayed government expenditure, 4Q sales and income up following economic recovery
- ✓ Introduced new products in mainstay model lines, rationalized production sites, and otherwise laid foundations for next year and onward

Full Year



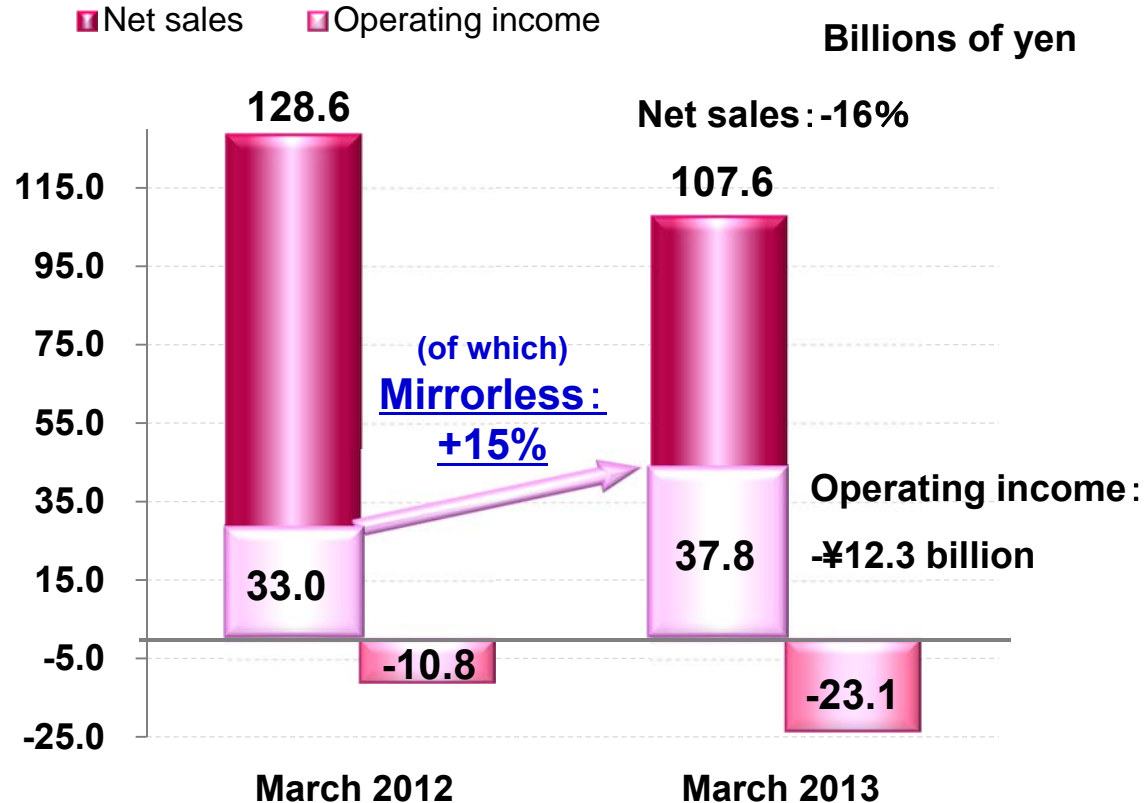
4Q(Jan-Mar)



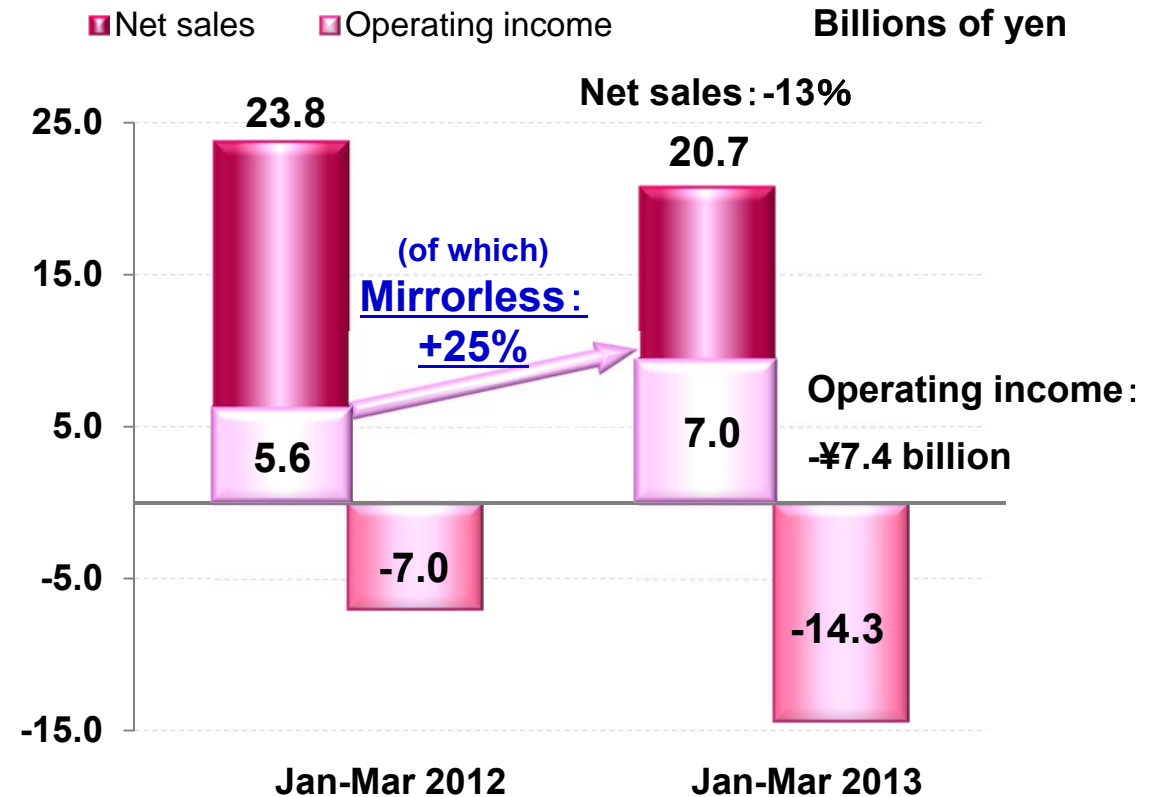
FY Ended March 2013 (5) Imaging Business

- ✓ Sales of compact cameras substantially lower due to rapid contraction of market
- ✓ Full-year mirrorless camera sales up 15% and 4Q sales up 25% due to strong sales of OM-D

Full Year



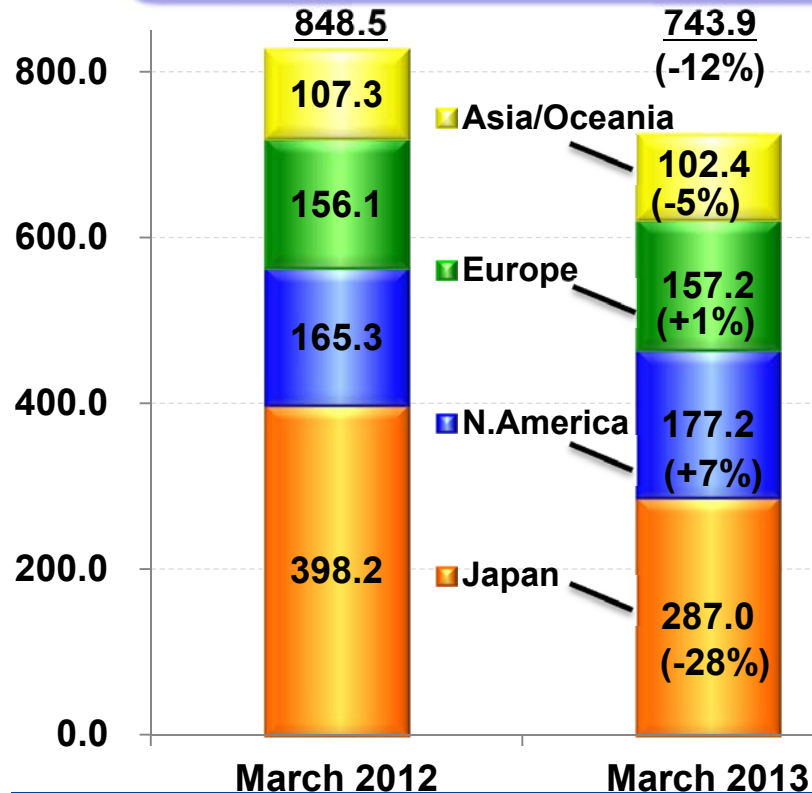
4Q(Jan-Mar)



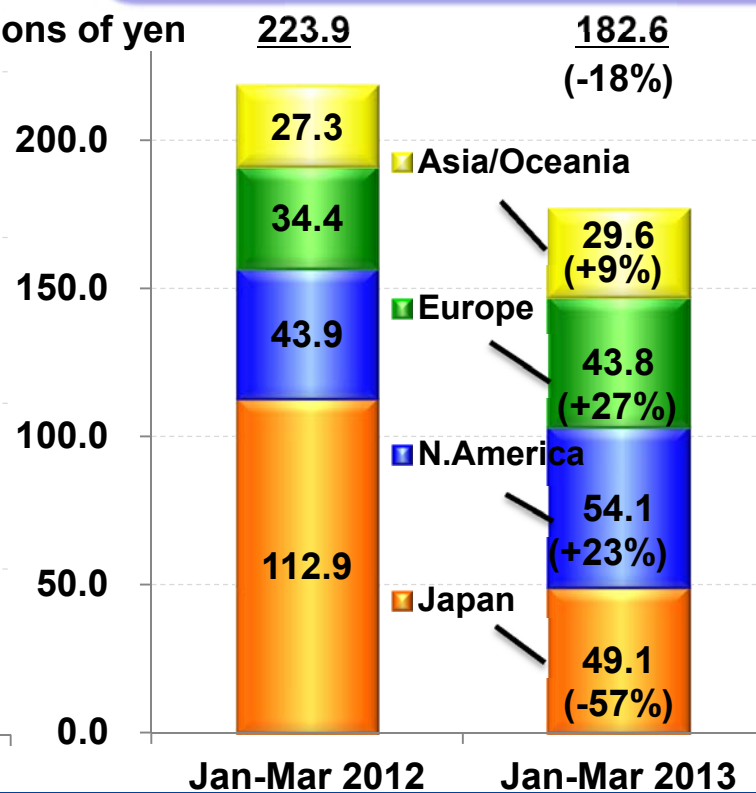
FY Ended March 2013 (6) Net Sales by Region

- ✓ Domestic sales down, actually improved when impacts of Information & Communication Business transference are excluded (Domestic full-year and 4Q sales excluding impacts of transference up 2%)
- ✓ Sales increased substantially for Medical Business in all regions, supporting overall improvements

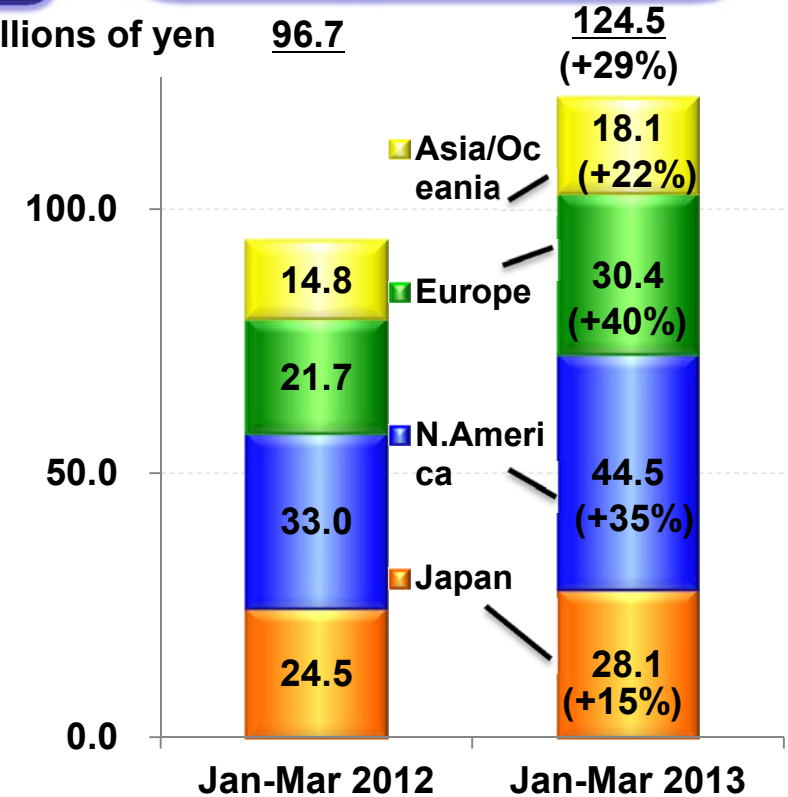
**Consolidated Results
Full Year**



**Consolidated Results
4Q(Jan-Mar)**



**Medical Business
4Q(Jan-Mar)**



Balance Sheet (End of March 2013)

✓ Equity ratio improved 11 percentage points YOY to over 15%

(Billions of yen)	End Mar 2012	End Mar 2013	Change		End Mar 2012	End Mar 2013	Change
Current assets (Digital camera inventories)	526.6 (23.6)	541.0 (23.6)	+ 14.5 (-)	Current liabilities	320.4	316.9	-3.5
Property, plant and equipment	127.8	129.8	+2.0	Non-current liabilities (Incl. bonds/ long-term loans payable)	598.1 (530.3)	490.8 (422.9)	-107.3 (-107.4)
Intangible assets	197.1	174.6	-22.5	Net assets	48.0	152.4	+104.4
Investments and other assets	115.0	114.6	-0.4	(Equity ratio)	(4.6%)	(15.5%)	(+10.9pt)
Total assets	966.5	960.1	-6.4	Total liabilities and net assets	966.5	960.1	-6.4

Interest-bearing debt: ¥560.4 billion (-¥ 82.0 billion from Mar. 2012)
Net interest-bearing debt: ¥330.8 billion (-¥111.6 billion from Mar. 2012)

Cash Flows (April 2012 to March 2013)

✓ Free cash flow improved from last year's negative to positive ¥58.7 bil.

(Billions of yen)		March 2012	March 2013	Change
Net sales		848.5	743.9	-104.7
Operating income		35.5	35.1	-0.4
(%)		4.2%	4.7%	+0.5pt
CF from operating activities		30.9	25.2	-5.7
CF from investing activities		-35.7	33.5	+69.2
CF from financing activities		-5.8	-42.4	-36.7
Cash flow		-10.6	16.3	+26.9
Free cash flow		-4.8	58.7	+63.5
Cash and cash equivalents at end of year		198.7	225.8	+27.1
Depreciation and amortization		33.8	33.9	+0.1
Amortizaion of goodwill		12.3	9.7	-2.6
Capital expenditures		35.2	28.0	-7.3

Forecasts for FY ending March 2014

Forecasts for FY ending March 2014(Full Year)

✓ Substantial improvements forecast for all income figures below operating income

(Billions of yen)	March 2013 Full-year (Results)	March 2014 Full-year (Forecast)	YoY Change	YoY (%)
Net sales	743.9	700.0	-43.9	-6%
Operating income (% of net sales)	35.1 (4.7%)	71.0 (10.1%)	+35.9	+102%
Ordinary income (% of net sales)	13.0 (1.8%)	48.0 (6.9%)	+35.0	+268%
Net income (% of net sales)	8.0 (1.1%)	30.0 (4.3%)	+22.0	+274%
[Foreign exchange rates and impact]				
¥/US\$	¥83	¥90	+¥ 7(yen depreciation)	
¥/Euro	¥107	¥120	+¥13(yen depreciation)	
Impact on net sales	-	+38.1bil.		
Impact on Op. income	-	+9.9bil.		

Segment Forecasts for FY ending March 31, 2014(Full Year)

✓ Operating income in Medical Business forecast to exceed ¥100.0 billion for first time

(Billions of yen)		March 2013 Full-year (Results)	March 2014 Full-year (Forecast)	YoY Change	YoY (%)
Medical	Net sales	394.7	470.0	+75.3	+19%
	Operating income	87.1	101.0	+13.9	+16%
Life Science & Industrial	Net sales	85.5	100.0	+14.5	+17%
	Operating income	3.5	7.0	+3.5	+99%
Imaging	Net sales	107.6	104.0	-3.6	-3%
	Operating income	-23.1	0.0	+23.1	-
Information & Communication	Net sales	114.2	-	-114.2	-
	Operating income	1.7	-	-1.7	-
Others	Net sales	41.7	26.0	-15.7	-38%
	Operating income	-4.9	-5.0	-0.1	-
Elimination and corporate	Net sales	-	-	-	-
	Operating income	-29.3	-32.0	-2.7	-
Consolidated Total	Net sales	743.9	700.0	-43.9	-6%
	Operating income	35.1	71.0	+35.9	+102%



Supplementary Materials

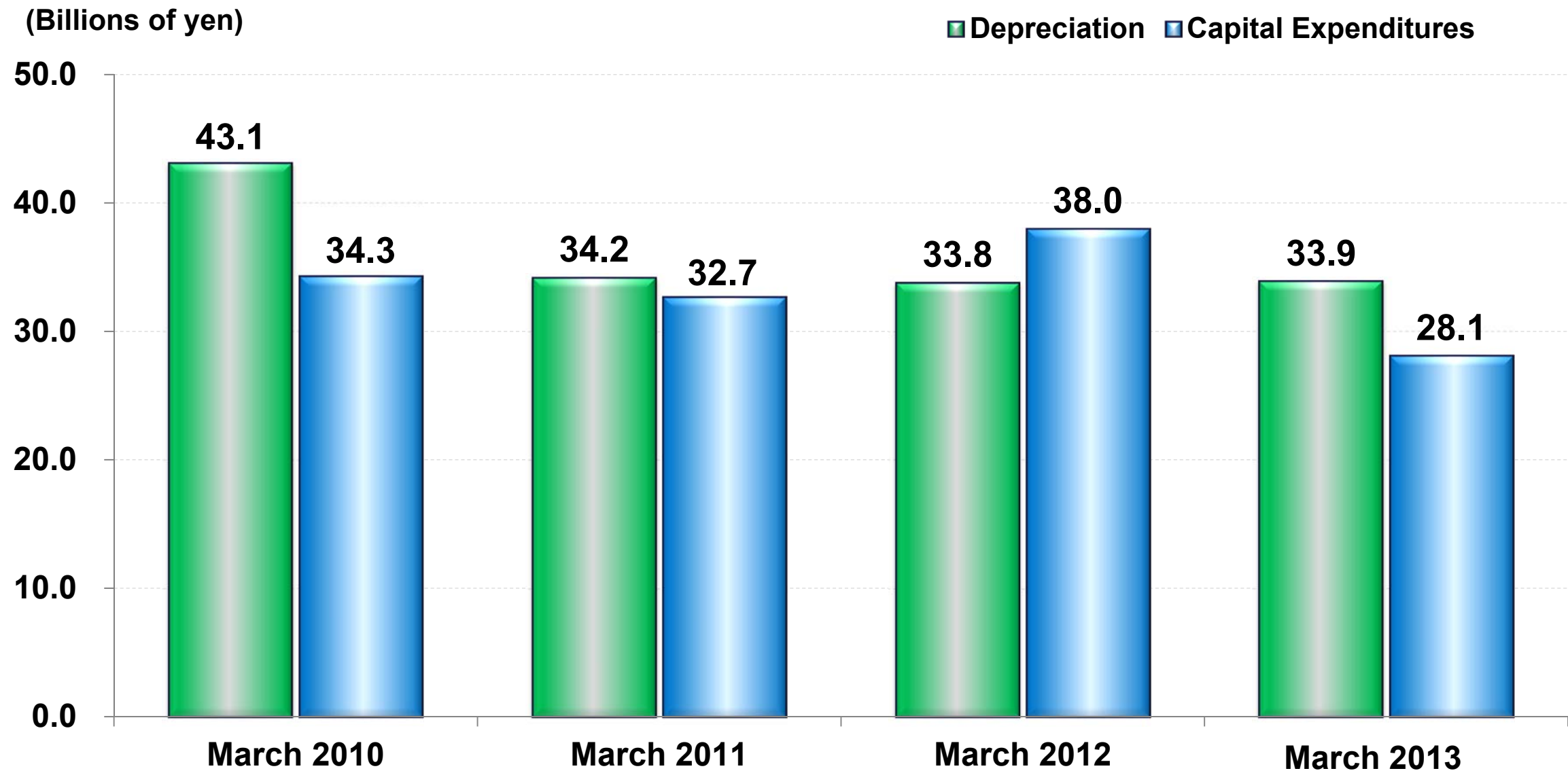
Forecasts for FY ending March 2014 (1H and 2H)

(Billions of yen)	March 2013 Full-year (Results)		March 2014 Full-year (Forecast)		YoY (%)	
	1H (Apr-Sep)	2H (Oct-Mar)	1H (Apr-Sep)	2H (Oct-Mar)	1H (Apr-Sep)	2H (Oct-Mar)
Net sales	405.8	338.1	335.0	365.0	-17%	+8%
Operating income (% of net sales)	18.0 (4.4%)	17.0 (5.0%)	27.0 (8.1%)	44.0 (12.1%)	+50%	+158%
Ordinary income (% of net sales)	7.4 (1.8%)	5.7 (1.7%)	17.5 (5.2%)	30.5 (8.4%)	+137%	+440%
Net income (% of net sales)	8.0 (2.0%)	0.0 (0.0%)	10.0 (3.0%)	20.0 (5.5%)	+25%	-

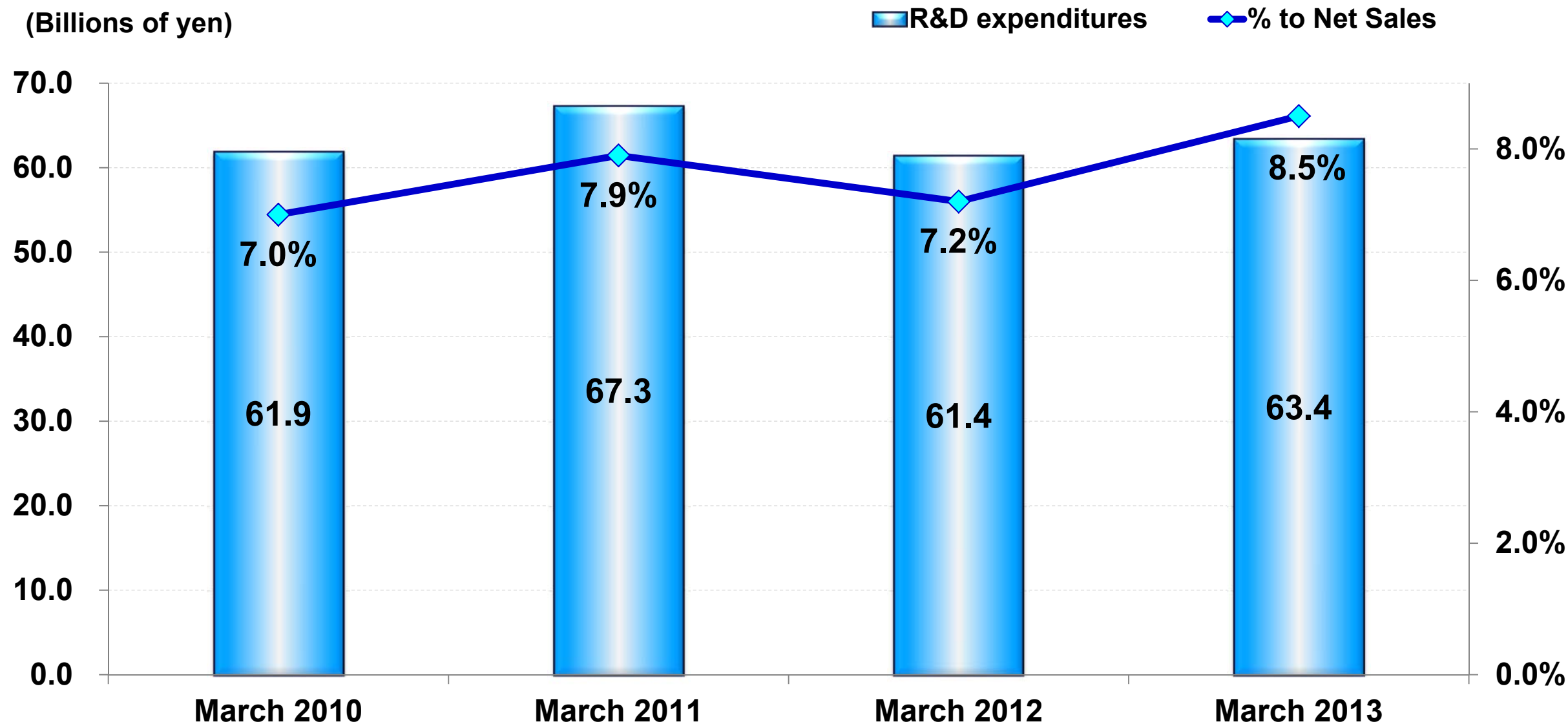
Segment Forecasts for FY ending March 2014 (1H and 2H)

(Billions of yen)		March 2013 Full-year (Results)		March 2014 Full-year (Forecast)		YoY (%)	
		1H (Apr-Sep)	2H (Oct-Mar)	1H (Apr-Sep)	2H (Oct-Mar)	1H (Apr-Sep)	2H (Oct-Mar)
Medical	Net sales	176.2	218.5	223.0	247.0	+27%	+13%
	Op. income	37.4	49.7	46.0	55.0	+23%	+11%
Life Science & Industrial	Net sales	38.1	47.4	46.0	54.0	+21%	+14%
	Op. income	1.1	2.4	1.5	5.5	+38%	+125%
Imaging	Net sales	55.9	51.7	53.0	51.0	-5%	-1%
	Op. income	-4.4	-18.6	0.0	0.0	-	-
Information & Communication	Net sales	114.2	-	-	-	-	-
	Op. income	1.7	-	-	-	-	-
Others	Net sales	21.3	20.5	13.0	13.0	-39%	-37%
	Op. income	-3.6	-1.3	-3.5	-1.5	-	-
Elimination and corporate	Net sales	-	-	-	-	-	-
	Op. income	-14.1	-15.2	-17.0	-15.0	-	-
Consolidated Total	Net sales	405.8	338.1	335.0	365.0	-17%	+8%
	Op. income	18.0	17.0	27.0	44.0	+50%	+158%

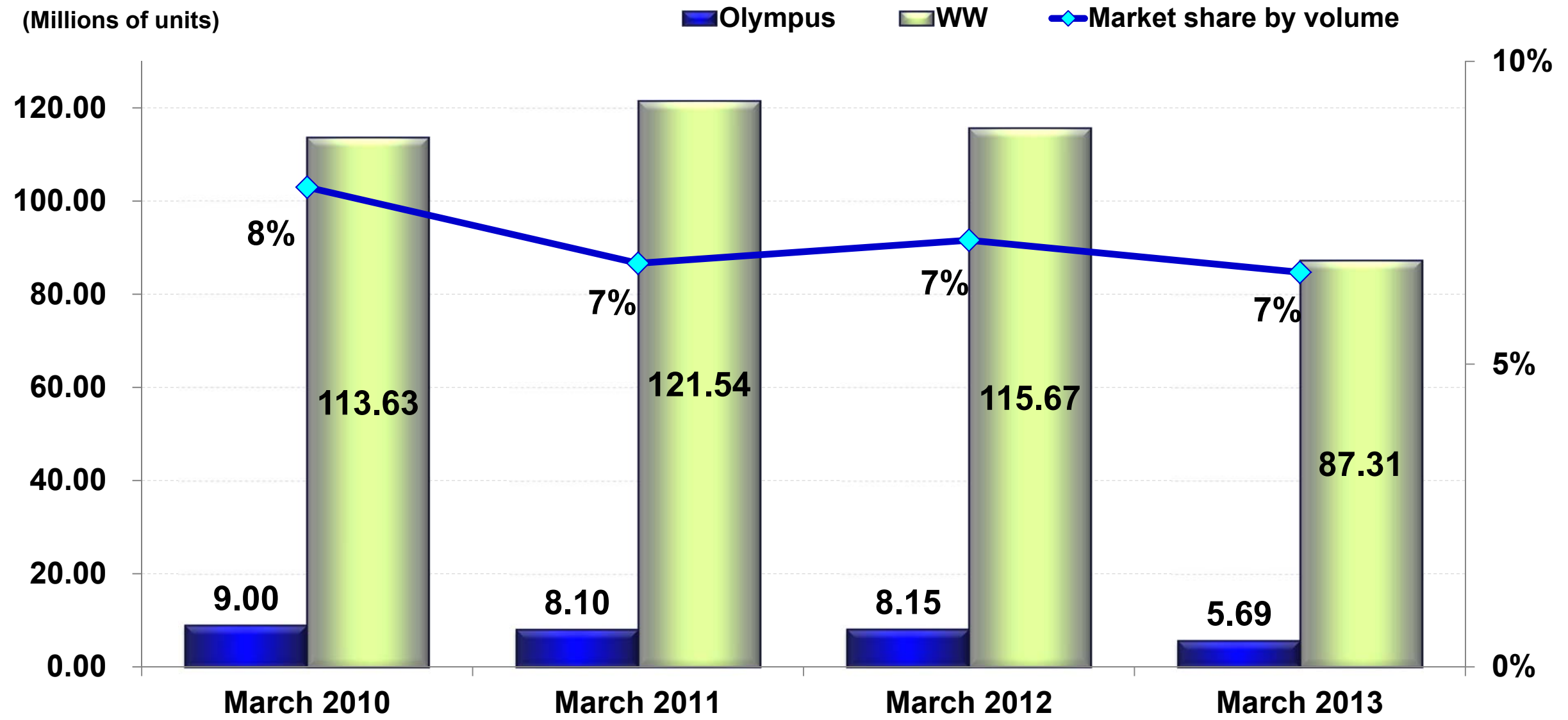
Depreciation, Capital Expenditures



R&D Expenditures



Digital Cameras



Performance forecasts and other forward-looking statements in this presentation reflect judgments and assumptions based on information available at the time of writing. Because of the uncertainty inherent to judgments and assumptions, and because of the potential for future changes in business operations, conditions in Japan or overseas, or other factors, actual results, etc., may differ substantially from the targets stated.

