

Medical Business

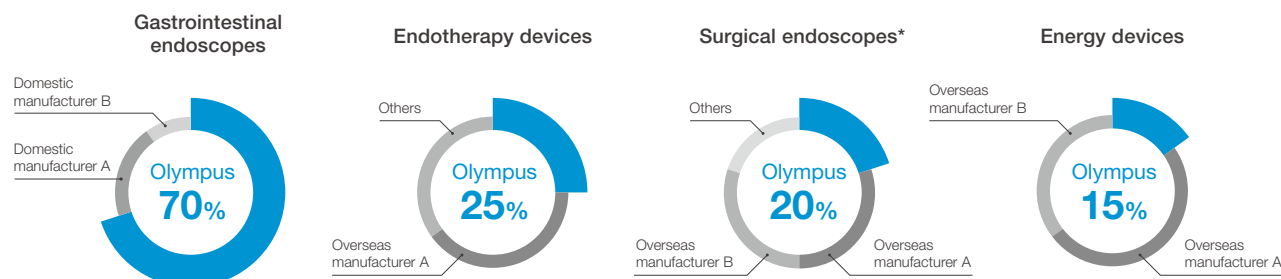


We aim to expand our business by providing world-leading services and the two forms of value represented by early diagnosis and minimally invasive therapies.

In the gastrointestinal endoscope field, we are strengthening our operating foundation with the aim of solidifying our position as the world's No. 1 manufacturer. Meanwhile, the surgical device field has been positioned as a future growth driver, and we plan to expand our market share in this field by strengthening sales forces and leveraging our competitive products. At the same time, we will step up activities in the other medical field business units, which have been reorganized into independent organizations under the new organizational structure, in the pursuit of brisk growth.

Akihiro Taguchi
Medical Business, Business Management Officer

Global Market Share (As estimated by the Company)



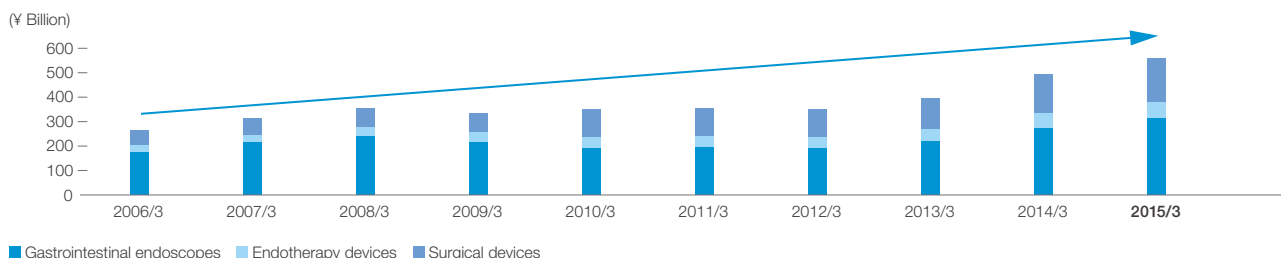
* Product fields related to Olympus' operations (general surgery, urology, and orthopedics)

Operating Environment and Forecasts

In developed countries, where populations are rapidly aging, as well as emerging countries, which are experiencing high economic growth, the improvement of patient quality of life and control of both healthcare and social security expenses have become urgent priorities. In the United States, for example, the Affordable Care Act (ObamaCare) has created a burgeoning trend toward efficiency and operational rationality

in the medical industry. Olympus possesses technologies for the development and manufacture of medical equipment for advancing the progress in terms of early diagnosis and minimally invasive therapies. These technologies place the Company in a prime position to contribute to the medical industry. By leveraging this strength, the Medical Business will seek further business expansion by providing technologies, products, services, and solutions of the highest caliber.

Olympus' Ever-Growing Medical Business

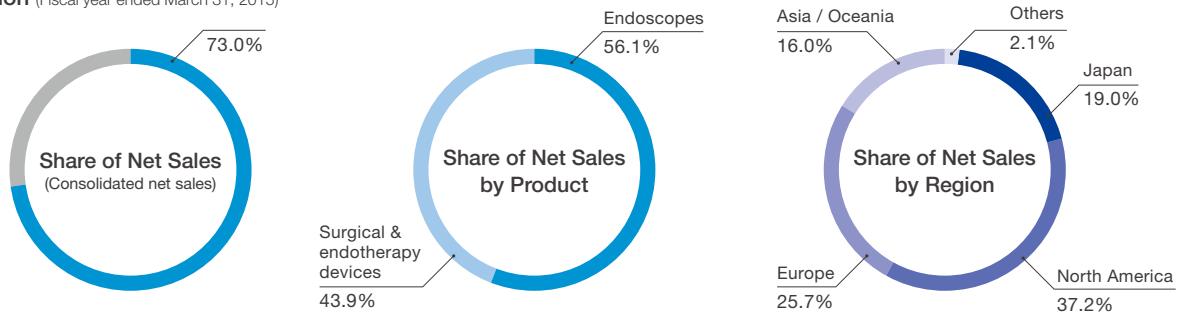




Medical Business

<ul style="list-style-type: none"> Share of more than 70% of global gastrointestinal endoscope market Technological capabilities that led to development of world's first practical gastroscope and have continued to lead innovation Position as only manufacturer to deal in both imaging equipment and energy devices Network of more than 200 repair sites worldwide 	<table border="1"> <tr> <td>Strengths</td> <td>Weaknesses</td> </tr> <tr> <td style="text-align: center;">S</td> <td style="text-align: center;">W</td> </tr> <tr> <td style="text-align: center;">O</td> <td style="text-align: center;">T</td> </tr> <tr> <td>Opportunities</td> <td>Threats</td> </tr> </table>	Strengths	Weaknesses	S	W	O	T	Opportunities	Threats	<ul style="list-style-type: none"> Position as latecomer in surgical device field after European and U.S. companies Insufficient lineup of surgical device products for procedures requiring open surgery and other treatments Deficient development, manufacturing, and sales capabilities for endotherapy and other disposable products
Strengths	Weaknesses									
S	W									
O	T									
Opportunities	Threats									
<ul style="list-style-type: none"> Growing healthcare awareness; rising demand for early diagnosis due to spread of cancer prevention education Increased demand for minimally invasive treatment methods Insufficient number of physicians trained in endoscopic procedures and room to improve medical techniques in emerging countries Progress in medical system reforms worldwide 		<ul style="list-style-type: none"> Strengthening of medical equipment regulations worldwide Downward pressure on selling prices due to increased influence of GPOs Appearance of overseas rivals due to reorganization of medical equipment industry Impacts of foreign exchange rate fluctuations (yen appreciation) 								

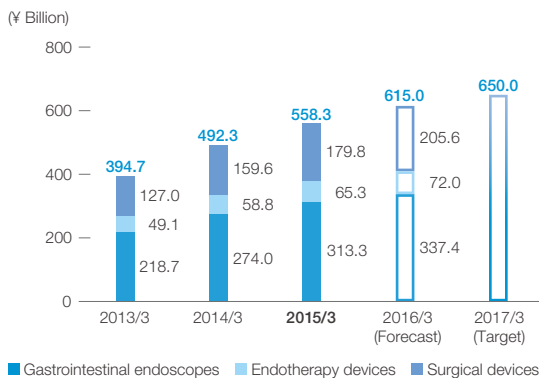
Composition (Fiscal year ended March 31, 2015)



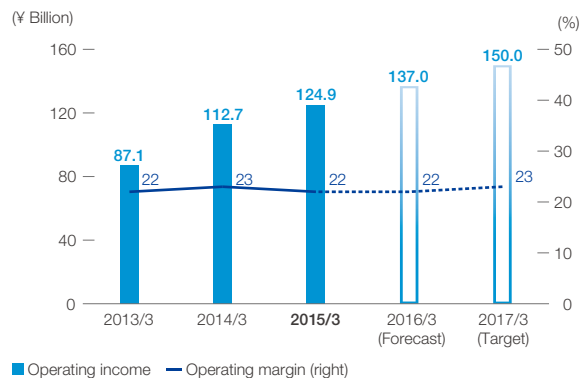
		Millions of yen			
		2012/3	2013/3	2014/3	2015/3
Operating Results	Net Sales	349,246	394,724	492,296	558,348
	Operating Expenses	281,058	307,655	379,561	433,454
	Operating Income	68,188	87,069	112,735	124,894
	Operating Margin (%)	19.5%	22.1%	22.9%	22.4%
Sales by Product	Endoscopes	191,798	218,674	273,966	313,253
	Domestic	43,803	47,335	57,136	56,300
	Overseas	147,995	171,339	216,830	256,953
	Surgical & Endotherapy Devices	157,448	176,050	218,330	245,095
	Domestic	36,615	42,177	48,735	49,618
	Overseas	120,833	133,873	169,595	195,477
Segment Data	R&D Expenditures (¥ billion)	26.9	31.3	34.4	43.3
	Capital Expenditures (¥ billion)	15.6	17.1	26.7	36.8
	Number of Employees* (people)	16,225	16,552	18,345	19,465

* Including average number of temporary employees

Net Sales



Operating Income / Operating Margin



Overview of Fiscal 2015

In the gastrointestinal endoscope field, strong sales continued for mainstay gastrointestinal video endoscopy systems EVIS EXERA III and EVIS LUCERA ELITE, making large contributions to overall earnings. Sales growth was also seen in the endotherapy device field, where we introduced new products including QuickClip Pro, a disposable rotatable clip fixing device to stop bleeding of polyps and lesions. In the surgical device field, favorable sales increases were once again achieved for the VISERA ELITE surgical video

endoscopy system—designed to support endoscopic surgery—as well as for our 3D laparoscopy surgical system and the THUNDERBEAT energy device.

We also witnessed the benefits of growth investments conducted for strengthening sales forces centered on the surgical device field. As a result of these factors, the Medical Business achieved year-on-year increases of 13% for net sales and 11% for operating income, which both set new records for the second consecutive year.

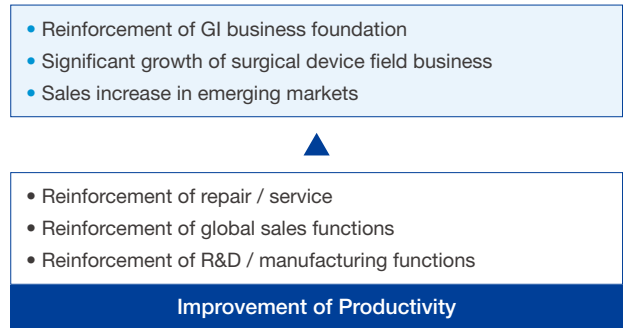
Growth Strategies

To accelerate growth in the Medical Business, we will advance the three basic strategies of working to reinforce foundations in the gastrointestinal endoscope field, further strengthen the surgical device field, and expand sales in emerging markets. The functions for supporting these strategies will also be enhanced going forward.

Under the new organizational structure, we expanded the range of units included in the Medical Business to five business units: the GI (gastrointestinal) Business Unit, GS (general surgery) Business Unit, Uro/Gyn (urology / gynecology) Business Unit, ENT (ear, nose, and throat) Business Unit, and Medical Service Business Unit. This new structure will enable us to allocate management resources to fields in which we have previously failed to conduct sufficient growth investment, and thereby realize robust growth for the Medical

Business as a whole. Furthermore, we will continue forward-looking endeavors to expand existing businesses and create new businesses.

Basic Policy of Medium-Term Vision (Medical Business)



Priority Measures Based on Growth Strategies

1. Reinforce Foundations in the Gastrointestinal Endoscope Field

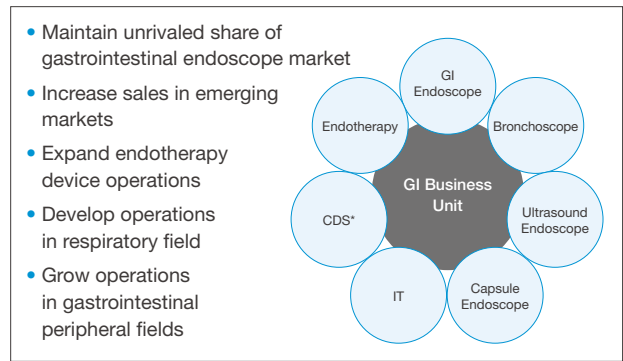
Medium-term vision target:	Average annual growth of 9% (gastrointestinal endoscope field)
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In the core gastrointestinal endoscope field, we aim to maintain our unrivaled No. 1 position by increasing profitability and productivity while pursuing ongoing improvements in the high levels of resolution and the ease of scope insertion and operation of the products we offer. In the endotherapy device field, an area peripheral to endoscopes, our operations have previously suffered from an insufficient product lineup and lack of sales capabilities. Recognizing this issue, we are enhancing our lineup through the development of competitive and differentiated products and strengthening sales systems in order to expand our market share.

Olympus' refined technologies and products are also currently being utilized in the respiratory field. Lung cancer recently surpassed stomach cancer as the leading cause of cancer-related death in Japan, and this has resulted in various

checks and detailed examinations being conducted in this field. For example, endobronchial ultrasound-guided transbronchial needle aspiration is a procedure that utilizes Olympus' ultrasound bronchoscope to display ultrasound images of lymph nodes so that samples can be collected using a specialized aspiration needle. These samples can then be used to conduct pathological diagnoses for purposes such as providing a definitive diagnosis of spreading lung cancer.

Strategic Policy of GI (Gastrointestinal) Business Unit



* Cleaning, Disinfection and Sterilization

2. Further Strengthen the Surgical Device Field

Medium-term vision target:

Average annual growth of **14%**
(surgical device field)

Priority measures in the surgical device field including improving Olympus' brand image, boosting sales of surgical endoscopes that utilize the Company's strength in imaging technologies, and expanding energy device operations. In particular, we view developing energy devices into a core business as one of the most important measures to ensure the growth of operations in the surgical device field. We are therefore implementing various initiatives in this area, with one of the most prominent being the strengthening of sales systems. For example, we established a specialized sales force in the United States for approaching group purchasing organizations (GPOs) and integrated delivery networks (IDNs), which are an important customer segment for the Medical Business in the massive U.S. market. This sales force is anticipated to contribute to a rapid growth in sales. Furthermore, we are promoting the spread of Olympus products by stepping up efforts to provide training in procedures using these products, and are also enhancing our lineup of strategic THUNDERBEAT products.

In the surgical endoscope field, the 3D laparoscopy surgical system launched in 2013 has established an incredibly strong reputation. Furthermore, in fiscal 2016 we plan to launch a new product equipped with state-of-the-art imaging technologies that was developed by Sony Olympus Medical Solutions Inc., a joint venture company created with Sony Corporation. Armed with our lineup of existing imaging and energy devices as well as these two prominent new products, we aim to solidify the position of the Olympus brand for minimally invasive therapies in the surgical device field based on the slogan "See More and Treat Better."



3. Expand Sales in Emerging Markets

Medium-term vision target:

Average annual growth of **23%**
(emerging markets)

Emerging countries are experiencing population aging in a similar fashion to developed countries, and national healthcare costs are shooting upward. For this reason, fostering new endoscopists is a pressing task. To address this, Olympus has established three training centers in China, located in Shanghai, Beijing, and Guangzhou. The Company is now amply equipped to respond to the projected growth in training and after-sales service demand in the Chinese market. Going forward, we plan to develop training centers in other

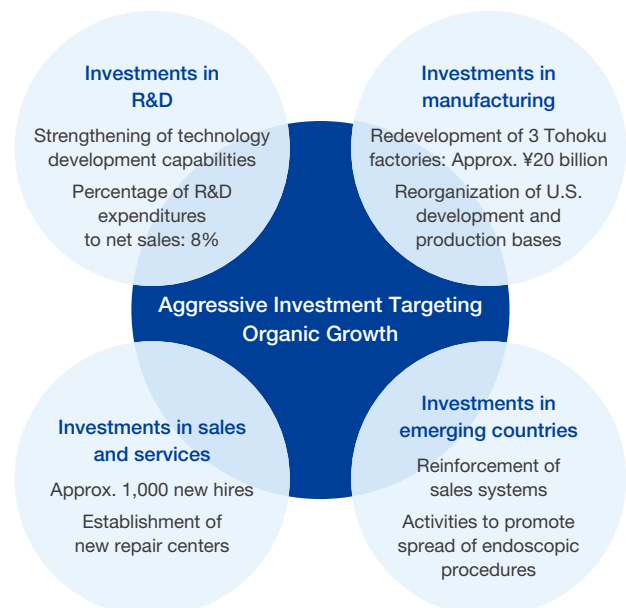
parts of Asia with the aim of growing our business by spreading knowledge regarding early diagnosis, minimally invasive therapies, and other procedures using endoscopes.

4. Enhance Sales, Service, R&D, and Manufacturing Functions Supporting Business Growth

In addition to strengthening sales capabilities, we are also actively investing in the enhancement of service, development, and manufacturing functions to support the further growth of the Medical Business.

To strengthen sales capabilities, we conducted strategic investments in fiscal 2015 to expand our North American sales forces in the surgical device and endotherapy device fields by approximately 1,000 people, a move that is contributing to growth in the surgical device field. We are also in the process of constructing a new domestic repair base in Nagano to respond to the rise in repair demand that is accompanying sales increases.

At the same time, the Company is expanding production lines to address the rising global demand for its products. In Japan, we have invested a total of ¥20 billion to construct new buildings at our three gastrointestinal endoscope factories, located in Aizu, Shirakawa, and Aomori. The new building at the Shirakawa plant is expected to be operational in fiscal 2016. Elsewhere, we are consolidating dispersed manufacturing functions for surgical devices and other products in the United States while also reinforcing existing manufacturing sites. For example, at the new manufacturing site in Brooklyn Park, in the U.S. state of Minnesota, we are pursuing increases in both production line capacity and efficiency with a focus on energy devices.



TOPICS



Manisha Shah-Bugaj

Executive Director,
Marketing Surgical Energy &
LESS for Olympus America Inc.

About Energy Successes

THUNDERBEAT has delivered tremendous success in the U.S. market. We grew approximately 20% year on year overall, not an easy feat in the U.S. marketplace given the heightened competitive environment. Olympus successfully installed many generators into the market thanks to the efforts of our sales force, growing our overall THUNDERBEAT handpiece revenue by approximately 40%. Most importantly, we've had our first line extension—the Open Extended Jaw (OEJ). The feedback on the design and performance from surgeons has been fantastic. In our initial product launch support study, 80% of the surgeons felt OEJ was more ergonomic than their existing energy device. Surgeons also reported that OEJ has a more multifunctional design and reduces the need for instrument exchanges for grasping or dissecting instruments.

In fiscal 2016, we are excited to introduce our PK Technology advanced bipolar portfolio onto the THUNDERBEAT generator. With the launch of our PK devices, Olympus now has a true universal platform that supports all of the common forms of energy utilized in the operating room today. Olympus' universal platform allows customers to increase efficiencies while reducing costs—two key objectives for healthcare leaders in this environment.

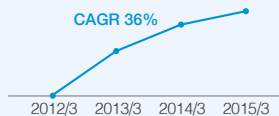
In addition to our strengthened energy portfolio, Olympus has made significant investments in resources for sales and marketing to support the business. This includes four new Business Unit Vice Presidents (BUVPs)—one for each surgical business area—who have a wealth of business, sales, and marketing expertise. The BUVPs will have full responsibility and accountability to drive, implement, and optimize sales and marketing strategies at their respective businesses, and represent our efforts to empower each surgical specialty to concentrate their efforts on growing each business. Such investments will be focused on launching new products, enhancing our value proposition, and building clinical relevance while driving and meeting demand in the field to evaluate the portfolio.

With the investments we have made over the last year coupled with our growing energy portfolio, Olympus is in a very strong position to convert market share in the coming year.

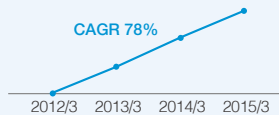


THUNDERBEAT Open Extended Jaw for open surgery

**Revenue Growth:
THUNDERBEAT**



**Unit Growth:
THUNDERBEAT Disposables
(handpiece)**



Brian Christie

Energy Territory Manager
for Olympus America Inc.

Field Representative Brian Christie Speaks to His Sales Strategy During a National Sales Meeting

I work hard to build relationships with our customers to make the sale. By working within the offices and building relationships with the surgical techs and nurses, I get an understanding of what the bariatric surgeons in that account are looking for. Then, when I get to the operating room, I can talk to the devices based on what I've been told by the techs and nurses. Once the surgeons understand what the device does, I schedule follow-up appointments to bring in the technology so they can try it firsthand.

Observing the first few physician cases not only betters my understanding of how the physician operates, but also shows the physician I'm genuinely interested in his or her procedure and technique. I choose to engage the physician by asking impactful questions to build our relationship so that I become a trusted professional in the room instead of just a visitor.

Scientific Solutions / Imaging Business

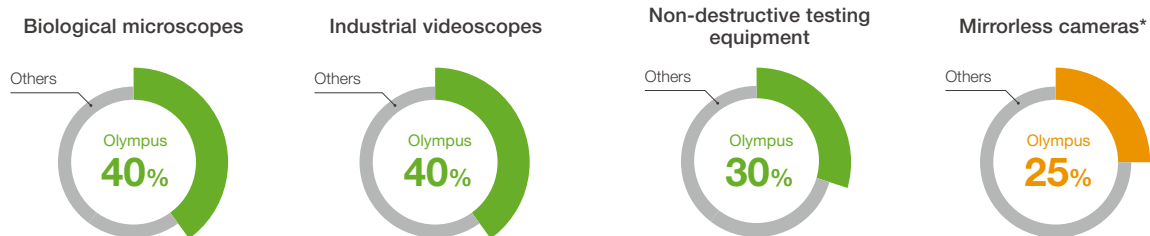


We are pushing forward with business restructuring to improve capital efficiency and maximize earnings.

By expanding the earnings of the Scientific Solutions Business and breaking even in the Imaging Business, we aim to maximize Olympus' earnings. To accomplish these objectives, we are pushing forward with business restructuring in both of these businesses. In addition, under the new organizational structure, we are working to improve business efficiency by allocating management resources in an optimal manner. Specifically, we will concentrate resources on fields in the Scientific Solutions Business in which we can expect high levels of growth while greatly reducing the amount of resources assigned to the Imaging Business.

Haruo Ogawa
Scientific Solutions & Imaging Business,
Business Management Officer

Global Market Share (As estimated by the Company)



* Figures for mirrorless cameras are from the domestic market only

Operating Environment and Forecasts (Scientific Solutions)

Improvements in the business environment are evident, as supported by the execution of budgets at domestic and overseas research and private-sector companies, as well as a recovery trend in capital expenditures. These positive trends stem from an increase in business confidence on a global scale and the depreciation of the yen, a result of the economic stimulus measures instituted by the Japanese government. In the medium to long term, we expect to see the acceleration of advanced research on topics such as induced pluripotent stem cells (iPS cells) as well as a push for the practical application of regenerative medicine in the area of life science research. In addition, infrastructure investment is projected to increase in emerging countries in conjunction with economic

development. The market for Scientific Solutions Business products is anticipated to expand as a result of these factors.

The Scientific Solutions Business is easily influenced by macro-economic trends. Accordingly, the recovery in capital expenditures stemming from improvements in business confidence centered on North America is anticipated to contribute to growth in earnings, particularly with regard to operations in the industrial field. Nonetheless, we are working to create a business structure that can guarantee stable profits without being heavily influenced by such factors in the external operating environment. By advancing this type of business restructuring, we aim to improve business efficiency and reinforce our earnings foundation. At the same time, we will invest in growth fields over the medium to long term to expand earnings going forward.

Operating Environment and Forecasts (Imaging)

The compact digital camera market is rapidly contracting due to the spread of smartphones, and the Imaging Business continues to face a harsh operating environment as a result. In order to address this major market change, we are pushing forward with structural reforms to shrink the Imaging Business to a more appropriate scale. As one facet of this undertaking, we have developed conservative sales plans with a narrower scope, only including focus products and market segments,

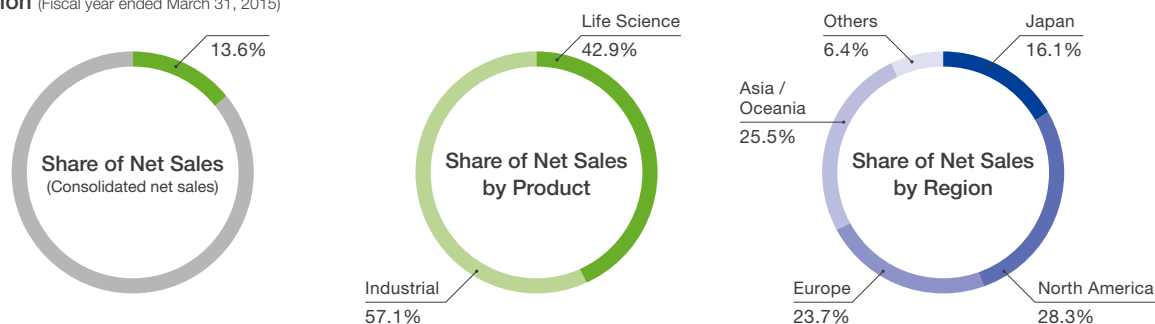
that do not presume the pursuit of sales growth, even in the core mirrorless camera market. We aim to minimize risks through this limited scope. In conjunction with this shift in focus, we are revising cost structures to realize a business structure that will enable the Imaging Business to break even, despite the reduced sales. We are also enhancing earnings structures by strengthening sales of high-margin interchangeable lens products.



Scientific Solutions Business

<ul style="list-style-type: none"> Industry's top share of 40% in biological microscope market World-leading share of 40% in industrial endoscope market Comprehensive solutions capabilities utilizing diverse product lineups State-of-the-art optical technologies continually refined since Company's founding 	<table border="1"> <tr> <td>Strengths</td> <td>Weaknesses</td> </tr> <tr> <td style="text-align: center;">S</td> <td style="text-align: center;">W</td> </tr> <tr> <td style="text-align: center;">O</td> <td style="text-align: center;">T</td> </tr> <tr> <td>Opportunities</td> <td>Threats</td> </tr> </table>	Strengths	Weaknesses	S	W	O	T	Opportunities	Threats	<ul style="list-style-type: none"> High susceptibility to changes in economic conditions of specific regions and countries Redundant functions and inefficiencies resulting from business diversification Diminished synergies in certain smaller businesses due to portfolio expansion
Strengths	Weaknesses									
S	W									
O	T									
Opportunities	Threats									
<ul style="list-style-type: none"> Increased focus on advanced science research by governments of various countries and higher related budgets in these countries following economic upturns Rising demand for non-destructive testing equipment due to aging of infrastructure in developed countries and installation of infrastructure in emerging countries Expanding demand for industrial microscopes due to growth of electronic component industry in conjunction with spread of smartphone usage 		<ul style="list-style-type: none"> Trend toward limiting capital expenditures by private-sector companies Delayed execution of government budgets and budget cuts in various countries Economic deceleration and decreasing demand in emerging countries 								

Composition (Fiscal year ended March 31, 2015)

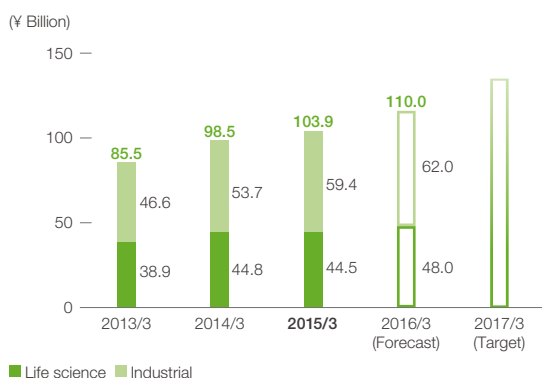


		2012/3	2013/3	2014/3	2015/3
Operating Results	Net Sales	92,432	85,513	98,510	103,880
	Operating Expenses	86,993	81,986	93,575	97,043
	Operating Income	5,439	3,527	4,935	6,837
	Operating Margin (%)	5.9%	4.1%	5.0%	6.6%
Sales by Product	Life Science	42,650	38,910	44,778	44,518
	Domestic	10,560	10,315	11,855	8,400
	Overseas	32,090	28,595	32,923	36,118
	Industrial	49,782	46,603	53,732	59,362
	Domestic	8,394	7,526	7,968	8,320
	Overseas	41,388	39,077	45,764	51,042
Segment Data	R&D Expenditures (¥ billion)	8.7	8.2	9.3	9.4
	Capital Expenditures (¥ billion)	4.3	3.4	4.5	3.9
	Number of Employees* (people)	5,150	4,575	4,284	4,430

Millions of yen

* Including average number of temporary employees

Net Sales



Operating Income / Operating Margin



Overview of Fiscal 2015

An economic recovery trend pervaded domestic and overseas markets, stimulating brisk corporate capital expenditures and thereby resulting in favorable sales of products for the electronic component and automotive industries.

In the life science field, performance was impacted by a temporary slowdown in the execution of budgets by research institutions in Japan. At the same time, however, sales of FLUOVIEW FVMPE-RS, a laser scanning microscope for

use in cutting-edge life science research, made contributions to overall performance in this field. In the industrial field, meanwhile, sales were strong for IPLEX RX and IPLEX RT, industrial videoscopes that offer the highest levels of resolution in their series, as well as for the OmniScan series of products used in non-destructive testing of social infrastructure. Operating income in the Scientific Solutions Business increased 39% year on year following higher net sales and the benefits of cost reduction efforts, such as the integration of sales offices.

Growth Strategies

In the Scientific Solutions Business, we have been shifting from our previous strategies based on product lineups to pursue those oriented toward customer groups, and are strategically investing in growth fields to expand our market share and boost sales. In addition, the business restructuring measures commenced in fiscal 2015 are generating steady improvements in profitability realized by streamlining operations to cut costs. By further advancing such reforms, we aim to strengthen the earnings capacity of this business to an even greater degree while building the systems needed for future growth.

1. Work Closely with Customers to Expand Market Share and Maximize Earnings

- Shift from product lineup-based strategies to customer group-oriented strategies

We are moving away from our previous product lineup-based strategies to pursue those more customer group oriented. As part of this process, we have narrowed the scope of customer groups to be targeted to seven fields in which we can anticipate high earnings and rapid growth, and reorganized operations in unprofitable fields accordingly (selection and concentration of management resources). Going forward, we will pursue

growth that emphasizes profitability through sales activities focused on these seven target customer fields.

2. Strengthen Earnings Foundation

- Improve business efficiency and constitution through organizational integration

We are in the process of integrating business organizations that were previously separated based on product line, and are thereby consolidating management functions and sales organizations on a global scale. In fiscal 2015, sales bases in North America were integrated, and contributions to higher profitability are already noticeable. These initiatives will be expanded to Europe and Asia going forward with the aim of realizing further improvements in business efficiency and constitution.

- Conduct upfront investment in growth markets

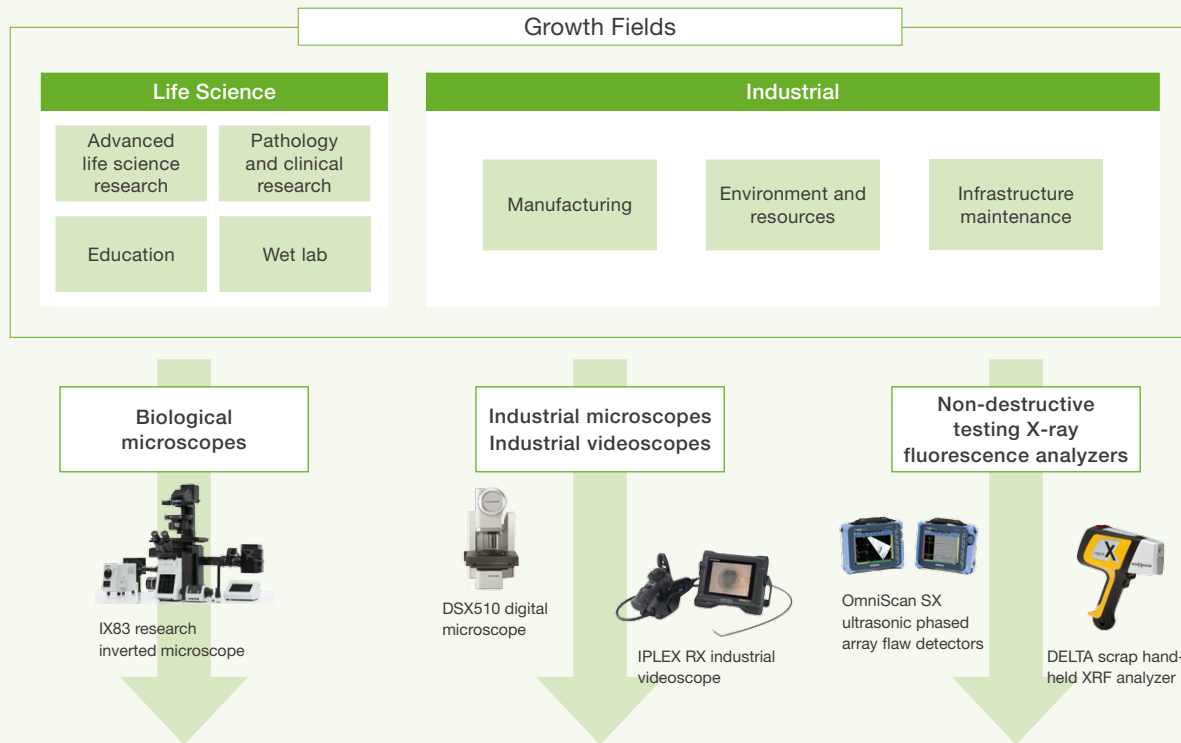
Upfront investments will be conducted in growth markets to build the foundations for medium- to long-term business growth. For example, research on topics such as iPS cells is anticipated to create a massive market in the regenerative medicine field. Accordingly, the Company will advance R&D ventures on new products targeting this field with the aim of creating new markets with products that facilitate advanced research.

Seven Target Customer Fields	Growth Opportunities	
Advanced life science research	<ul style="list-style-type: none"> • Stable demand for pathological diagnosis in hospitals and for services for educational institutions • Accelerated research in regenerative medicine, oncology, brain neurology, and other advanced life science fields 	
Pathology and clinical research		
Wet lab		
Education		
Infrastructure maintenance	<ul style="list-style-type: none"> • Aging social infrastructure in developed countries (increased demand for repairing and inspecting roads, etc.) • Infrastructure investment in emerging countries (increased repair and inspection demand) 	
Manufacturing	<ul style="list-style-type: none"> • Higher demand for methods of testing equipment at resource- and environment-related facilities as well as factories without causing unnecessary destruction or halting operation 	
Environment and resources		

TOPICS

Advancing Life Science Research, Contributing to Industrial Progress, and Making Life Safer through the Scientific Solutions Business

By providing solutions that are fine-tuned to meet the needs of customers in the life science and industrial fields through the Scientific Solutions Business, Olympus is advancing life science research, contributing to industrial progress, and making life safer. As we move forward, we will work to improve efficiency and augment growth potential in this business by focusing on the seven growth fields of advanced life science research, pathology and clinical research, wet lab, education, infrastructure maintenance, manufacturing, and environment and resources.



Advancing Life Science Research

By supplying biological microscopes, Olympus supports basic life science research for purposes such as gaining knowledge about diseases. In the future, we will conduct research and development of microscope products based on the needs of users in regenerative medicine and various other advanced life science fields, and subsequently create new demand for these products in such growth markets.



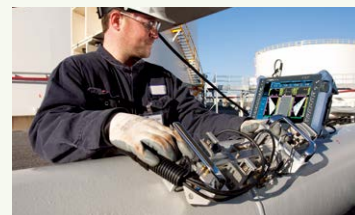
Contributing to Industrial Progress

Olympus contributes to industrial efficiency and progress by supplying industrial endoscopes used for examining the insides of automobiles and industrial microscopes for inspecting the delicate electronic components employed in smartphones and other devices. Demand for these items is growing together with the global spread of various industrial products.



Making Life Safer

Olympus is helping to make the world we live in safer by supplying equipment used to maintain and inspect social infrastructure and lifelines, such as aircraft and their engines, roads, bridges, overpasses, power generation facilities, pipelines, and water supply and wastewater systems. These operations will be expanded in developed and emerging countries in which we can expect growing infrastructure demand in the future.

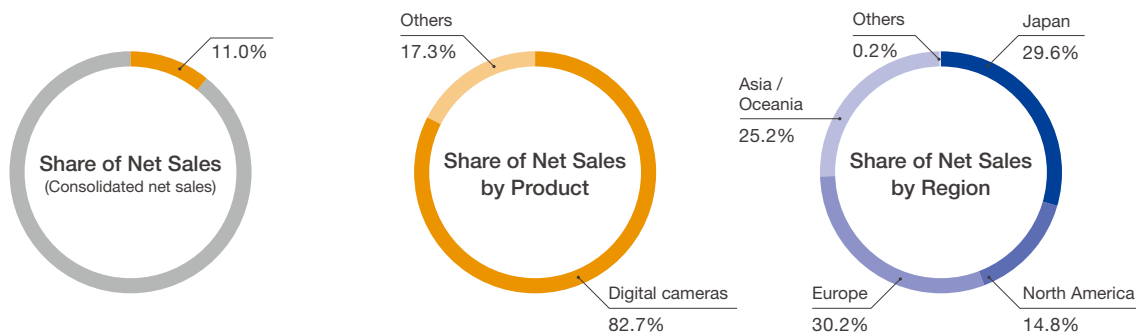




Imaging Business

<ul style="list-style-type: none"> Unique technologies accumulated by concentrating on mirrorless cameras Ability to design and manufacture high-performance lenses that are small and lightweight No. 2 share in mirrorless camera market in Japan High-level imaging technologies and connections with Group customers from Medical Business and Scientific Solutions Business that are applicable to BtoB operations 	<p>Strengths</p> <p>Weaknesses</p> <p>S W</p> <p>O T</p> <p>Opportunities Threats</p>	<ul style="list-style-type: none"> Lacking sales system for high-priced SLR cameras (sales system shift under way) Insufficient lineup of high-priced interchangeable lens products (lineup expansion scheduled)
<ul style="list-style-type: none"> Expansion of mirrorless camera market Widening range of applications for cameras and increased demand for imaging-related technologies outside of private sector 		<ul style="list-style-type: none"> Intensifying competition in mirrorless camera market Increased usage of smartphones and tablet PCs

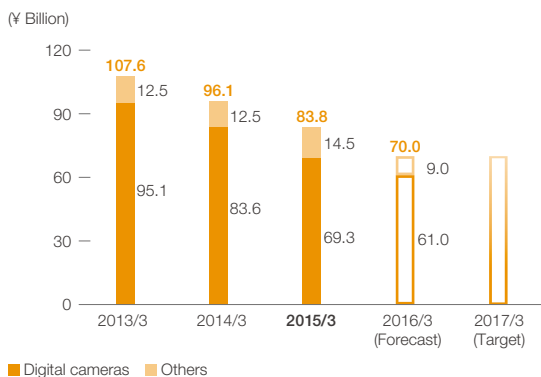
Composition (Fiscal year ended March 31, 2015)



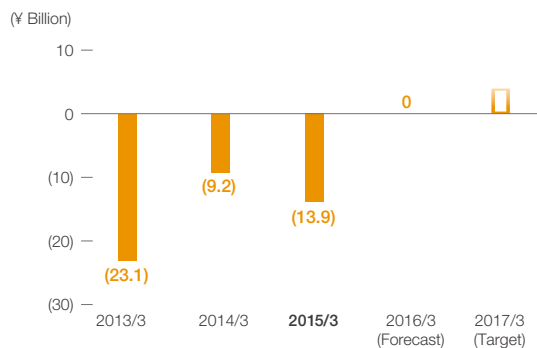
		Millions of yen			
		2012/3	2013/3	2014/3	2015/3
Operating Results	Net Sales	128,561	107,638	96,111	83,825
	Operating Expenses	139,321	130,711	105,293	97,695
	Operating Loss	(10,760)	(23,073)	(9,182)	(13,870)
Sales by Product	Digital Cameras	115,237	95,101	83,602	69,302
	Domestic	27,333	27,234	25,932	22,345
	Overseas	87,904	67,867	57,670	46,957
	Others	13,324	12,537	12,509	14,523
	Domestic	4,018	4,126	3,944	2,440
	Overseas	9,306	8,411	8,565	12,083
Segment Data	R&D Expenditures (¥ billion)	9.6	10.2	8.7	8.2
	Capital Expenditures (¥ billion)	5.2	3.1	3.5	3.4
	Number of Employees* (people)	11,644	8,180	7,883	6,389

* Including average number of temporary employees

Net Sales



Operating Income (Loss)



Overview of Fiscal 2015

Amid the rapid contraction of the camera market following the spread of smartphones, we continued to advance the shift from compact cameras to mirrorless cameras.

Sales of mirrorless cameras were up year on year due to growth in sales of the OM-D series in Europe as well as the fact that a larger portion of sales came from high-priced models. Another contributor to higher sales was the favorable sales of interchangeable lens products. Conversely, overall sales in the Imaging Business were down as we reduced sales volumes of compact cameras in preparation for the future contraction of the camera market.

Operating loss showed a substantial year-on-year increase. The harsh market environment forced us to lower selling prices of mirrorless cameras, and write-downs on inventories were recorded as a result of strict revaluation. In addition, investments were carried out to expand automobile-mounted camera and other BtoB operations. While we worked to reduce costs through structural reforms, these efforts could not absorb the impact of the aforementioned income detractors.

Structural Reforms

1. Revise Mirrorless Camera Sales Expansion Plans and Prioritize Operating Income Improvements

The basic policy for the Imaging Business is risk minimization, and we have greatly reduced the scale of compact camera operations while accelerating the shift toward highly profitable mirrorless cameras in accordance with this policy. A number of measures have been implemented to transform the Imaging Business into a profitable business, including cutting costs by consolidating manufacturing sites, reducing inventory costs, decreasing R&D expenditures by curtailing the development of models, and utilizing sales channels in a more efficient manner. These measures have born results, as production adjustments and inventory reductions have contributed to a massive improvement in earnings in compact camera operations, which have previously been a major factor behind the overall losses recorded in the Imaging Business.

In the future, we will make conservative estimates about the operating environment for mirrorless camera operations as well, and will revise business plans based on the assumption that the market will not expand, placing operating income improvements as our top priority. At the same time, we will pursue heightened business efficiency by advancing a shift in strategies centered on the cross-business reallocation of management resources.

2. Institute Measures to Reduce Costs

In order to respond to market changes in the Imaging Business, we instituted drastic reforms to cost structures, including a massive reorganization of manufacturing sites and the curtailment of compact camera model development. Looking ahead, we will implement even-more extensive measures to reduce development, manufacturing, and sales costs in preparation for further contraction risks in the mirrorless camera

Factors Projected to Improve Income in Fiscal 2016

Billions of yen

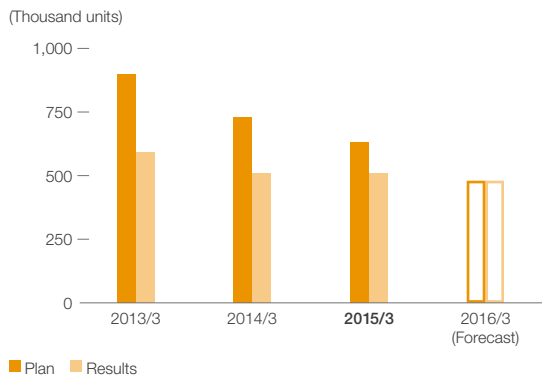
	2014/3	2015/3	2016/3 (Forecast)	Change	
Net sales	96.1	83.8	70.0	(13.8)	
SLR cameras (mirrorless)	42.8	49.8	47.3	(2.6)	Preparation for mirrorless camera market contraction risks (scale on unit basis: 510,000 → 480,000)
Compact cameras	40.8	19.6	13.0	(6.6)	Reduction of sales volume targets in conjunction with further market contraction (780,000 → 480,000)
Others	12.5	14.5	9.8	(4.7)	
Gross profit	42.2	32.6	29.6	(3.0)	Improvement in operating margin of 3 percentage points, to 39%, due to manufacturing cost and inventory reductions
SG&A expenses	51.3	46.5	29.6	(16.9)	<ul style="list-style-type: none"> Reduction in R&D expenditures, manufacturing investments, and promotion expenses due to narrowing of product lineup Cost reductions from revision of regional sales strategies (reduction of personnel, advertising, and promotion expenses) Transference of BtoB operations to the newly established Business Development Office Reassignment of certain Companywide-applicable R&D topics to corporate R&D Group
Operating loss	(9.2)	(13.9)	0	13.9	Improvement of operating income

market. To cut R&D expenditures, we will once again curtail the number of new models to be developed with regard to both mirrorless cameras and compact cameras. In terms of manufacturing, we will transition away from the use of original equipment manufacturers (OEMs) to a system centered on in-house production. This will enable us to make fine-tuned adjustments to production levels based on changes in market conditions, and thereby minimize inventory risks. In addition, we are shifting production from our plant in China, where labor costs are on the rise, to our Vietnam plant with the aim of lowering manufacturing costs. With regard to sales, we will substantially limit promotion expenses by narrowing the scope of sales plans to only include focus products and market segments while advancing efficient sales measures tailored to the characteristics of specific regions.

3. Reallocate Management Resources

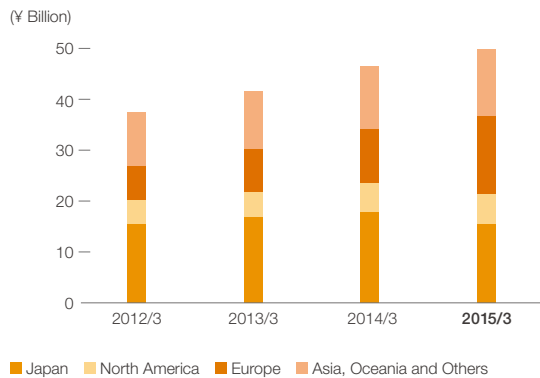
Based on the Companywide policy of investing management resources in high-growth fields, we are reallocating resources currently associated with the Imaging Business to other business fields. As part of this effort, Olympus' superior optical, image processing, and wireless and mobile communications technologies—all areas of strength for the Imaging Business—will be utilized throughout the Company. Furthermore, automobile-mounted camera, security camera, and other BtoB operations will be transferred to the newly established Business Development Office to accelerate their expansion.

Mirrorless Camera Sales Volumes



Based on a conservative estimate for growth in the mirrorless camera market, we have placed our fiscal 2016 sales volume forecasts for these cameras at the same level as was achieved in fiscal 2015, and will work to limit inventory risks.

Mirrorless Camera Sales by Region



Investment will be concentrated on the focus regions of Japan, Europe, and Asia, where sales of mirrorless cameras are particularly high. We aim to secure profits in these operations by increasing selling prices and strengthening sales of interchangeable lens products to boost overall sales while also conducting efficient sales activities.

TOPICS

1. Cutting-Edge Imaging Technologies Utilized in the Medical Business and the Scientific Solutions Business

One of largest draws of mirrorless cameras is the ability to select the optimal interchangeable lens for the scene that the photographer seeks to capture. Olympus' interchangeable lens products are a culmination of its traditional optical technologies, advanced precision technologies, and reliability technologies forged by experienced lens-crafting specialists. These cutting-edge imaging technologies are also utilized in high-precision microscopes and endoscopes.



2. Launch of OLYMPUS OM-D E-M5 Mark II

Top-class OM-D image quality and OM-D Movie in hand-held shooting

Launched in February 2015, the OLYMPUS OM-D E-M5 Mark II, our new flagship mirrorless camera, is equipped with a new, evolved 5-axis image stabilization function capable of eliminating all types of blurring. This stabilization function allows photographs to be taken without fear of blurring with no need for a tripod. Moreover, this holds true under any conditions, whether photographing in the dark, taking pictures of far-off subjects, or even when recording video.

