OLYMPUS Investor Day 2018

Overview

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Olympus Corporation
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Key Points for Today

Olympus’s Endoscopy Business
Medical business in emerging-market

Review and the forecast for FY2021

Initiatives for Achieving Sustainable Growth
Olympus’s Endoscope Business
Medical business in emerging-market

Review and the forecast for FY2021

Initiatives for Achieving Sustainable Growth
Together with a gastrointestinal endoscope with over 70% of the world market share, Steady growth of related products and services (Endotherapy devices, maintenance services, etc.) has been recorded.
## Medical business in Emerging-market

### Asia / Oceania region's share of Revenue and CAGR

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2013</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gastrointestinal Endoscopes</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Surgical Devices</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>Endotherapy Devices</td>
<td>11%</td>
<td>19%</td>
</tr>
<tr>
<td>Medical</td>
<td>13%</td>
<td>19%</td>
</tr>
</tbody>
</table>

### Revenue growth rate over 5 years (CAGR)

<table>
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<th>FY2013</th>
<th>FY2018</th>
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<td>12%</td>
<td>18%</td>
</tr>
<tr>
<td>Endotherapy Devices</td>
<td>11%</td>
<td>22%</td>
</tr>
<tr>
<td>Medical</td>
<td>13%</td>
<td>17%</td>
</tr>
</tbody>
</table>

### Revenue ratio of emerging markets (Compared to other companies)

- **Olympus**: 19%
- A: 15%
- B: 11%
- C: 10%

Enter the emerging markets ahead of other global health care companies and earn a firm presence.
Medical business in Emerging-market

### Number of Endoscopists per Million People

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>22</td>
</tr>
<tr>
<td>Malaysia</td>
<td>17</td>
</tr>
<tr>
<td>Philippines</td>
<td>4</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2</td>
</tr>
<tr>
<td>Vietnam</td>
<td>6</td>
</tr>
<tr>
<td>Thailand</td>
<td>4</td>
</tr>
<tr>
<td>India</td>
<td>5</td>
</tr>
<tr>
<td>Japan</td>
<td>250</td>
</tr>
</tbody>
</table>

※Based on publicly available data

### Training centers and Service bases

- Continuing training support for medical staff in Asia (New Training Center (K-TEC) established in Korea)

- Industry-leading service network spreading to approximately 200 bases worldwide including Asia

Expand revenue by taking advantage of high growth potential based on strong presence in emerging markets
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Initiatives for Achieving Sustainable Growth
Medical business continues to achieve steady growth and drive corporate performance

- Continued growth despite a changing operating environment and gastrointestinal endoscopes being in the later stages of their product lifecycles
- Successful implementation of investment and other measures for future growth
### Review

<table>
<thead>
<tr>
<th></th>
<th>2017/3 (JGAAP)</th>
<th>2017/3 (IFRS)</th>
<th>2018/3 (IFRS)</th>
<th>16CSP target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROE</strong></td>
<td>19%</td>
<td>11%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>(Capital efficiency)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>10.2%</td>
<td>9.6%</td>
<td>10.3%</td>
<td>15%</td>
</tr>
<tr>
<td>(Business profitability)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>-16% (130 billion yen)</td>
<td>-※ (126 billion yen)</td>
<td>+7% (134 billion yen)</td>
<td>Double-digit growth</td>
</tr>
<tr>
<td>(Growth performance)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital-to-asset ratio</strong></td>
<td>43%</td>
<td>41%</td>
<td>45%</td>
<td>50%</td>
</tr>
<tr>
<td>(Financial soundness)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- ROE and capital-to-asset ratio are in accordance with plan
- Operating margin and EBITDA are below expectations (we are conscious of issues surrounding growth performance in particular)

* EBITDA for 2017/3 is only available for Japanese accounting rules (as IFRS results have not been calculated for the March 2016 period)
The FY2021 targets were revised based on current situation.

The initial targets are expected to be achieved by FY2024 at the latest (three years later than planned).
# Measures Aimed at Projections for March 2021 Period

## Factors impeding CAGR

- **Endoscopes:**
  - A number of new products have been delayed as a result of constraints on development resources due to dealing with implications of EU-MDR on existing products and reprocessing.

- **Surgical:**
  - Affected by supply delays due to production problems during introduction of new product (VISERA ELITE II) and product launch put back due to delays in regulatory approvals in North America.

- **Urology and gynecology:**
  - Temporarily slow growth due to shipping hold and recall of flexible ureteroscopes.

## Measures for achieving growth over final two years (CAGR of up to 6%)

- **Endoscopes:**
  - Successful development and trouble-free launch of the next generation of endoscope systems.

- **Surgical:**
  - Early resolution of new product launch delays and supply problems, and capture market share in US.

- **Urology and gynecology:**
  - Get back on 16CSP growth track through launch of new flexible ureteroscopes.

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Successfully launch new products to drive sales growth.

* Reprocessing means cleaning, disinfection, and sterilization.
Key Points for Today

- Olympus’s Endoscope Business
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- Review and the forecast for FY2021

- Initiatives for Achieving Sustainable Growth
Initiatives for Achieving Sustainable Growth: Review of Current Situation

Shift to procedure based medical business model (expansion of single-use device operations)

Gastrointestinal endoscopes
- Grow the business and achieve substantial market share by global deployment of modalities developed in tandem with Japanese healthcare

Differences in competitive conditions

Therapy devices
- Shift focus of business growth away from endoscopic diagnosis to therapy devices (single-use devices)
  - Levels of management speed and efficiency that rival global healthcare companies
  - Utilization of healthcare clusters in America and Europe

Along with existing strengths, management speed and efficiency matching performance of European and American multinationals is needed

To become a world-class health care company, transform into a truly global company
Initiatives for Achieving Sustainable Growth: Establish Global Management Practices

One Olympus

Coherent strategies for establishing management practices that bring together the global group

- Lay out clear directions for achieving “One Olympus” management practices throughout the global group

2015
Integration of business-specific companies

Switch to management based on a business and function matrix and formulation of new management strategies under this structure

2016

Reformulate management principles to progress toward global management
Initiatives for Achieving Sustainable Growth: Formulation of New Management Principles

OUR PURPOSE
Making people’s lives healthier, safer and more fulfilling

- Strengthen values that suit the current competitive environment (agility) while still holding to the principles of “Social-IN”
- Find words that will bring Olympus Group employees together around the world
The core values (values) co-sponsored by the management and global brand ambassadors of around the world for half a year cooperated and launched all over the world this summer.

Initiatives for Achieving Sustainable Growth: Formulation of New Management Principles
Initiatives for Achieving Sustainable Growth: Improve Management Speed and Efficiency

Global project for boosting management speed and efficiency

Establishment of global governance (management practices and infrastructure)
- Redefine functions and roles at global level and clarify responsibilities
- Move to new organization structure based on redefined functions, roles, and responsibilities
- Establish decision-making processes and assignment of authorities based on new organization structure
- Improve the speed of all processes until decision making, execution, evaluation, improvement

Rapid decision making (PDCA process)

Design of global human resource system
- Establish human resource system that helps with global recruitment
- Maximum utilization of abundant global talents already in the group
- Improve global talent management

Recruit highly specialized staff Maximize human resource value
Initiatives for Achieving Sustainable Growth: Achieve Medical Innovation

**Open innovation and collaborative creation**

- Deal with technology, innovation, and risk
- Pursue open innovation to overcome “not invented here” attitude

**Growth potential of disposable device operations**

- Extent to which sales organization is in place we have worked on so far
- Room for linear growth by providing additional products
  (Improved development speed, High frequency product introduction)
- Potential for innovations out of USA
- Use of US medical clusters (accelerate progress based around US sites)

Building a new business model specializing in disposable device operations