

## At a Glance

Olympus generates approximately 80% of its sales in the Medical Business, which primarily operates in the gastrointestinal endoscope field, where it holds a share of more than 70% of the global market. The Company's other businesses include the Scientific Solutions Business, which deals in microscopes and non-destructive testing equipment, and the Imaging Business, which sells digital cameras. These three businesses constitute the business domains of Olympus.

### Consolidated Performance (Fiscal 2018)

Revenue

**¥786.5 billion**

YoY (after foreign exchange adjustment): +2%

Operating Profit

**¥81.0 billion**

YoY (after foreign exchange adjustment): -1%

EBITDA

**¥133.9 billion**

YoY: +7%

Profit Attributable to Owners of Parent

**¥57.1 billion**

YoY: +33%

ROE

**13.6%**

YoY: +2.3 pts.

FCF

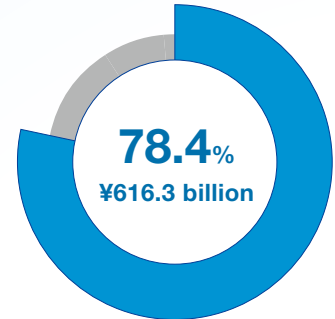
**¥41.8 billion**

YoY: -¥39.4 billion

### MEDICAL BUSINESS



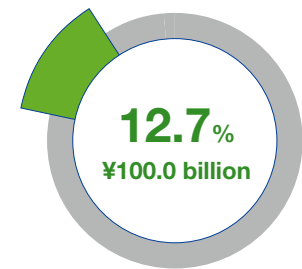
Share of Revenue



### SCIENTIFIC SOLUTIONS BUSINESS



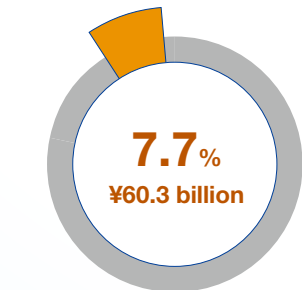
Share of Revenue



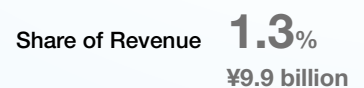
### IMAGING BUSINESS



Share of Revenue



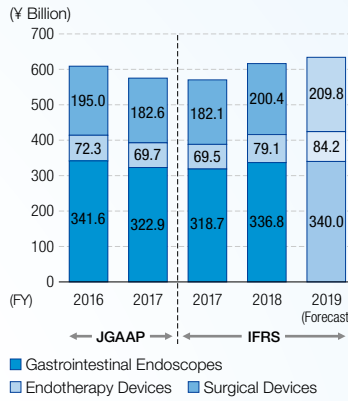
### OTHERS



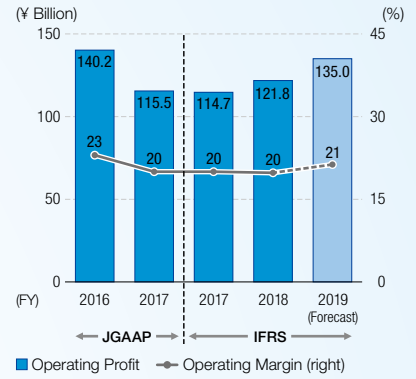
### Business Description

In the Medical Business, Olympus supplies various types of medical equipment, including gastrointestinal endoscopes that contribute to the early diagnosis of diseases, surgical endoscopes that allow for minimally invasive therapies for reducing the burden placed on patient bodies, and energy devices. By providing such equipment, we are contributing to a medical environment that cares for both the physical health and the mental health of people around the world.

### Revenue



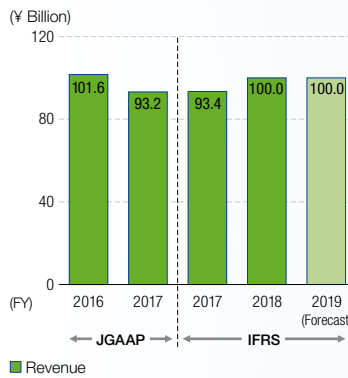
### Operating Profit / Operating Margin



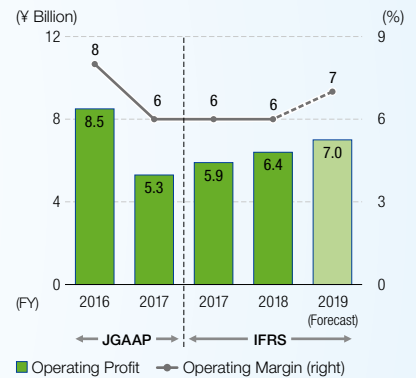
### Business Description

The Scientific Solutions Business provides microscopes, which Olympus has been manufacturing since its inception. These microscopes are used in various fields, whether for conducting such clinical examinations as blood tests or pathological examinations related to cancer diagnosis, assisting advanced research in the life science and medical fields, or performing quality control on manufacturing lines. Furthermore, the industrial videoscopes and ultrasonic flaw detectors offered in this business are used in inspections and examinations underpinning the safety of social infrastructure.

### Revenue



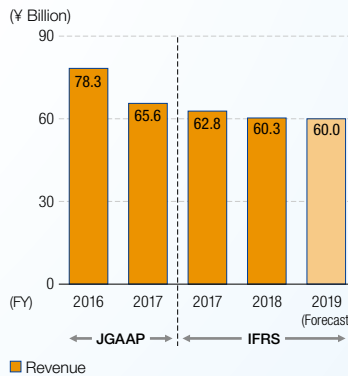
### Operating Profit / Operating Margin



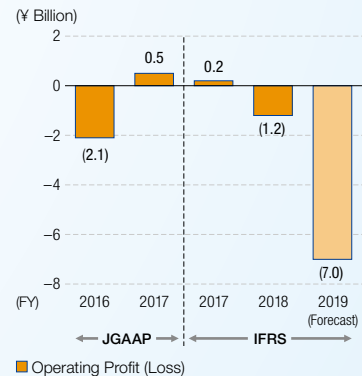
### Business Description

The Imaging Business provides Olympus brand cameras, which boast unparalleled image quality realized through world-leading lens processing technologies and have won the hearts of photographers around the world. We continue to introduce the world to such unique cameras as our compact, lightweight mirrorless cameras that offer the same level of performance as single-lens-reflex cameras and our Tough series of dustproof, waterproof cameras that are ideal for outdoor use.

### Revenue



### Operating Profit (Loss)



In Others, we provide bone replacement material and other biomaterials. In addition, this segment is responsible for seeking out new businesses and conducting R&D activities in relation to such businesses. To develop future pillars supporting the Company, we are searching for new business opportunities and advancing R&D and discovery activities for acquiring technologies.

## Review of Business Segments

# MEDICAL BUSINESS



Focused on the two types of value provided by early diagnosis and minimally invasive therapy, we seek to help reduce healthcare expenses and improve patient quality of life.

Olympus is one of the few healthcare companies capable of providing a full lineup of solutions for early diagnosis, centered on gastrointestinal endoscopes, and minimally invasive therapy, primarily through endotherapy devices and surgical devices. Going forward, we will continue striving to help reduce healthcare expenses, which are rising on a global scale, and improving patient quality of life by offering technologies, products, services, and solutions of the highest caliber.

Business Management Officer,  
Medical Business

**Akihiro Taguchi**

- More than 70% share 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 approx. 200 repair and service sites worldwide
- 4K, 3D, and other products differentiated with high resolution and quality

Strengths	Weaknesses
S	W
O	T
Opportunities	Threats

- Position as follower in surgical device field after European and U.S. companies
- Limited systems for acquiring clinical evidence on medical and economic benefits
- Insufficient lineup of surgical devices for procedures requiring open surgery and other treatments
- Lacking lineup of single-use products

- Growing healthcare awareness; rising demand for early diagnosis due to spread of cancer prevention enlightenment
- Increased demand for minimally invasive therapy methods
- Insufficient number of physicians trained in endoscopic procedures and space to improve medical techniques in emerging countries
- Progress in medical system reforms worldwide
- Rise in illness case numbers due to population aging

- Strengthening medical equipment regulations worldwide
- Downward pressure on selling prices due to increased influence of GPOs and IDNs
- Appearance of overseas rivals due to reorganization of medical equipment industry
- Impacts of foreign exchange rate fluctuations (yen appreciation)

## Operating Environment and Business Opportunities

In developed countries, where populations are rapidly aging, as well as in emerging countries, which are experiencing high economic growth, the improvement of patient quality of life and the control of both healthcare and social security expenses have become urgent priorities. At the same time, this drive to limit healthcare expenses will likely result in a decrease in the number of facilities (endoscopic treatment facilities and operating rooms), despite the rise in case numbers that is projected to occur in conjunction with population aging. Under these trends, it will not be enough to simply supply quality products; there will also be an increased emphasis on the economic benefits of these products to the medical field.

Olympus possesses technologies for the development and manufacture of medical equipment for advancing 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.

Looking ahead, it can be expected that the operating environment will grow increasingly difficult as more stringent regulations are instituted for medical equipment and various other legal requirements are made more rigorous. In light of this situation, we will strengthen our management structures on a global basis while always keeping an eye on 10 years in the future.

### Changes in the Current Operating Environment

There has been no significant change to the outlook for megatrends from the time of the formulation of 16CSP. However, we are seeing some changes in the current operating environment. These changes include the institution of the new European Union Medical Devices Regulation, the increased regulatory requirements for medical device application and registration centered on emerging countries, and stricter requirements for cleaning, disinfection, and sterilization (reprocessing) being implemented largely in the United States. At the same time, IoT, AI, robotics, and other technologies continue to advance. The pace of these changes is accelerating much faster than anticipated.

The initial numerical targets of 16CSP have been revised to reflect the impact of these operating environment changes on the Medical Business.

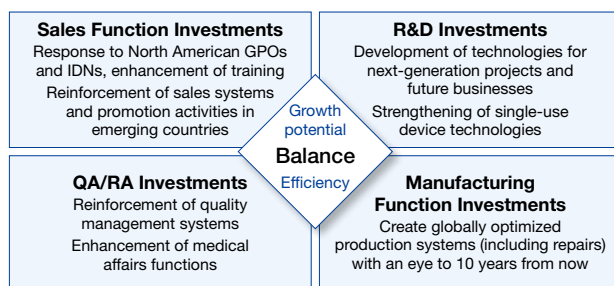
For details, please refer to the “KPI (16CSP)” section on page 32 as well as the “KPI (16CSP)” sections on the pages for each business unit.

## Overall Strategy for Medical Business

### Investment Policy

The Medical Business is Olympus’ growth driver, and we therefore intend to conduct the investments necessary for each of its functions. We will strengthen the sales, R&D, manufacturing, and quality and regulatory assurance functions and also conduct efficient investments to increase growth potential and profitability. With regard to investments in the manufacturing function, we will establish systems for responding to growth in demand for our products worldwide by bolstering manufacturing lines and optimizing global production systems with an eye to 10 years from now. In Japan, the principal site of gastrointestinal endoscope manufacturing, new facilities at our Aizu, Shirakawa, and Aomori factories have already been constructed. Looking ahead, we will continue to transfer the

manufacture of certain endotherapy devices from Aomori to Vietnam. In North America, meanwhile, we will expand manufacturing lines and pursue increased efficiency with regard to energy devices and other products at our Brooklyn Park plant.



### Expansion of Businesses in Growth-Driving Emerging Countries

Initiatives to expand operations in emerging countries have been positioned as an important component of Olympus’ growth strategies. When viewed from a medium-to-long-term perspective, there is substantial room for the expansion of markets in emerging countries, meaning that these markets will be integral to the ongoing growth of the Company. Increasing the number of physicians capable of safely using endoscopes will be key to Olympus’ growth. We aim to facilitate this increase by bolstering training support. At the same time, we are reinforcing service systems to cater to the rising

demand for endoscope repair services. Through these efforts, we will pursue dramatic growth.

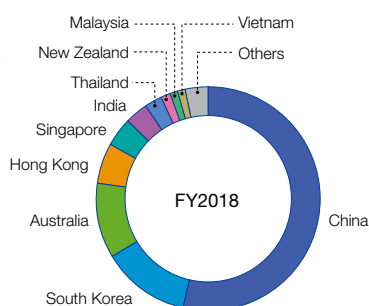
### Olympus’ Market Presence

(1) Ratio of Revenue and CAGR Held in Asia / Oceania

	FY2013	FY2018	CAGR (5-year) (%) (FY2013–FY2018)
Endoscopes	15%	20%	16%
Surgical Devices	12%	17%	18%
Endotherapy	11%	19%	22%
Medical Business Total	13%	19%	17%

(Local currency basis)

(2) Distribution of Sales by Country in Asia / Oceania



(3) Margins for Market Expansion in Emerging Countries

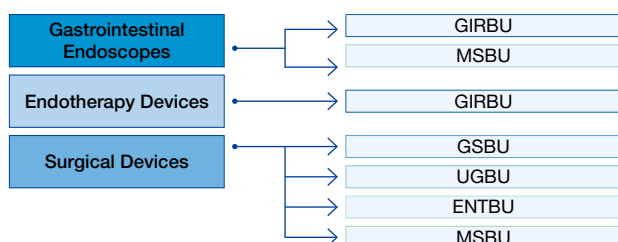
	Number of Endoscopists per Million People
China	22
Singapore	28
Malaysia	17
Philippines	4
Indonesia	2
Vietnam	6
Thailand	4
India	5
(Reference) Japan	250
South Korea	120

Source: Olympus Corporation (based on publicly available data)

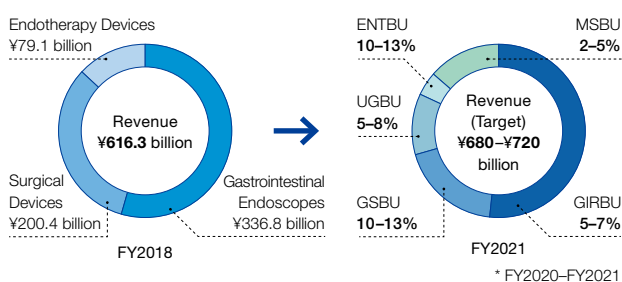
## Business Portfolio Strategy

The prior three divisions of the Medical Business have been reorganized to form five business units. We will target increased sales and profits by growing operations in these five business units as well as in peripheral areas.

### Overview of Business Units



### Medical Business Portfolio and Growth Two Years from Now (CAGR)\*



\* FY2020–FY2021

Review of Business Segments

Priority Measures

1	Expand dominant GI market share and improve profitability while realizing substantial growth in ET and surgical business operations	<ul style="list-style-type: none"> <li>Continue on from the former medium-term management plan</li> </ul>
2	Shift from installation-based Medical Business model to procedure-based Medical Business model	<ul style="list-style-type: none"> <li>Develop of business model for expanding single-use device operations</li> </ul>
3	Expand operations in emerging countries	<ul style="list-style-type: none"> <li>Countries with sufficient medical infrastructure: Position as growth driver and continue appropriate investment</li> <li>Countries without sufficient medical infrastructure: Contribute to medical infrastructure development</li> </ul>
4	Strengthen ability to respond to GPOs / IDNs*1	<ul style="list-style-type: none"> <li>Respond to market structure changes exemplified by growing presence of GPOs / IDNs in North America</li> <li>Propose value as One Olympus with unified R&amp;D, manufacturing, and service functions</li> <li>Establish processes for acquiring GPO / IDN contracts and strengthen project management</li> </ul>
5	Strengthen QA/RA*2 functions	<ul style="list-style-type: none"> <li>Reinforce global quality management systems with eye toward external requirements expected 10 years from now</li> <li>Strengthen global QA and RA systems in consideration of future business development</li> <li>Reinforce medical affairs function</li> </ul>
6	Improve productivity	<ul style="list-style-type: none"> <li>Improve productivity of all functions (R&amp;D, manufacturing, sales and marketing, and service)</li> </ul>

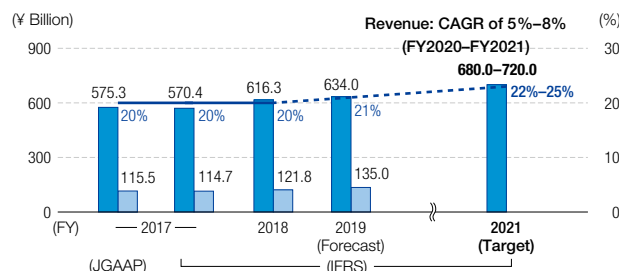
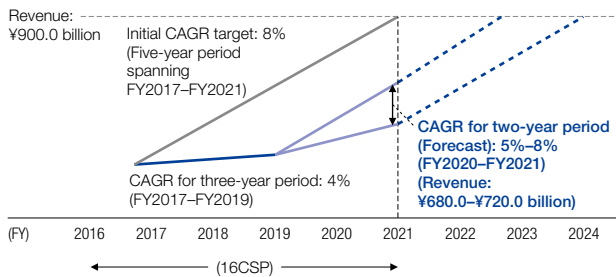
\*1 GPOs: Group purchasing organizations; IDNs: Integrated delivery networks  
 \*2 Quality assurance / Regulatory assurance

Accomplishments in Fiscal 2018 and Future Measures (Tasks)

Accomplishments
<ul style="list-style-type: none"> <li>Strong performance in Asia and Oceania in gastrointestinal endoscope, surgical device, and endotherapy device fields and continuation of double-digit sales growth</li> <li>Establishment of training and service centers in Thailand and Dubai to further expansion in emerging markets</li> <li>Favorable progress in augmentation of repair infrastructure centered on Europe and North America</li> <li>Smooth progress in converting rival companies' customers into Olympus customers by utilizing 4K surgical endoscopy systems in the surgical device field</li> <li>Construction of development and production systems in North America to bolster production capacity and efficiency with regard to THUNDERBEAT, as this product enjoys ongoing double-digit sales growth</li> <li>Rapid progress in new business negotiations with several major IDNs in North America, the largest market for the Medical Business, thanks to coordination with ISM (acquired in June 2017)</li> <li>Expansion of endotherapy device operations in line with plans (particularly with regard to acceleration of sales promotions in the endoscopic retrograde cholangio-pancreatography (ERCP) field)</li> </ul>

Future Measures (Tasks)
<ul style="list-style-type: none"> <li>Development and commercialization of new products</li> <li>Enhancement of response to legal regulations and reprocessing (cleaning, disinfection, and sterilization) requirements</li> <li>Work reforms and streamlining to guarantee earnings</li> <li>Pursuit of ongoing sales growth for gastrointestinal endoscopes by enhancing sales promotion programs prior to introduction of next-generation systems, encouraging scope upgrades, and launching high-value-added products</li> <li>Achievement of growth that exceeds market growth rates in surgical endoscope field by approaching institutions using competitors' products with Olympus' strategic 4K systems and soliciting value of new VISERA ELITE II</li> <li>Continuous enhancement of product lineup and strengthening of sales organizations and systems to promote sales of single-use devices in endotherapy device field</li> </ul>

KPI (16CSP)



Note: Foreign exchange assumptions have been revised to ¥105 to US\$1 and ¥130 to €1 (¥115 to US\$1 and ¥130 to €1 at time of the formulation of 16CSP).



# Patient Safety First

## Stronger Reprocessing (Cleaning, Disinfection, and Sterilization) Initiatives to Ensure the Safety of Medical Devices

Olympus takes its role in enhancing patient safety very seriously. We are continuously seeking to improve our products, provide guidance on their safe and effective use and increase the ease and efficacy of endoscope reprocessing. Our ultimate goal is not to control infections potentially associated with endoscopy but to prevent them. Together with the facilities that use our devices, and in collaboration with government and academic institutions, we can act as a powerful force in driving toward this goal.

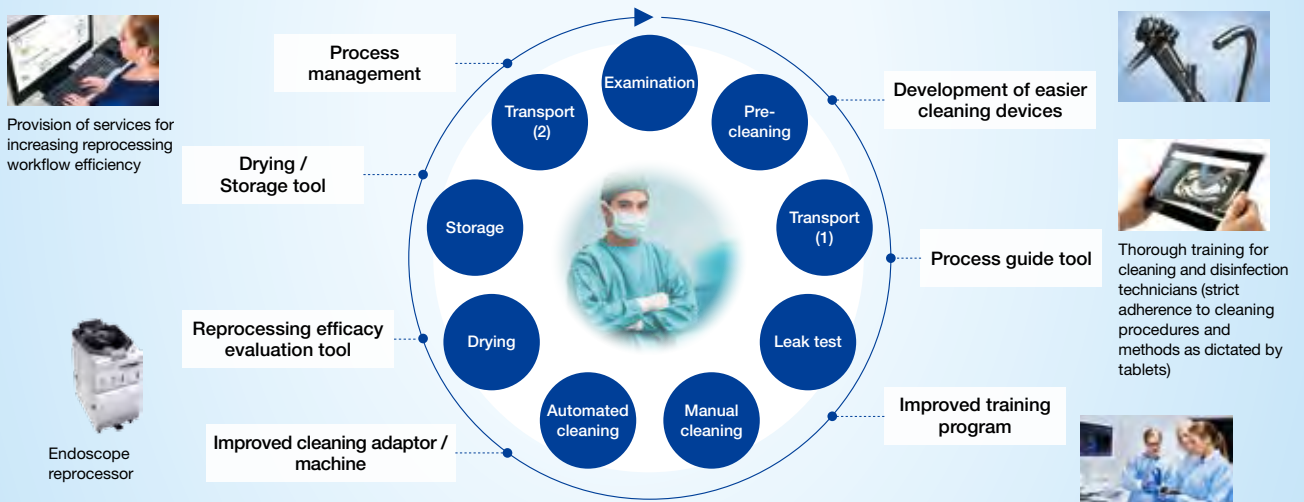
### Changing Environment Surrounding Endoscopes

Infection risks are rising in the medical field due in large part to the global emergence of multidrug-resistant bacteria. Because Olympus products are used in facilities around the world, our company is committed to playing an important role in addressing this more complicated landscape. This commitment comes with great responsibility. The responsibility to push ourselves and to ensure that safe, effective products reach those who need them the most.

Among our first steps is to develop efficient reprocessing procedures upon which technicians and healthcare providers can rely.

### Devices and Systems Designed for a Safe, Effective Journey

Olympus is dedicated to continually elevating infection prevention by providing comprehensive solutions with products, usage guidelines, and maintenance methods designed to improve safety and effectiveness. As part of our ongoing efforts, we are focused on developing next-generation products that enhance and facilitate effective infection prevention, globally. We are committed to developing solutions for healthcare professionals that help improve clinical outcomes and enhance quality of life for patients.



### Enhancement of Testing Systems for Verifying Reprocessing Effectiveness

Olympus invested approximately ¥4.0 billion in the enhancement of its systems for performing tests to verify cleaning and disinfection effectiveness. Through this enhancement, we aim to develop systems that will enable us to swiftly respond to the requirements and challenges faced worldwide.

### Designed for Quality and Safety First—and An Eye on the Next Generation

Our new duodenoscope is a side-viewing scope characterized by high-resolution imaging and narrow band imaging (NBI) capabilities. Post-procedure, reprocessing is performed by detaching the disposable distal cap and cleaning and disinfecting the tip of the scope. In addition, we have developed a new adaptor that can be attached to the tip of the duodenoscope to inject a cleaning solution, meant to improve cleaning efficiency.



Note: Upon regulatory approval. Not for sale in North America as of September 30, 2018

MEDICAL BUSINESS

### Gastrointestinal and Respiratory Business Unit (GIRBU)

The GIRBU grows the business and improves its profitability, as the Company's core business which supports the entire Olympus, with its share of more than 70% of the global gastrointestinal endoscope market. We will continue to grow operations in the surrounding businesses, e.g., Respiratory, Reprocessing, Endoscopic Ultrasound (EUS), Capsule Endoscopy, and IT fields. We will also continue to invest in boosting our share of the endotherapy device market. The GIRBU contributes to early detection and minimally invasive therapies through its business operations.

Head of GI&R Business Unit

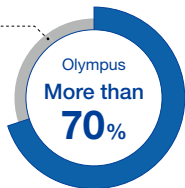
Katsuyuki Saito



### Global Market Share / Competitors (As estimated by the Company)

#### Endoscope Field

FUJIFILM  
HOYA



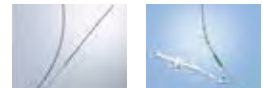
EVIS EXERA III /  
EVIS LUCERA ELITE

#### Market Scale (Growth Forecasts)

¥350 billion–¥370 billion  
(CAGR: 4%–6%)

#### Endotherapy (ET) Field

Boston Scientific  
Cook Medical



ERCP\*1 and EUS-ET  
(Balloon with knife, aspiration needle)



EMR and ESD\*2 products  
(Knife series)

#### Market Scale (Growth Forecasts)

¥370 billion–¥390 billion  
(CAGR: 4%–6%)



Hemostasis and stricture dilation  
products (Hemostasis clip,  
Metal stent)

\*1 ERCP: Endoscopic Retrograde Cholangio  
Pancreatography  
\*2 EMR: Endoscopic Mucosal Resection  
ESD: Endoscopic Submucosal Dissection

### Operating Environment / Risks and Opportunities

#### Operating Environment

Developed countries	<ul style="list-style-type: none"> <li>Rising case numbers due to aging populations and higher cancer prevention awareness</li> <li>Ongoing increase in need for endoscopic therapies</li> <li>Higher requirements for quality and efficiency</li> <li>Increased concern for disinfection and sterilization processes</li> </ul>
Emerging countries	<ul style="list-style-type: none"> <li>Wider range of business opportunities accompanying economic growth</li> <li>Need for training to spread procedure usage</li> </ul>

#### Strengths of Business Unit

- Dominating global market share for gastrointestinal endoscopes
- High-quality, global repair service infrastructure network
- Comprehensive training facilities and programs

#### Focuses for Business Growth

- Maintenance of endoscope market share and improvement of profitability
- Expansion of operations in fields peripheral to endoscopes
- Investment in endotherapy devices and expansion of market share for these products
- Contributions to development of endoscopic medicine in emerging countries

#### Opportunities

- Rising case numbers due to aging populations and higher cancer prevention awareness
- Projected increase in number of lung cancer patients, particularly in emerging countries
- Higher global awareness of cleaning, disinfection, and sterilization

- Potential for requirements for high-level disinfection and sterilization to become more stringent in response to infection issues
- Price competition resulting from global trend toward reducing healthcare costs
- More stringent cleaning, disinfection, and sterilization requirements

#### Risks

## Business Strategies / Priority Measures

1	Secure Strong Market Leader Position in Gastrointestinal Endoscope Business and Improve Profitability through Selection and Concentration
2	Expand Business in Respiratory, Reprocessing, Endoscopic Ultrasound, Capsule Endoscopy, and IT Fields
3	Realize Business Growth in Emerging Markets
4	Expansion of Endotherapy Device Business (Single-Use Devices)

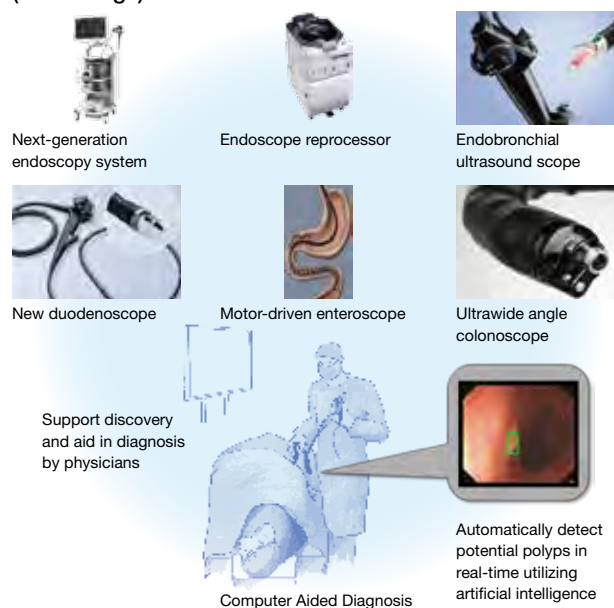
### Accomplishments in Fiscal 2018 and Future Measures (Tasks)

#### 1 | Secure Strong Market Leader Position in Gastrointestinal Endoscope Business and Improve Profitability through Selection and Concentration

In the gastrointestinal endoscope field, where we boast unparalleled strength, we will pursue sustainable sales growth through the introduction of high-value-added products. At the same time, we will work to boost the efficiency of R&D, manufacturing, and sales functions. In fiscal 2018, Olympus launched four new scopes in developed countries, which will be followed by the introduction of additional scopes matched to market needs during fiscal 2019. Meanwhile, business performance was strong overall, with double-digit sales growth in emerging countries, especially in China. Looking ahead, Olympus will deliver products that improve diagnostic and therapeutic procedure efficiency to meet demand in clinical settings under pressure to cut healthcare expenses.

To properly deal with infection risks in markets, interest in reprocessing and in single-use endoscopes is increasing. Olympus will offer comprehensive risk mitigating measures with regard to its reusable endoscopes. One noteworthy example of these measures is our new, easy-to-clean duodenoscope. We are also strengthening reprocessing training and providing educational tools and reprocessing management systems. In addition, Olympus will study the feasibility of commercializing its unique single-use endoscopes in fields where single-use endoscopes bring certain benefits.

#### Products and Technologies That Drive Future Growth (Renderings)



#### 4 | Expansion of Endotherapy Device Business (Single-Use Devices)

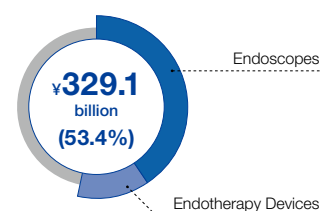
Strong sales in our prioritized fields of endoscopic retrograde cholangio pancreatography (ERCP), endoscopic mucosal resection (EMR), and endoscopic submucosal dissection (ESD) are contributing to smooth business growth. In fiscal 2018, Olympus bolstered its endotherapy product portfolio through collaboration with partners and introduced competitive products matched to market needs. Going forward, we will continue developing competitive products while bolstering our lineup of products through collaboration with partners. We will expand our market share by seeking to augment our manufacturing capabilities, as one of the key initiatives under 16CSP, and rolling out appealing products matched to market needs in a timely manner.

## KPI (16CSP)

	Initial CAGR target (Five-year period spanning FY2017–FY2021)	CAGR for 1st half of 16CSP* (Three-year period spanning FY2017–FY2019)	CAGR target for 2nd half of 16CSP* (Two-year period spanning FY2020–FY2021)
GIRBU	7%	3%	5–7%
Endoscopes	6%	1%	4–7%
Endotherapy Devices	9%	7%	6–9%

\* Figures announced on September 5, 2018

### Revenue / Share of Revenue by Field (FY2018)





MEDICAL BUSINESS

General Surgery Business Unit (GSBU)

Olympus is actively allocating management resources to the general surgery field with the aim of growing operations into a second core business after gastrointestinal endoscopes. Specific goals with this regard include working to establish 4K and 3D surgical endoscopes as the de facto standard and developing a business model for single-use devices, which must be purchased and used for each individual case.

Head of General Surgery  
Business Unit

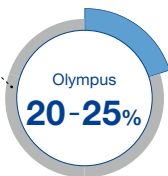
Tomohisa Sakurai



Global Market Share / Competitors (As estimated by the Company)

Surgical Imaging

STORZ  
Stryker  
Richard Wolf  
Arthrex



Market Scale  
(Growth Forecasts)

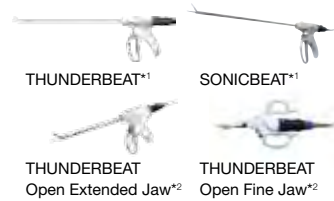
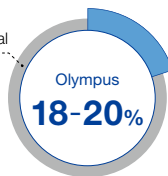
¥260 billion–¥290 billion  
(CAGR: 2%–4%)

\* Upon regulatory approval. Not for sale in North America as of September 30, 2018



Surgical Energy Devices

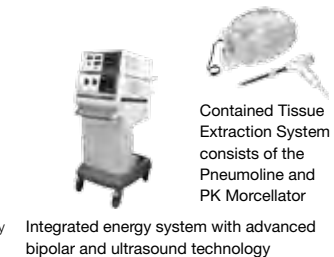
ETHICON  
Medtronic  
Applied Medical



Market Scale  
(Growth Forecasts)

¥160 billion–¥180 billion  
(CAGR: 3%–5%)

\*1 For laparoscopic surgery and open surgery  
\*2 For open surgery



Integrated energy system with advanced bipolar and ultrasound technology

Operating Environment / Risks and Opportunities

Operating Environment

Surgical imaging	<ul style="list-style-type: none"> <li>■ Growing maturity of 3D system market over the medium term and normalization of imaging sensors and data transferring technology compatible with 4K systems driving acceleration of full 4K system introduction</li> <li>■ Distinctive R&amp;D activities related to special light imaging technologies being advanced by various companies and permeating the market</li> </ul>
Surgical energy devices	<ul style="list-style-type: none"> <li>■ Maturity to progress in European, Japanese, and Chinese markets while the United States remains the largest market for energy devices</li> </ul>

Strengths of Business Unit

- Only manufacturer to provide both the surgical imaging devices and the energy devices necessary for endoscopic surgery
- High-resolution and high-quality 4K, 3D, and other systems
- Operating room integration field business foundations reinforced through acquisition of Image Stream Medical, Inc.

Focuses for Business Growth

- Growth greatly exceeding market growth rate
- Establishment of new de facto standard in surgical imaging market
- Development of single-use device business model

Opportunities

- Rising demand for increasing clinical and economic efficacy
- Growing demand for minimally invasive therapy due to increased detection of early stage diseases through early diagnosis
- Expansion of minimally invasive therapy markets in emerging countries

- Greater emphasis on cost performance stemming from growing pressure to limit healthcare costs
- Focus on centralized purchasing through GPOs and IDNs
- Entry into market by low-cost manufacturers

Risks

## Business Strategies / Priority Measures

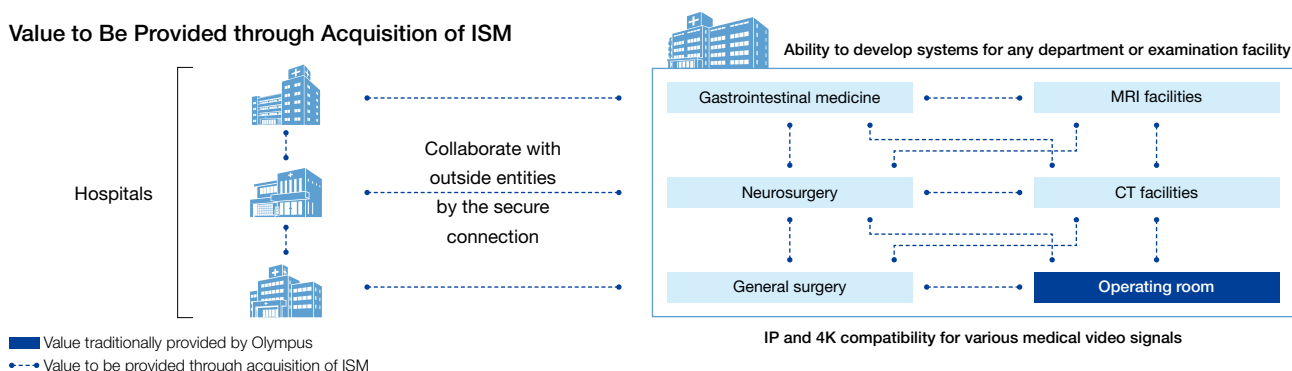
1	Establish New De Facto Standard in Surgical Imaging Market
2	Fully Leverage Strengths of Olympus in Gastrointestinal Endoscope Field
3	Secure No. 3 Position in Energy Device Market and Encroach upon No. 2 and No. 1 Positions
4	Establish Single-Use Device Business Model

### Accomplishments in Fiscal 2018 and Future Measures (Tasks)

#### 1 Establish New De Facto Standard in Surgical Imaging Market

Sales in the surgical imaging market showed year-on-year growth largely as a result of the impressive performance of the VISERA ELITE II—the next-generation successor of a mainstay surgical endoscopy system—which has been introduced into the European and Japanese markets. The VISERA ELITE II has attracted much praise as a competitive product which reflected many physician's needs, to support swift and accurate surgeries by the infrared and 3D observation. The acquisition of North American company Image Stream Medical, Inc. (ISM), in June 2017 brought Internet protocol (IP)-based image management solutions and systems integration operating foundations. This move augmented Olympus' value proposition to customers, which had been an area requiring improvement, and facilitated Olympus efforts to receive large-scale orders from integrated delivery networks. Meanwhile, our 4K surgical endoscopy system, which was developed by Sony Olympus Medical Solutions Inc., has been positioned as a product for approaching customers who have mainly used rival products and encouraging them to convert to Olympus products. Approximately 70% of the sales of our 4K systems have been from customers converted to Olympus products in this manner. Looking ahead, we will continue to solicit the value of these competitive products to raise their level of recognition in the market and thereby expand our market share while establishing these products as the new de facto standard for 4K and 3D systems in the surgical imaging market.

#### Value to Be Provided through Acquisition of ISM



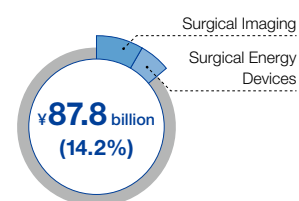
#### 3 Secure No. 3 Position in Energy Device Market and Encroach upon No. 2 and No. 1 Positions

THUNDERBEAT, a strategic product, continues to deliver strong performance, posting double-digit sales growth each year. THUNDERBEAT is an energy device that integrates advanced bipolar and ultrasonic energy. As a platform, the system is compatible with our lineup of THUNDERBEAT products for laparoscopic and open surgeries as well as with the SONICBEAT ultrasonic energy device and the bipolar PK device that can be utilized to approach a wide range of clinical departments. We will continue expanding our energy device market share by bolstering our lineup of products through the development of devices that are compatible with various surgeries and procedures. One example is the THUNDERBEAT Type-S, which features refined basic functions and was released in fiscal 2018. At the same time, we will grow our single-use device operations.

## KPI (16CSP)

	Initial CAGR target (Five-year period spanning FY2017–FY2021)	CAGR for 1st half of 16CSP* (Three-year period spanning FY2017–FY2019)	CAGR target for 2nd half of 16CSP* (Two-year period spanning FY2020–FY2021)
GSBU	11%	5%	10–13%
Surgical Imaging	10%	3%	11–14%
Surgical Energy Devices	14%	9%	9–12%

#### Revenue / Share of Revenue by Field (FY2018)



\* Figures announced on September 5, 2018

MEDICAL BUSINESS

Urology / Gynecology Business Unit (UGBU)

The UGBU is supporting Olympus' continuous business expansion as a core business unit. We aim to achieve sustainable growth through the reinforcement of our existing business structure by gained through the gastrointestinal business and the surgical device technologies. In addition, we will take advantage of our solid sales network to expand our business domain while also acquiring new technologies.

Head of Uro /  
Gyn Business Unit

Minoru Okabe



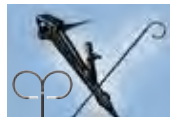
Global Market Share / Competitors (As estimated by the Company)

Urology

Karl Storz  
Richard Wolf  
Boston Scientific  
Cook Medical  
CR Bard



Flexible cystoscope



Flexible ureteroscope



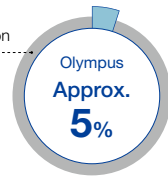
Stone treatment devices (single-use)



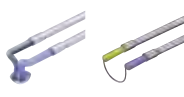
Resectoscope

Gynecology

Karl Storz  
Richard Wolf  
Johnson & Johnson



Flexible hysteroscope



Therapeutic electrodes

Market Scale (Growth Forecasts)

¥170 billion-¥190 billion  
(CAGR: 2%-4%)

Market Scale (Growth Forecasts)

¥40 billion-¥50 billion  
(CAGR: 2%-4%)

Operating Environment / Risks and Opportunities

Operating Environment

Urology	<ul style="list-style-type: none"> <li>Approx. 1.0 million benign prostatic hypertrophy and bladder tumor resection procedures conducted annually; increasing cost awareness associated with day surgery and prevention of reoccurrence</li> <li>Approx. 1.8 million stone treatment procedures conducted annually; number of high-efficacy endoscopic treatments (ureteroscopic lithotripsy) rising (CAGR: 4%)</li> </ul>
Gynecology	<ul style="list-style-type: none"> <li>Previously, no competitor with an overwhelming gynecology market share, with the field mostly served by multi-specialty companies offering a wide range of products, including those outside of the gynecology field, but potential for massive companies to enter the market through M&amp;A activities that may drive the consolidation of the market</li> </ul>

Strengths of Business Unit

- Robust TURis\* product lineup and high installation base share
- Competitive visualization (NBI) and treatment (TURis) technologies
- Superiority in terms of rigid endoscope and high-frequency resection device technologies that can be applied to the gynecology field

\* TURis: Transurethral Resection in Saline

Focuses for Business Growth

- Maintenance of sufficient share in flexible endoscopes and TURis markets (flexible endoscope market share of more than 60%)
- Expansion of urinary tract stone management market share (share of 14% in Europe, the United States, and Japan)

Opportunities

- Increase in the needs to treat difficult cases more efficiently
- Anticipated spread and establishment of examination and surgical procedures using flexible cystoscopes in emerging countries and Europe
- Shift toward day surgery and other minimally invasive therapies in the gynecology field

Risks

- Elongated lead times for commercializing and launching products
- Customer retention activities of earlier market participants

## Business Strategies / Priority Measures

1	Urology: Secure Dominant Shares in Markets for Flexible Endoscopes and TURis Products That Leverage Technological Prowess of Olympus
2	Urology: Strengthen Urinary Tract Stone Management Business Operations to Expand Market Share
3	Gynecology: Increase Market Share by Leveraging Existing Products and Technologies

### Accomplishments in Fiscal 2018 and Future Measures (Tasks)

#### 1 Urology: Secure Dominant Shares in Markets for Flexible Endoscopes and TURis Products That Leverage Technological Prowess of Olympus

By utilizing the strength of the narrow band imaging (NBI) technologies we originally developed for use in gastrointestinal endoscopes, Olympus has achieved the top market share for cystoscopes. In addition, we are growing sales of TURis electrodes for benign prostatic hypertrophy and bladder tumor resection by leveraging the strength of the high-performance, high-frequency technologies we have accumulated in surgical energy device operations.

In fiscal 2018, TURis electrodes for benign prostatic hypertrophy and bladder tumor resection saw favorable performance in all regions. Case numbers for both of these treatments are displaying an upward trend. Seeking to take advantage of this trend to drive the ongoing growth of TURis electrode sales during the second half of 16CSP, we will continue to reinforce the competitiveness of our products while also strengthening customer contact points and sales capabilities. We will also enhance our ability to cater to the needs of group purchasing organizations (GPOs) and integrated delivery networks (IDNs) while improving support for healthcare professionals to promote the wider use of these procedures.

#### 2 Urology: Strengthen Urinary Tract Stone Management Business Operations to Expand Market Share

Similar to cystoscopes, we have won the top market share for flexible ureteroscopes, which are used for treating urinary tract stones and kidney stones, by taking advantage of our small diameter scope technologies. The new flexible ureteroscopes first launched in Europe feature superior resolution, exceptionally small diameters, and high durability. In addition, we will strengthen our sales systems in Japan and Europe to grow sales of stone treatment devices (single-use products), which are used with flexible ureteroscopes to treat urinary tract stones.

Furthermore, Olympus enhanced its urinary tract stone management product portfolio with the March 2018 release of a laser lithotripsy system in Europe. We also incorporated the production technologies of Cybersonics, Inc., a company that designs and manufactures medical devices based on ultrasonic technologies, in April 2018. As a result, Olympus is now equipped to develop and manufacture lithotripsy systems in-house. Looking forward, we will seek to further elevate Olympus' position in the urinary tract stone management field.



Transurethral resection of prostate



Therapeutic electrode



Flexible cystoscope



Urinary stone treatment



Flexible ureteroscope



Stone treatment devices



Laser lithotripsy system



Ultrasonic lithotripsy system

#### Enhanced our urinary tract stone management product portfolio

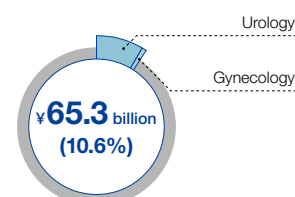
## KPI (16CSP)

	Initial CAGR target (Five-year period spanning FY2017–FY2021)	CAGR for 1st half of 16CSP* (Three-year period spanning FY2017–FY2019)	CAGR target for 2nd half of 16CSP* (Two-year period spanning FY2020–FY2021)
UGBU	8%	5%	5–8%

\* Figures announced on September 5, 2018

Urology	<ul style="list-style-type: none"> <li>Flexible Scopes: Acquire and maintain dominating No. 1 share (more than 60%)</li> <li>Stone Treatment Devices (single-use): Share: 14% (Europe, U.S., and Japan)</li> </ul>
Gynecology	TCRIs Electrodes: Share: 5% (U.S.)

### Revenue / Share of Revenue by Field (FY2018)





MEDICAL BUSINESS

Ear, Nose, and Throat Business Unit (ENTBU)

The ENTBU will continue to grow its operations by utilizing the Company's core competencies and capitalizing on the strong growth potential of the ENT business. Specific efforts will include expanding the range of areas in which this business unit is active by leveraging the technologies developed in gastrointestinal endoscope and surgical device operations. We will also aggressively invest in both sales network reinforcement and product development to increase earnings capacity.

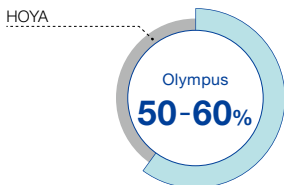
Head of ENT Business Unit

Georg Schloer



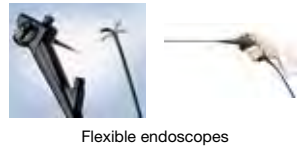
Global Market Share / Competitors (As estimated by the Company)

Laryngology



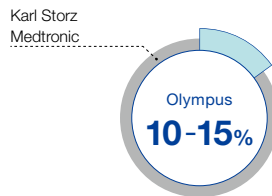
Market Scale (Growth Forecasts)

¥15 billion-¥17 billion  
(CAGR: 4%-5%)



\* Upon regulatory approval. Not for sale in North America as of September 30, 2018

Rhinology / Otology



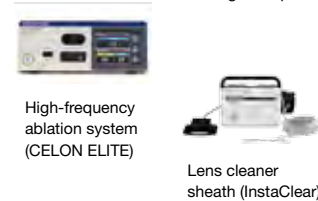
Karl Storz  
Medtronic



Market Scale (Growth Forecasts)

Rhinology ¥22 billion-¥24 billion  
(CAGR: 4%-5%)

Otology ¥5 billion-¥7 billion  
(CAGR: Less than 1%)



Operating Environment / Risks and Opportunities

Operating Environment

Laryngology	<ul style="list-style-type: none"> <li>Improved recognition of NBI benefits</li> <li>Rising needs for early diagnosis</li> </ul>
Rhinology / Otology	<ul style="list-style-type: none"> <li>Increased needs for high-resolution, wide-color-spectrum images through HD and 4K systems</li> <li>Sinus surgeries and procedures using debriders commonplace in developed countries</li> </ul>

Strengths of Business Unit

- Competency with regard to imaging devices and endoscopes in particular
- Wide-ranging R&D resources in imaging technology field
- Extensive product portfolio in rhinology and otology fields

Focuses for Business Growth

- Maintenance of dominating No. 1 share in laryngology field through constant pursuit of high value
- Commencement of ESS\* imaging business (share of more than 10%)
- Expansion of ESS treatment business (share of more than 20%)

Opportunities

- Higher number of endoscopic examinations due to rise in case numbers of laryngeal and pharyngeal cancer and population aging
- Increasing demand for high-value-added products due to development of more advanced ESS procedures
- Rising expectations for sinusitis treatments in outpatient and office settings

- Downward pressure on prices by low-end video systems
- Rising barrier to entry into the ESS market created by monopolizing companies
- Intensified competition creating additional barriers for participation

Risks

\* ESS: Endoscopic sinus surgery

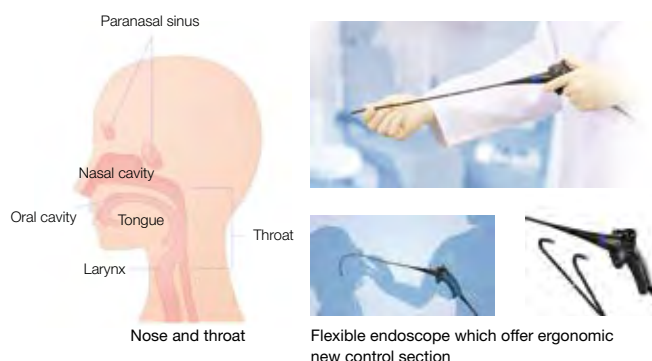
## Business Strategies / Priority Measures

1	Laryngology: Expand ENT Flexible Endoscope Operations Centered on “Videonization”
2	Rhinology: Acquire ESS Operations
3	Establish Global Sales Systems

### Accomplishments in Fiscal 2018 and Future Measures (Tasks)

#### 1 Expand ENT Flexible Endoscope Operations Centered on “Videonization”

As a result of our ongoing efforts to solicit the medical benefits of narrow band imaging (NBI) in examinations of the laryngeal and pharyngeal region, the transition from fiberscopes to videoscopes progressed smoothly on a global basis. In fiscal 2019, we have already introduced several new videoscope products. These new products include an ENT videoscope that is 30% lighter than previous offerings and which features a completely new, ergonomically based control section as well as a videoscope that is capable of being manipulated in four directions. Through sales promotions focused on such new products, we aim to increase sales of flexible endoscopes and thereby grow our ENT field operations.



Laryngeal and pharyngeal region examinations are conducted by inserting flexible endoscopes via the nasal cavity.

#### 2 Acquire ESS Operations

Olympus continues to focus on spreading use of its ESS treatment device (DIEGO ELITE), and it also anticipates growth in its ESS field imaging and treatment device operations. In fiscal 2019, we will move forward with efforts to propose the unique “See & Treat” value advocated by Olympus by combining products such as DIEGO ELITE, 4K camera systems, and the InstaClear lens cleaning sheath in order to further expand our ENT field operations through these efforts.



Clogged paranasal cavities are cleared by making incisions with debriders, while observing the site via endoscopes, to extract the pus that has accumulated in the cavity.

#### 3 Establish Global Sales Systems

Olympus is continuously enhancing its ENT product sales functions centered on Europe and Asia. Through sales strategies based on focus products identified in consideration of regional characteristics, we achieved increased performance in both of these regions in fiscal 2018.

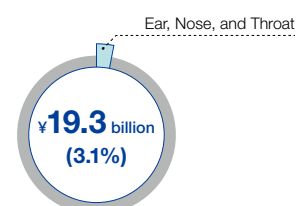
## KPI (16CSP)

	Initial CAGR target (Five-year period spanning FY2017–FY2021)	CAGR for 1st half of 16CSP* (Three-year period spanning FY2017–FY2019)	CAGR target for 2nd half of 16CSP* (Two-year period spanning FY2020–FY2021)
ENTBU	13%	12%	10–13%

\* Figures announced on September 5, 2018

Laryngology	Flexible Scopes: Maintain dominant No. 1 share by pursuing even higher levels of product and service value
Rhinology	<ul style="list-style-type: none"> <li>ESS Imaging: Achieve market share of more than 10%</li> <li>ESS Debriders: Achieve market share of more than 20%</li> </ul>

### Revenue / Share of Revenue by Field (FY2018)



MEDICAL BUSINESS

Medical Service Business Unit (MSBU)

We recognize the Medical Service Business Unit as supplying a core competency of Olympus toward maintaining the highest quality of our medical devices. This business unit will continuously strengthen customer contact points to provide ongoing support for the overall growth of the Medical Business. Specifically, we aim to further enhance relationships with customers and grow our medical service business.

To this end, we will allocate the management resources necessary for establishing and reinforcing service system foundations in emerging countries that are projected to grow rapidly while providing services matched to various customer needs.

Head of Medical Service Business Unit

Yoshihito Shimizu



Business Strategies / Priority Measures

1	Expansion of Service Contracts*1
2	Reinforcement of Surgical Device Field Services
3	Deployment of Efficient Repair Services and Improvement of Productivity

Accomplishments in Fiscal 2018 and Future Measures (Tasks)

Olympus has continued working to improve customer satisfaction by realizing impeccable repair quality and shortening repair turnaround times. Looking ahead, we will redouble our efforts for preventing product failures and increase the number of service contracts that respond to various customer needs and realize high levels of customer satisfaction. In addition, we will enhance endoscopic medicine support services.

In fiscal 2018, performance was strong in all regions, leading to growth in line with our expectations. Seeking to develop even more appealing service contracts, we enhanced our service contract management systems and performed analyses of data on the frequency of use cases prior to product failures\*2 in order to facilitate preventive maintenance activities. In regard to services for the surgical device field, our efforts are focused on services that contribute to improvements in device operating rates. At the same time, we are smoothly reforming our base network centered on Europe and the United States, which includes reorganizing, consolidating, and establishing new repair bases. We commenced operations at a repair base in Portugal in April 2017, and completed construction of our second repair base in North America in October 2018, located in Bartlett City, Tennessee, the United States. In the following month of November, operations commenced at a new base in Dubai that will serve the Near and Middle East. In the future, we are planning to further enhance our network of repair bases in the Near and Middle East and in Asia. Coordination will be pursued with the manufacturing function in order to maximize the benefits of the consolidation of repair bases as we move ahead with the reorganization and reinforcement of our repair functions. Although repair bases will be consolidated, service bases will be maintained to function as contact points with customers in order to improve efficiency, quality, and profitability while also enabling us to provide services that thoroughly satisfy our customers.

\*1 Service contracts: Single- or multiple-year contracts providing service coverage including free repair, priority access to loaners, regular inspection, and preventive maintenance training  
 \*2 Frequency of use cases prior to product failures: Data usable for planning preventive maintenance training based on customer use patterns

KPI (16CSP)

	Initial CAGR target (Five-year period spanning FY2017–FY2021)	CAGR for 1st half of 16CSP* (Three-year period spanning FY2017–FY2019)	CAGR target for 2nd half of 16CSP* (Two-year period spanning FY2020–FY2021)
MSBU	5%	7%	2–5%

\* Figures announced on September 5, 2018

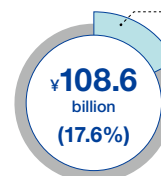
Key points

- Increase number of service contracts
- Expand service operations for surgical devices

Revenue / Share of Revenue by Field

(FY2018)

Service Contract / General Repairs



## Repair Base Strategy for Improving Efficiency and Profitability

With regard to endoscopes used in the medical field, it is important to ensure that patients are always able to undergo endoscopic examinations and therapy safely and with peace of mind. An important responsibility of medical device manufacturers is thus to make ongoing contributions to the medical field by offering swift repairs in the event of a product failure and preparing loaners\*<sup>3</sup> to be provided when needed. Olympus has developed an industry-leading global service network consisting of approximately 200 repair and service bases to ensure that it is able to provide quick responses to the needs of the medical field. In addition to offering highly satisfying services to customers, we are reorganizing our repair bases to further improve the efficiency and profitability of our medical service business.

\*<sup>3</sup> Loaners: Products temporarily loaned to customers when the product they have purchased is undergoing repairs



### Strategies in North America

#### Consolidation of Repair Operations into Two Bases to Construct Efficient Repair System

We seek to improve the efficiency of repair services in the United States by consolidating all repair operations into two bases, one located in San Jose, California, and the other in Bartlett, Tennessee. The San Jose base will function as a repair headquarters in the United States as well as handling repairs in the western portion of the country, while the Bartlett base will be responsible for dealing with repairs in the eastern portion. In addition, a warehouse for managing demo products has been built at the Bartlett base to allow for more efficient management of demo products through coordination with repair divisions. We also anticipate technological synergies between the Bartlett base and manufacturing divisions to be generated through the neighboring surgical device production base. The North American market is the largest market for the Medical Business. By streamlining our repair systems in this market, we aim to improve profitability while also allowing for the provision of swift and high-quality repair services.



Bartlett repair base

### Strategies in Europe

#### Productivity Improvements through Transmission of Manufacturing Technologies and Expertise

Olympus' largest European manufacturing base is located in Hamburg, Germany. In fiscal 2019, we established a repair base next to this manufacturing base to enable swifter business activities. Through close coordination between these two bases, we will seek to transmit manufacturing expertise to the repair base to the greatest extent possible in order to heighten the technological prowess of repair divisions. We thereby aim to realize improved repair productivity while also preparing for the institution of more rigorous regulations on repair functions projected to occur in the future. In addition, we have established a new repair base in Coimbra, Portugal, to further enhance our network of major repair bases. Looking ahead, we will target higher levels of profitability by consolidating repair bases while delivering services that maintain points of contact with customers in order to heighten customer satisfaction.



Repairs being conducted at repair base in Coimbra



# SCIENTIFIC SOLUTIONS BUSINESS



We help make people's lives healthier, safer, and more fulfilling around the world by supplying innovative products and services for supporting scientific research, pathological diagnoses, and inspections of manufacturing and social infrastructure.

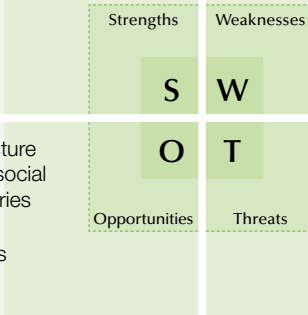
The Scientific Solutions Business delivers high-quality products and services for a variety of markets. In this business, we will continue to strengthen points of contact with customers as we establish frameworks that will enable us to respond to changing needs by supplying optimal solutions. At the same time, we will advance global business structure reforms to improve profitability while also investing in growth fields.

Head of Scientific Solutions Business Unit

Toshihiko Okubo

- Superior technological prowess and quality for optical, imaging, ultrasound, and XRF technologies
- Top-class market shares for all product segments
- Global sales, marketing, and service networks
- Total solutions provided through diverse product lineup

- High susceptibility to changes in economic conditions of specific regions and countries
- Technological maturity of certain products
- Increased manufacturing and sales costs for certain products



- Long-term demand growth for social infrastructure construction in emerging countries and aging social infrastructure maintenance in developed countries
- Continuous growth in demand in aviation, automotive, and other manufacturing industries
- New needs arising from regularization of regenerative medicine

- Large foreign exchange rate movements
- Trend toward limiting capital expenditures by private-sector companies
- Delayed execution of government budgets and budget cuts in various countries
- Emergence of alternative technologies
- Economic slowdown in emerging countries
- Cyclical trends in specific customer segments

## Operating Environment and Direction of Strategies for the Scientific Solutions Business

### Operating Environment and Business Opportunities






In the short term, we are witnessing improvements in conditions for the semiconductor and electronic components industries due to increased demand in relation to the Internet of Things (IoT) and automotive products. Trends related to capital investment are also showing an upturn thanks to increases in natural resource prices. In the medium-to-long term, we anticipate growth in the Scientific Solutions Business to be driven in part by market expansion stemming from investment in aviation, transportation, and other social infrastructure. We also look forward to the emergence of full-fledged markets for digital pathological examinations and drug discovery and regenerative medicine support businesses.

### Direction of Strategies for the Scientific Solutions Business

In the life science field, we deliver cutting-edge solutions for the cancer, neuroscience, and stem cell research markets, among others, with our high-share-holding microscopes.

Olympus also endeavors to address the new needs arising from the increase in pathological examinations stimulated by the advancement of preventive medicine and the acceleration of regenerative medicine and drug discovery research through private-public partnerships. During the period of 16CSP, we anticipate that growth in microscope operations will be limited. We will therefore be seeking to generate profits through business structure reforms while investing in growth fields. As for the industrial field, the Company is making steady progress in the customer segment-oriented strategies described in 16CSP amid favorable conditions in the global market, and it will thereby pursue growth in existing businesses while simultaneously bolstering product portfolios. At the same time, we aim to cater to new needs in the future growth fields of smart factories, automotive inspection, and structure monitoring.

## Market Shares and Portfolios

	Biological Microscopes	Industrial Microscopes	Industrial Videoscopes	Non-Destructive Testing Equipment	X-Ray Fluorescence (XRF) Analyzers
Field	Life Science	Industrial			
Share	40–50%	30–40%	35–45%	30–40%	25–35%
Competitors	Nikon, Zeiss, Leica	Nikon, Zeiss, Leica	GE	GE	Thermo Fisher
Products					
Uses	Biological and medical research and pathological examinations	Contribution to improvements in efficiency and quality in industry as well as in safety and security in everyday lives			
	Basic life science research and clinical pathological examinations aimed at better understanding illnesses and other topics	Semiconductor, electronic component, and automotive part inspections, etc.	Aircraft engine inspections, etc.	Plant and pipeline inspections, etc.	Resource and environmental surveys, RoHS directive compliance, etc.
Customer Segment	LS Research Clinical (Pathological Examination) Regenerative Medicine Support & Drug Discovery Support	Manufacturing / Environment & Natural Resource / Infrastructure Maintenance			

## Priority Measures

1	Improve Earnings Capacity and Keep Operating Margin Consistently above 10% through Initiatives Tailored to Customer Segments	<ul style="list-style-type: none"> <li>Achieve organic growth in industrial and pathological examination fields</li> <li>Improve profitability by reforming business processes and cutting costs in existing business</li> </ul>
2	Actively Expand Portfolios Targeting Customer Segments in Which Particular Growth Can Be Anticipated in Consideration of Company Strengths and Market Growth Potential	<ul style="list-style-type: none"> <li>Expand lineup of solutions that contribute to increased inspection quality, productivity, and efficiency for customers</li> </ul>
3	Broaden Scope of Development of Drug Discovery and Regenerative Medicine Solutions to Further Long-Term Growth	<ul style="list-style-type: none"> <li>Conduct up-front investments in future growth</li> </ul>

## Accomplishments in Fiscal 2018 and Future Measures (Tasks)

Accomplishments	Future Measures (Tasks)
<ul style="list-style-type: none"> <li>Contributions from industrial microscopes, non-destructive testing equipment, and other industrial field products due to recovering natural resource prices and favorable conditions in the semiconductor and electronic component markets</li> <li>Proactive expansion of product portfolios for manufacturing, infrastructure maintenance, and other customer segments in which we can anticipate market growth and leverage Company strengths</li> <li>Strong performance in component business supplying components that utilize advanced optical technology and are meant to be embedded in other equipment and for non-destructive testing equipment designed to be incorporated into automated inspection processes</li> </ul>	<ul style="list-style-type: none"> <li>Further improvement of business efficiency to increase profitability in the life science field</li> <li>Advancement of R&amp;D ventures to expand portfolios and implementation of other strategies for creating new sales opportunities</li> <li>Ongoing reinforcement of customer contact points and development of fundamental technologies to achieve long-term growth in the regenerative medicine support field anticipated to see market growth in conjunction with future advancement of research</li> </ul>

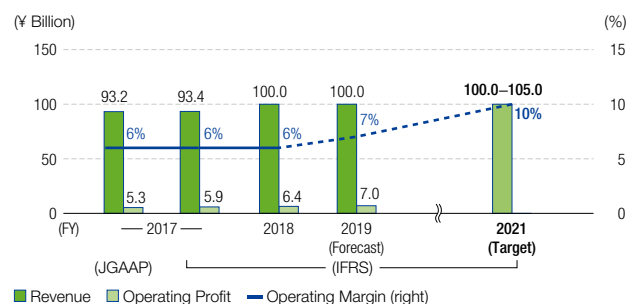
## KPI (16CSP)

	FY2021 (Initial targets)	FY2021 (After Sep. 2018 revision)
Revenue	¥130.0 billion	¥100.0–105.0 billion
Operating Profit	¥13.0 billion	—
Operating Margin	10%	10%

Key Points 

- Strengthen earnings capacity to keep operating margin consistently above 10%

Note: Foreign exchange assumptions have been revised to ¥105 to US\$1 and ¥130 to €1 (¥115 to US\$1 and ¥130 to €1 at time of the formulation of 16CSP).



# IMAGING BUSINESS



We will provide people with joy and make their lives more fulfilling through the supply of mirrorless cameras and other innovative products.

The Imaging Business is steadily transforming its business structure. Looking ahead, we will pursue stable earnings by identifying customer needs to supply products and services that are uniquely Olympus through the development, manufacture, and sale of high-value-added products.

Head of Imaging Business Unit

Shigemi Sugimoto

- Unique technologies accumulated by concentrating on mirrorless cameras
- Competencies in designing and manufacturing compact, lightweight, high-performance lenses
- Leading share in mirrorless camera market (domestic)

- Small shares of massive U.S. and Chinese markets

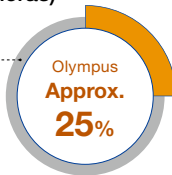
Strengths	Weaknesses
S	W
O	T
Opportunities	Threats

- Ceased contraction of single-lens-reflex camera market due to growth of mirrorless cameras

- Intensified competition in mirrorless camera market
- Further evolution of smartphones and tablets

## Domestic Market Share (Mirrorless Cameras)

Canon, Nikon, Sony, Panasonic, etc.



## Digital Cameras



Mirrorless interchangeable-lens cameras, compact digital cameras, digital camera-related products, digital camera lens barrels, optical components

## Others



IC recorders, binoculars

## Application of Imaging Business Technologies to Other Businesses

The Imaging Business functions as a Companywide technology driver, and technologies developed in this business are being applied to other Olympus businesses.

Technology	Business of Application	Area of Contribution
① Advanced digital technologies	Scientific Solutions Business	Development of regenerative medicine solution prototypes using Wi-Fi and ICT
② Low-cost production and design technologies	Medical Business	Development of next-generation energy devices using shortened, low-cost development processes and mass-production and miniaturization technologies
③ Mobile technologies		

## Operating Environment and Forecasts

Faced with a rapidly contracting digital camera market, we pushed forward with structural reforms to shrink the Imaging Business to a more appropriate scale. We thus sought to realize a business structure that will enable the Imaging Business to continue generating profits, despite the reduction in sales, by revising cost structures and strengthening sales activities

pertaining to high-margin interchangeable lens products. The result was enhanced earnings structures.

Meanwhile, the mirrorless camera market is witnessing intensified competition due to the entry of new rivals. Olympus is strengthening sales of mirrorless camera through ongoing selection and concentration and risk control measures.

## Priority Measures

1	Advance Ongoing Business Structure Reforms	<ul style="list-style-type: none"> <li>Focus on the development of high-value-added mirrorless cameras (primarily OM-D series) and interchangeable lenses (PRO series) boasting competitive prices</li> <li>Develop systems that allow for improved efficiency in new product manufacturing start-ups and mass production by transferring production to Vietnam</li> <li>Increase the procurement of finished units and establish systems for Companywide purchasing</li> </ul>
2	Improve Responsiveness to Market Changes	<ul style="list-style-type: none"> <li>Monitor the market scale and Olympus' share to respond to changes in conditions by improving sales function efficiency and advancing the selection and concentration of target market segments</li> </ul>
3	Minimize Inventory Risks	<ul style="list-style-type: none"> <li>Reduce product supply lead times and lower risks associated with overdependence on certain regions to shorten inventory turnover periods</li> </ul>
4	Contribute to Olympus as Groupwide Technology Driver	<ul style="list-style-type: none"> <li>Establish comprehensive range of technologies for 4K and 8K video, development of devices necessary for recording at these resolutions, and optimization of interface with outputs (monitors)</li> <li>Apply advanced digital, low-cost manufacturing, and mobile technologies—which are created through the process of developing and manufacturing OM-D series cameras and PRO series lenses—to other businesses</li> </ul>

## Accomplishments in Fiscal 2018 and Future Measures (Tasks)

Accomplishments
<ul style="list-style-type: none"> <li>Advancement of structural reforms to generate stable earnings                             <ul style="list-style-type: none"> <li>Ceasing of operations at a Chinese manufacturing subsidiary</li> <li>Transference of production to the Vietnam plant, reduction in ratio of manufacturing costs to revenue</li> </ul> </li> <li>Reinforcement of earnings foundation                             <ul style="list-style-type: none"> <li>Improvement of product quality through enhancement of quality assurance systems and reduction of fixed costs through revision of sales systems</li> </ul> </li> <li>On-schedule introduction of OM-D E-M10 Mark III and two M. Zuiko PRO series lenses due to concentration on development of mirrorless cameras</li> </ul>

Future Measures (Tasks)
<ul style="list-style-type: none"> <li>Ongoing advancement of structural reforms to maintain profitability                             <ul style="list-style-type: none"> <li>Commencement of operations at Vietnam factory after transference of production (augmentation of production capacity and improvement in efficiency)</li> </ul> </li> <li>Reinforcement of sales function after streamlining through selection and concentration (response to changes in conditions)</li> </ul>

## TOPIC

### Honored with Camera Grand Prix 2018 “Lens of the Year” Award and Top Share for Mirrorless Cameras and IC Recorders for Three Consecutive Years

The M. Zuiko Digital ED 17mm F1.2 PRO high-performance, single vision lens was honored with the Camera Grand Prix 2018 “Lens of the Year” award. Olympus is the first company to achieve this high honor for three consecutive years. In addition, Olympus honored the top share in the BCN AWARD 2018 for its mirrorless cameras and IC recorders for the third straight year.



Development team for the M. Zuiko Digital ED 17mm F1.2 PRO

## KPI (16CSP)

	FY2021 (Initial targets)	FY2021 (After Sep. 2018 revision)
Revenue	¥55.0 billion	¥47.0–50.0 billion
Operating Profit	¥2.0 billion	—
Operating Margin	4%	2–4%

Key point ■ Target consistent profitability rather than sales scale

Note: Foreign exchange assumptions have been revised to ¥105 to US\$1 and ¥130 to €1 (¥115 to US\$1 and ¥130 to €1 at time of the formulation of 16CSP).

