

OLYMPUS Investor Day 2018  
**Overview**

Hiroyuki Sasa  
Representative Director, President  
Olympus Corporation  
September 5, 2018

# Disclaimers

---

- The financial forecasts and other material in this document are based on judgements and assumptions derived from currently available information. Actual results may differ significantly from targets, being subject to change due to factors such as the uncertainties implicit in these judgements and assumptions and due to future changes in business operations and circumstances inside and outside the company.
- Furthermore, this information is subject to change without notice. Accordingly, use of this information and this document should be at the discretion of the user and done with reference to information obtained by other means.
- This document contains information about products that have not yet been approved in some countries including Japan (including products under development). This information is not intended for promotional or medical advice use. Rather, it is provided to give examples of technology development by Olympus and no guarantees are made about the future sale of such products.
- Olympus accepts no responsibility for any losses that arise from use of the information in this document.

## Key Points for Today

---

Olympus's Endoscope 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

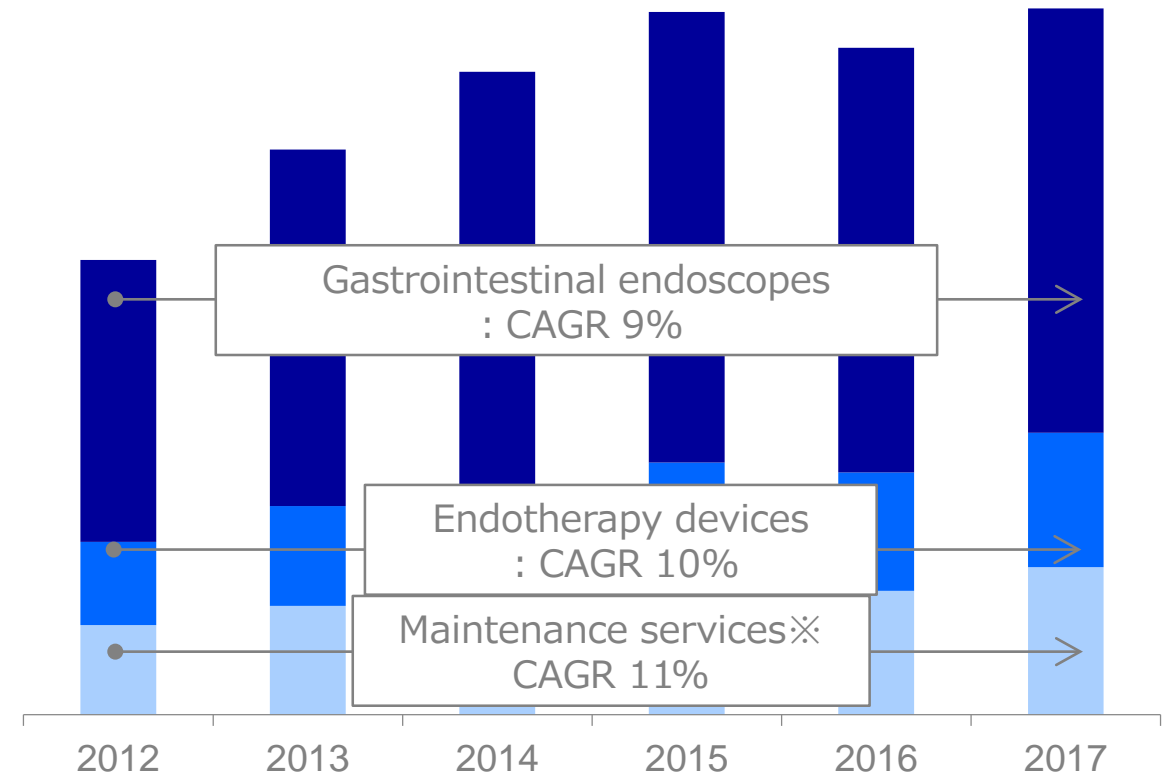
Initiatives for Achieving Sustainable Growth

# Olympus's Endoscope Business

## Related products and services with gastrointestinal endoscopes



## Sales trend (JPY based)

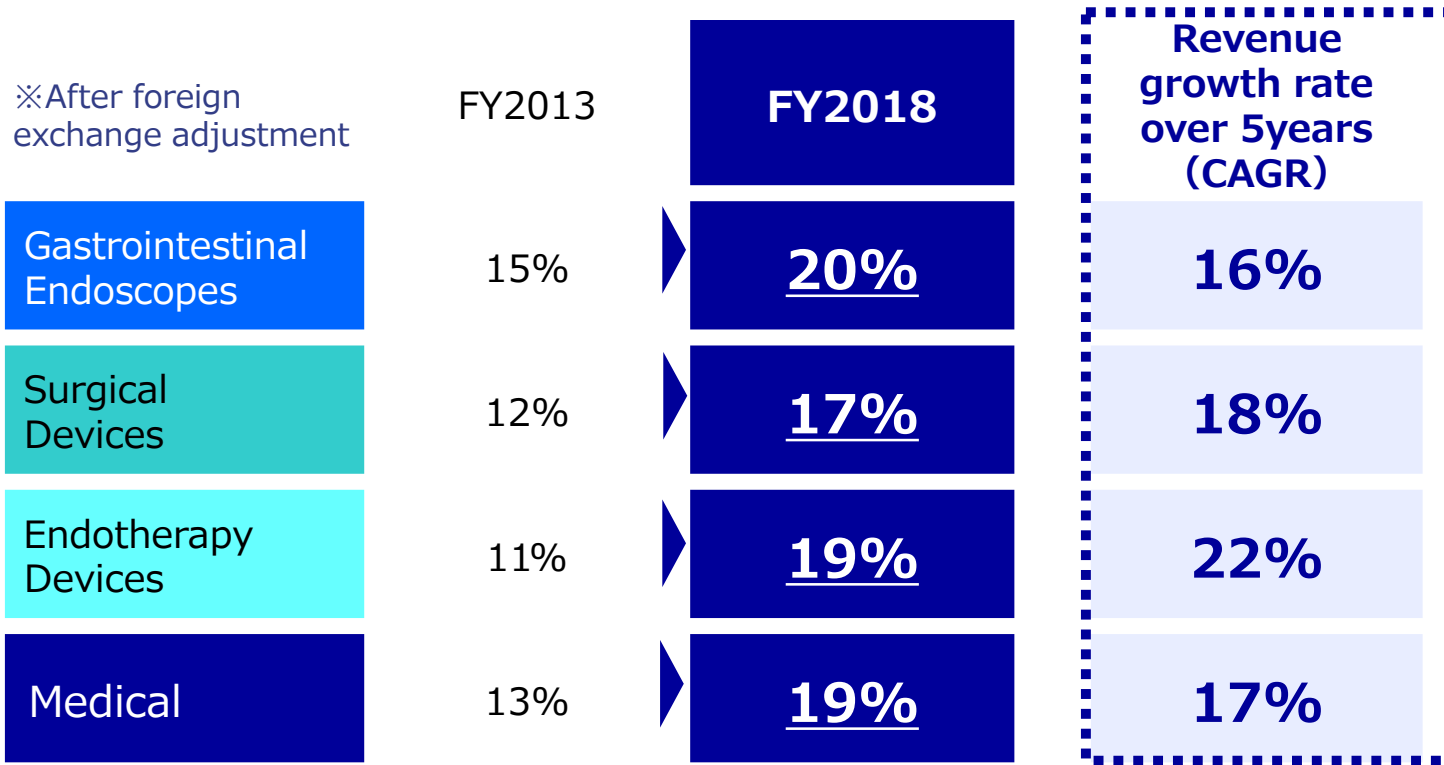


Together with a gastrointestinal endoscope with over 70% of the world market share, Steady growth of related products and services (Endotherapy devices, maintenance services, etc.) has been recorded

# Medical business in Emerging-market

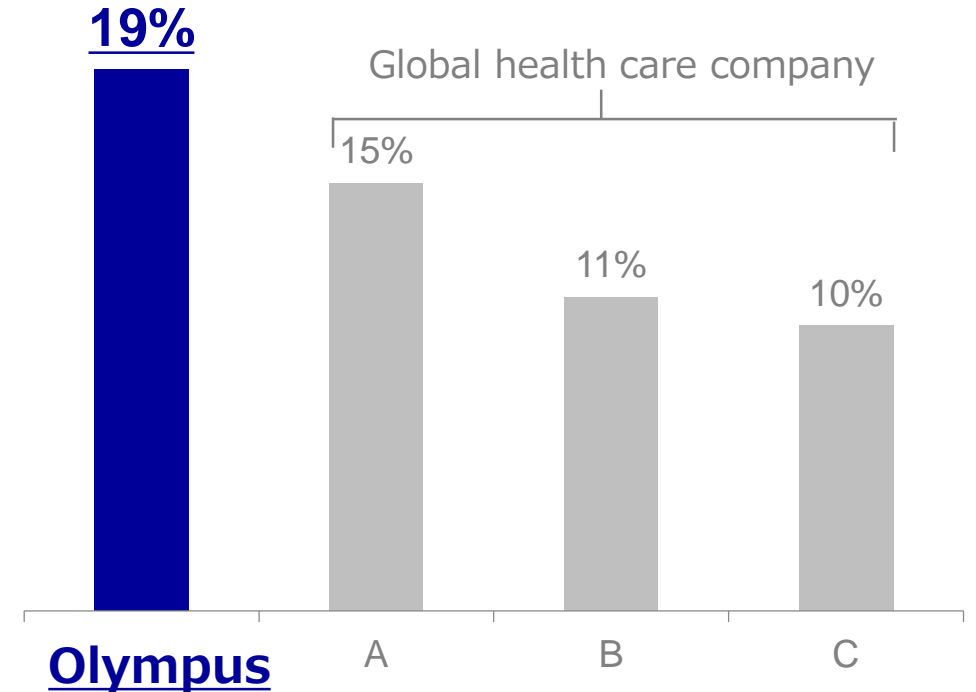
Asia / Oceania region's share of Revenue and CAGR

※After foreign exchange adjustment



Revenue ratio of emerging markets (Compared to other companies)

※FY2018



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

※Based on publicly available data

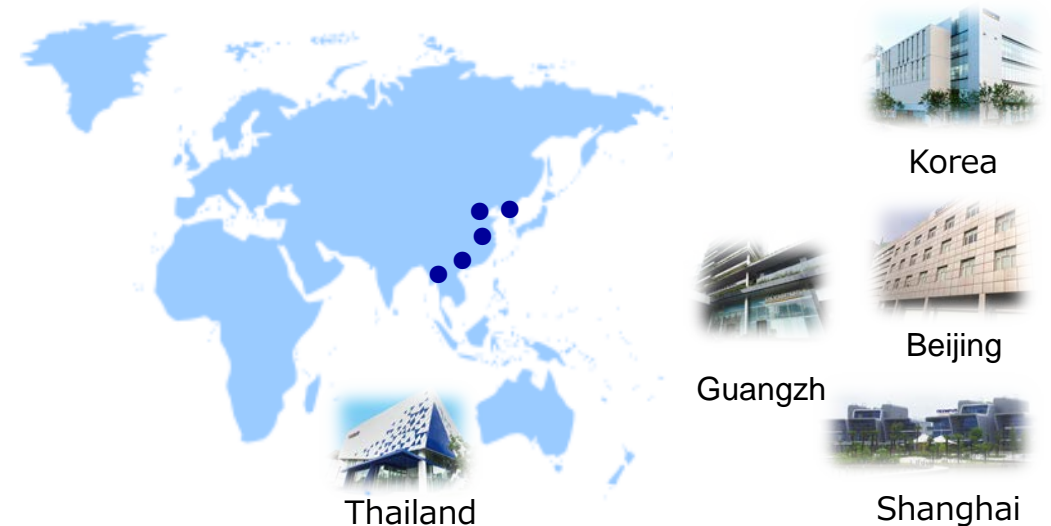
China	22
Malaysia	17
Philippines	4
Indonesia	2
Vietnam	6
Thailand	4
India	5

**Japan**

**250**

## 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

## Key Points for Today

---

Olympus's Endoscope Business  
Medical business in emerging-market

Review and the forecast for FY2021

Initiatives for Achieving Sustainable Growth

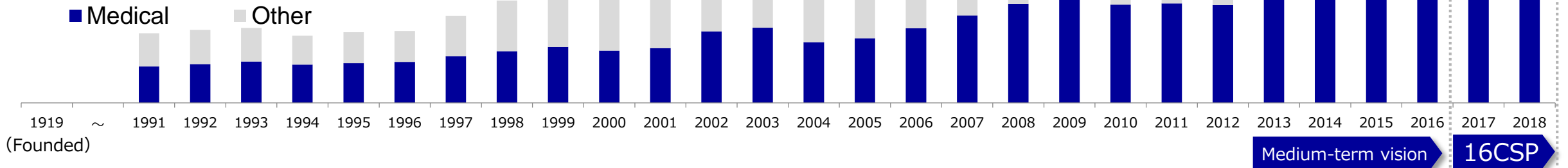


### Sales trend

\* Excluding sales of information and communications business (2005 – 2013)

#### Results and progress

- ✓ Gastrointestinal Endoscopes: Good progress on development of next generation of endoscopes
- ✓ Surgical devices: Good progress on winning accounts with 4K system  
A number of large revenue achieved in North American market (world's largest) through collaboration with ISM  
Acquisition of new leads with IDN
- ✓ Endotherapy devices: Growth in line with plan due to product line-up expansion
- ✓ Energy devices: THUNDERBEAT continues to enjoy double-digit growth, with development and manufacturing infrastructure established in North America
- ✓ Emerging countries: Double-digit growth for two years running in Asia/Oceania region  
Training and service centers established in Thailand and Dubai
- ✓ Maintenance infrastructure: Strengthening of repair infrastructure, especially in Europe and America



- 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

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

- 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)

# Projections for March 2021 Period

## CAGR (sales)

※After foreign exchange adjustment

Assumed exchange rates for  
FY2021 and 2024:  
105 yen/\$US, 130 yen/Euro

..... 16CSP (Initial forecast)

— 16CSP (Adjusted)

+6%  
(5-year initial forecast)

+4%  
(5-year growth rate)

+3~6%  
(Forecast for final 2-years)

+3%  
(Forecast for first 3-years)

① March 2024 period projection

Sales: 1,000 billion yen  
Operating margin: 15%

② March 2021 period projection

Sales: 840-880 billion yen  
Operating margin: 13%~14%

FY2016 FY2017 FY2018 FY2019 FY2020 FY2021 FY2024

- 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

Successfully launch new products to drive sales growth

## Key Points for Today

---

Olympus's Endoscope Business  
Medical business in emerging-market

Review and the forecast for FY2021

Initiatives for Achieving Sustainable Growth

# Initiatives for Achieving Sustainable Growth: Review of Current Situation

16CSP

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

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

## OUR CORE VALUES



- 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



# Initiatives for Achieving Sustainable Growth: Formulation of New Management Principles

## Ambassador workshop around the world



## Launch activities 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: 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**

## 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)



**OLYMPUS**

---