

Responsibility



Hiroyuki Sasa
President and
Representative Director

Our mission is clear. The Olympus Group must come together to accomplish the goals of the medium-term vision—our expressed commitments to building a stronger operating foundation and to realizing further growth.

Once those goals are achieved, we will implement strategies geared toward the period after the medium-term vision.

Significant Progress in Restructuring to Date



1. A Look Back at the First Year as President

• Review of Fiscal 2013

During fiscal 2013, which was my first year as president, the operating environment proved harsh due to instability in the global economy and other factors. Regardless, despite the difficulty of transitioning to a new management system, I think we got off to a good start in all businesses except the Imaging Business.

Indeed, fiscal 2013 was an eventful year. We began by strengthening our corporate governance structure, and then we announced the medium-term vision and began implementing it in earnest. We also responded to lawsuits and accepted applications for voluntary retirement. On the business front,

we commenced a business and capital alliance with Sony Corporation and transferred the Information & Communication Business. Further, we took steps to remove the Security on Alert designation placed on the Company's stock by the Tokyo Stock Exchange (TSE), which included submitting a written affirmation on the internal control system to the TSE and undergoing inspections. We have now entered a new fiscal year, and we saw the Security on Alert designation lifted in June 2013. I believe this is a significant step toward gaining society's acceptance of the management reforms that have created a new Olympus.

• Progress and Results of the Medium-Term Vision

I would now like to explain my views on the progress and results of the Medium-Term Vision: Back to Basics, which was announced in June 2012.

During fiscal 2013, we worked with unwavering resolve toward accomplishing the goals we have committed ourselves to in accordance with our medium-term vision. In the Medical Business, which has been positioned as a major earnings driver, new gastrointestinal and surgical endoscopes were released around the world as planned, and these products supported the performance of the entire Group. I believe I can say that the start of the vision was much smoother than we had anticipated. In fact, we

instituted an upward revision to our initial forecasts, and we were successful in achieving the revised figures.

Conversely, in the Life Science & Industrial Business, the operating environment remains harsh and we are still faced with issues that must be addressed in terms of earnings. Nevertheless, we implemented production system reforms in the life science field during fiscal 2013 with the aim of boosting earnings, and we were able to turn a profit as a result. This represented a significant improvement from fiscal 2012, when an operating loss was recorded. In the industrial field, which represents a major growth driver, we will work to apply the competitiveness fostered in the current areas of operations to

■ Institution of measures to strengthen and improve corporate governance ■ Implementation of initiatives to rebuild business portfolio and ensure financial health

January 2013

February 2013

June 2013

Submission of written affirmation on the internal control system to TSE

Completion of ¥50 billion capital injection by Sony

Termination of designation as Security on Alert by TSE

Major Initiatives and Results

Staff size approx. 6,000* lower than on March 2012	Restructured production sites (from 30 to 22 globally)
Reduced subsidiaries and affiliates by approx. 30 entities	Reduced interest-bearing debt by ¥82 billion from March 2012 to 2013

* Includes full-time and part-time employees



expand into new fields. By introducing new products into such fields, we hope to expand our earnings base. Going forward, we will develop more robust business and earnings structures that take advantage of our biological microscopes and our industrial microscopes and endoscopes, all items for which we hold the world's leading market shares. By creating such structures, we aim to improve performance at the earliest possible date. At the same time, we are thoroughly revising cost structures. In this pursuit, we have assembled a specialized team, which is guiding us in quickly realizing Companywide cost reductions, with a particular focus being placed on cutting costs in indirect departments.

In the Imaging Business, we recorded an operating loss of more than ¥10 billion for the third consecutive fiscal year, a fact that I find most unfortunate and that represents a

pressing issue for management to address. Needless to say, this issue was the subject of much discussion among the board of directors. In these discussions, rather than focusing only on numerical targets, we discussed all available options, including the possibility of only accumulating technologies. The end decision was the restructuring measures announced along with our fiscal 2013 financial results in May 2013. These measures include ceasing production of low-priced compact cameras and significantly shrinking operations, measures through which we aim to greatly reduce inventory risks and other business risks. At the same time, we will construct cost structures appropriate for the scale of this business. By implementing these measures, we will first work to breakeven on the operating income level in fiscal 2014. We will then shift to a profitable business structure over the medium-to-long term.

In regard to our efforts to reorganize non-core businesses, the transference of the Information & Communication Business as well as the liquidation and sale of other businesses progressed more quickly than expected. We were thereby able to recover the equity ratio to around 15% on March 31, 2013, showing that our financial position had grown much sounder. In the future, we will work toward our medium-to-long-term goal of an equity ratio of approximately 30% while targeting the quick resumption of dividend payments and other shareholder returns.

2. Our Growth Strategies

Accomplishment of Medium-Term Vision Goals and Further Forward-Looking Growth in the Medical Business

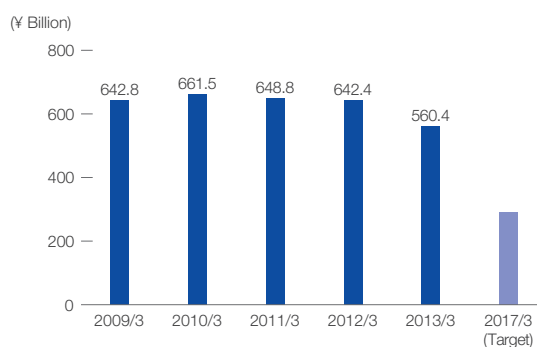
The medium-term vision describes the measures we will implement to regain the trust of our stakeholders. Therefore, accomplishing the goals of this vision over the next four years will be of first and foremost importance. However, I believe we must also turn our attention toward farther down the line. In order to ensure that the growth of the Medical Business, a major earnings driver, continues to accelerate after the vision's

completion, it will be essential to develop strategies that take us a step further. This will be one of our main tasks going forward, and one that we must address with both caution and speed. To support efforts to this end, it will be crucial to develop a robust financial base that will sufficiently enable us to invest in growth stably and flexibly, even in an ever-changing and consistently opaque operating environment.

Equity / Equity Ratio



Interest-Bearing Debt



• Construction of a Robust Financial Base Allowing for Global Action

In addition to strengthening operating foundations, the quick recovery of our financial credibility is an important management task as such credibility is inseparable from business growth. In recognition of this fact, we reorganized and sold non-core businesses and commenced a business and capital alliance with Sony Corporation during fiscal 2013. Also, we worked to reduce interest-bearing debt. As mentioned, these efforts enabled us to recover the equity ratio. Specifically, we saw the ratio recover to 15.5% on March 31, 2013, a significant improvement compared with the level of 4.6% on March 31, 2012. We thus exceeded our short-term goal of 10% and are seeing the steady improvement of our financial base. Still, our current financial position remains insufficient in comparison to other globally active medical equipment manufacturers.

One characteristic of the Medical Business is that the development and commercialization of products requires a great deal of time and expense. This is because of the need to acquire approval, among other considerations. Moreover,

our Medical Business is not one of simply selling products. Rather, operations entail ensuring the reliability of products, which is critical considering how they can impact people's lives, as well as developing the necessary after-sales support and maintenance systems. We must also continue to supply new products and maintain effective training systems. As such, we need a financial base that can support these activities over the long term, as well as the credibility to back this base. Aiming to secure the funds needed to conduct capital and R&D expenditures in the Medical Business—a growth area for Olympus—over the next three years, the Company procured capital to the extent of ¥112.6 billion in July 2013 by offering new shares and existing shares of treasury stock to overseas investors. Our present focus is on constructing the financial base needed to strengthen the Medical Business and conducting forward-looking investment. We expect that this will enable us not only to meet the goals of the medium-term vision but also to implement the strategies required to realize growth thereafter.

Major Uses of Proceeds	Amount
Capital expenditures at principal gastrointestinal endoscope manufacturing facilities (3 factories in Tohoku district)	¥19.7 billion
R&D expenditures in the Medical Business	¥54.0 billion
Sales promotion expenses focused on new Medical Business products	¥24.0 billion
Others	¥14.9 billion
Total	¥112.6 billion



• Ongoing Growth in the Medical Business

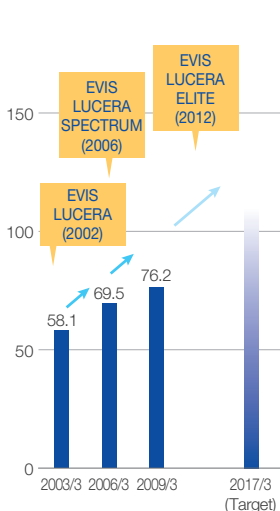
The Medical Business has continued to support the Company's growth as an earnings driver. As the global need to reduce healthcare costs and limit social security expenses become ever more pressing, I think Olympus can play an even greater role in supporting the medical industry by providing means of early detection and treatment. The Olympus Group possesses technologies for developing and

manufacturing medical devices that respond to needs ranging from early detection to minimally invasive treatment, and it is one of the world's leading manufacturers in this area. We have a very strong position in the industry due to our ability to develop simultaneously the devices needed for new minimally invasive treatments and the early diagnosis measures that will be linked to these new treatments. We will grow our business while fully leveraging this strength. And, in order to facilitate this growth, I believe that we need to steadily conduct forward-thinking investments in a variety of R&D areas. These include enhancing our endoscope lineup and developing next-generation endoscopy systems as well as conducting research and development related to the areas of operating room imaging and energy devices and bolstering our lineup of endotherapy devices.

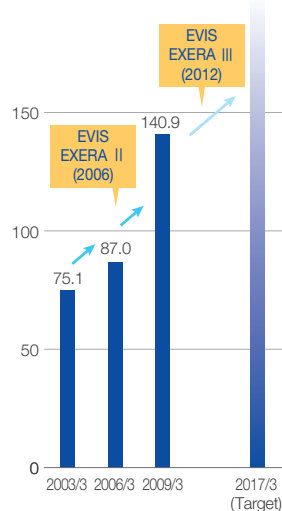
Olympus boasts a dominating share of more than 70% of the highly profitable gastrointestinal endoscope market, and it will further strengthen its foundations in this field to ensure ongoing competitiveness. To this end, we launched new endoscope products into developed markets, including Japan, North America, and Europe, during fiscal 2013. We expect that these products will help accelerate future earnings

Sales Growth of Medical Business after Introduction of New Products and Future Targets

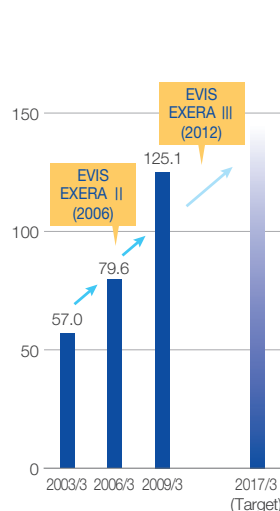
Japan
(¥ Billion)



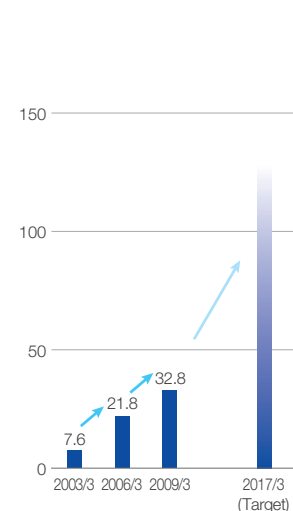
North America
(¥ Billion)



Europe
(¥ Billion)



Asia / Oceania
(¥ Billion)



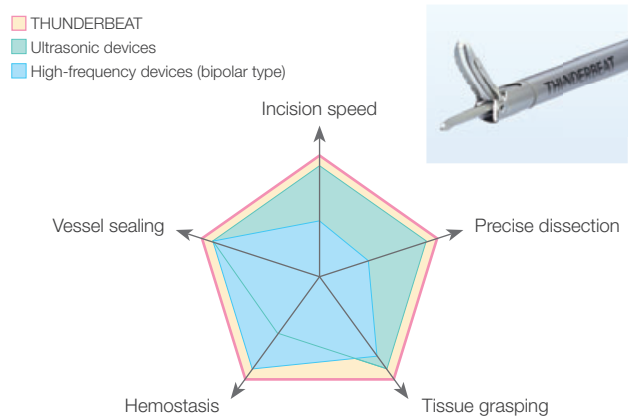
growth. In addition, we realize that bolstering production capabilities will be key to further expanding and growing our business going forward. For this reason, we have decided to invest approximately ¥20 billion in our three principal manufacturing facilities over the coming three years. At the same time, we will create new endoscope markets by establishing training centers in China and elsewhere in Asia to foster the development of endoscopic physicians in rapidly growing emerging nations and accelerate the spread of endoscopic procedures in these countries.

Within the Medical Business, one field that I think will play a particularly significant role in future growth is surgical and endotherapy devices. To strengthen our operations in this field, our first task will be enhancing sales systems. Specifically, we will create sales systems that match the scale and characteristics of markets in both emerging countries and developed nations. If these systems are properly installed, I believe there are certain products for which we can expand sales by virtue of these systems alone. However, our efforts in this area are somewhat lacking at present. Besides sales systems, I would like to focus on strengthening efforts to develop new products and technologies in this field. One such new product is the THUNDERBEAT energy device, and we will work to develop this device into a pillar for supporting operations in the surgical device field going forward. At the same time, I hope to use this device in other fields. For example, it could be utilized to accelerate expansion in the otorhinolaryngology field. In

• **Commitment toward Stakeholders**

In addition to accomplishing the goals of the medium-term vision, the management of Olympus is also charged with the mission of laying strategic foundations for future growth. To facilitate these efforts, we procured ¥112.6 billion in funds. In procuring these funds, the Company's management, myself included, visited institutional investors around the world to explain our growth strategies for the Medical Business. These interactions once again reminded us of our responsibility to produce results. This recognition is both obvious and important. Harsh opinions were received from many of the institutional investors we visited. However, in the end, we were able to collect funds to an extent that exceeded our target, which I believe represents the high evaluations of

THUNDERBEAT Features—Comparison of Effectiveness



addition, the differentiated technologies of THUNDERBEAT show potential for driving expansion in the orthopedics field.

In April 2013, a joint venture medical company was established by Olympus and Sony Corporation. This company operates a business related to surgical endoscopes with 3D and 4K imaging capabilities. I hope to quickly develop this business to the point where it begins producing results and to implement expansion measures from a perspective looking three to five years into the future. I also aim to expand operations into fields peripheral to surgery, and I believe M&A activities are an option to accomplish this.

our response to investors and our growth strategies. As president, the responsibility I feel is heavier than I have ever felt in my life, and I am committed to producing results that meet the expectations of our stakeholders.

Hiroyuki Sasa

President and Representative Director