President Hiroyuki Sasa Discusses the Medium-Term Vision: Back to Basics

Olympus employees around the world will work in unison to achieve the Medium-Term Vision: Back to Basics and Olympus will be reborn as a company with more robust businesses and a stronger financial position.

Fiscal year ("Fiscal," "FY"), the year ended March 31

Q1

You became president in April 2012 in adverse circumstances in which Olympus faced important business challenges. Please describe your aspirations as president and how you will guide Olympus utilizing your past experience.

A I am sobered by the responsibility of managing Olympus at this crucial juncture where we face the most serious crisis since Olympus was founded.

I joined Olympus in 1982, and over the course of nearly 30 years, including an overseas assignment in the United States, I have accumulated experience in the Medical Business, primarily with endoscopes. When I first started with Olympus, in my role as an endoscope developer, I was involved in the design of the world's first waterproof endoscope. Subsequently, on two occasions, I served as planning and development leader of endoscope systems, mainstay Olympus products, and we successfully introduced leading-edge technologies, such as the world's first NBI[1] and a high-definition imaging system. Products incorporating these technologies have a highly favorable reputation among physicians, and I take pride in having contributed to the expansion and acceleration of minimally invasive treatment using endoscopes. After serving as manager of an endoscope development division, I became division manager in charge of marketing for the Medical Business and worked to implement our global sales strategy.

What is required of Olympus at this time is results. It is not enough to merely prepare a medium-term plan; the revitalization of Olympus is at stake, and we must without fail implement the plan. To create a new Olympus on the basis of reflection on past events, we must first return to basics. In other words, I believe that it is important to contribute to society by creating world-first, world-class products. I am confident that we will not fail to overcome the current crisis if all Olympus employees everywhere in the world unite as One Olympus to achieve reforms and our objectives by means of teamwork. To that end, I intend to stand at the forefront of the effort, apply my wide-ranging experience in areas from development to marketing and sales, and achieve profitable growth driven by the Medical Business. I consider my most important mission to be the urgent improvement of our vulnerable financial position by restoring the damaged trust as quickly as possible while simultaneously further enhancing shareholder value.

[1] NBI (narrow band imaging) is an observation method that utilizes an image-enhanced endoscopy technology involving an optical-digital method. Olympus was the first company in the world to practically apply this method, which facilitates the detection of difficult to observe changes in mucosal capillaries and fine mucosal patterns.

Q2

How does the newly established Medium-Term Vision: Back to Basics differ from past medium-term plans?

A The key point of the new medium-term vision can be summed up as a “focus on core business domains.” That is to say, we have embarked on fundamental reforms that extend to cost structures and production structures and involve the clear redefinition of our chosen business domains, the rebuilding of the business portfolio, and optimal allocation of management resources. Such reforms, beginning with the business structure, will stabilize and solidify Olympus foundation over the medium to long term as they are fundamentally different from the short-term profit improvement measures implemented up until now.

As the results for fiscal 2012, the year ended March 31, 2012, indicate, Olympus faces a crisis situation in every aspect of financial performance: declining profitability, balance sheet results, and equity ratio. I believe that unless we overcome this adverse situation as soon as possible and achieve a financial performance level on a par with competitors, we will be unable to compete effectively, or to revitalize Olympus, or achieve further growth.

The Medium-Term Vision: Back to Basics formulated in light of these circumstances, summarizes in a five-year plan starting in fiscal 2013, a vision for the rebirth of Olympus to which all Olympus employees worldwide should aspire and a methodology for the realization of that vision. It is a critically important plan for the revitalization of Olympus.

We will monitor the implementation of this plan and the results and evaluate our progress toward the achievement of the medium-term vision using four performance indices: return on invested capital (ROIC)[2], operating margin, free cash flows, and the equity ratio. Our targets for these performance indices are an ROIC and an operating margin of 10% or more, free cash flows of ¥70.0 billion or more, and an improvement in the equity ratio to 30% or more.

[2] ROIC is a financial indicator that expresses how efficiently the capital a company invests in its businesses generates profits. Because assets from which profit cannot directly be expected are excluded, ROIC enables more accurate measurement of the efficiency of a company’s core business.

Performance Indices and Targets

Performance Indices	Results (FY ended March 2012)	Targets (FY ending March 2017)
Return on invested capital (ROIC)	2.7%	10% or more
Operating margin	4.2%	10% or more
Free cash flows (Cash flow from operating activities + cash flow from investing activities)	-¥4.8 billion	¥70.0 billion or more
Equity ratio	4.6%	30% or more

>>> Addressing Current Issues

To achieve these targets, we must recognize and address the issues that Olympus faces. Broadly stated, we recognize four problems. The first is excessive investment in non-core business domains. This refers to the equity investments that were the cause of the scandal and excessive investment in non-strategic fields and unprofitable domains. The second problem is decline in profitability. In the Imaging Business and life science business, a slow response to visible changes in the operating environment has led to a decline in profitability. These problems have resulted in the third problem, the current vulnerable financial position, which must be urgently improved. The fourth problem is an insufficient governance system, the framework that controls all corporate activities. In recognizing these issues, we have set out to address them by formulating concrete corporate management policies and strategies.

Current Issues	• Excessive investment in non-core business domains • Decline in profitability • Vulnerable financial position • Insufficient governance system

Q3

Please discuss the corporate management policies the new management has adopted and the basic strategies of the medium-term vision.

Corporate Management Policies

Back to Basics
One Olympus
Profitable Growth

>>> Corporate Management Policies

A The new management has set out the following corporate management policies; Back to Basics, One Olympus, and Profitable Growth.

The first policy, Back to Basics, is also the motto for the medium-term vision. The cause of the recent scandals was the pursuit of profits from equity investments in areas that are not our core business domains to begin with and the attempt to dispose of losses on those investments by illegal methods.

Olympus was originally founded on the drive to fulfill a mission—to contribute to the development of society through products and solutions. This was the desire to contribute to the health of the Japanese people through epidemiology by manufacturing microscopes in Japan. The Olympus PEN, the world's first half-frame film camera, the OM-1, the world's lightest single-lens reflex camera, the gastrocamera, and waterproof endoscopes are all world-first, world-class products developed through meticulous attention to customer needs. With the same sense of mission, we will restore the corporate culture that originally characterized Olympus: a culture that values freedom of spirit and integrity and enables employees to say what needs to be said.

The second policy is One Olympus. The days when it was acceptable for each business to pursue individual optimization have passed. To overcome the current crisis, Olympus employees around the world must unite behind a common business strategy and demonstrate teamwork.

The third policy, Profitable Growth, goes without saying. The mission of a company is to grow while earning profits. We will abandon the management approach that prioritizes sales turnover and company size, rigorously review cost structures, and aim for profitable growth.

>>> Basic Strategies

On the basis of the corporate management policies and the issues that need to be addressed, mentioned earlier, we have set forth four basic strategies. First, in formulating the medium-term vision we clearly redefined our chosen business domains and the businesses in which we should invest. There are three core business domains: the Medical Business, Life Science & Industrial Business, and Imaging Business. We will concentrate management resources principally on the Medical Business, a growth driver, and transform Olympus into a medical-field focused company. Second, we will thoroughly review cost structures and aim for profitable growth. Third, we will urgently improve our current vulnerable financial position, one of the most important management issues. The fourth strategy aims at restructuring governance. By implementing these four strategies, we will achieve the rebirth of Olympus.

Four Basic Strategies

Rebuilding of business portfolio/ Optimal allocation of management resources	Review of cost structures	Restoration of financial health	Restructuring of governance

Q4

Please discuss how you arrived at positioning the Medical, Life Science & Industrial, and Imaging businesses as core business domains and the growth strategies for each.

A For the first time, under the current medium-term vision, we have clearly defined our business domains. Let's consider the roles of these business domains. The Medical Business is a profit and growth driver. Within the Life Science & Industrial Business, the life science business is an optical technologies driver, and the industrial business is a growth driver. The Imaging Business is a driver of leading-edge imaging technologies as well as optical technologies and a driver of the Olympus brand.

Business Domain Clarification and Growth Drivers

Medical	Life Science & Industrial	Imaging
Driver of profit and growth Strategic investment of management resources	Driver of optical technologies and growth	Driver of optical and imaging technologies and the Olympus brand

Olympus aspires to be a medical-field focused company that contributes to people's physical and mental health.

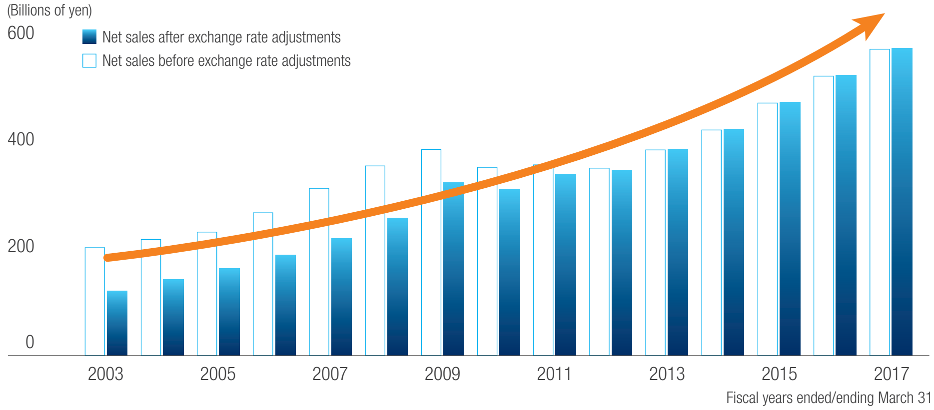
>>> Basic Policies for the Medical Business

The Medical Business has achieved stable growth over the years, and I believe that growth will continue in view of the social environment. In the medium-term vision, we aim for an average annual net sales growth of 10% and operating income growth of 13% from the Medical Business. We have three basic policies for the Medical Business. The first aims at an average annual growth rate of 9% in the gastroenterological endoscope field, which has achieved a global market share exceeding 70%, while further strengthening the business base and maintaining high market share. The second policy aims to position the surgical devices field as a growth driver with an average annual growth rate of 14%. The third policy aims to achieve sales expansion in emerging markets with the high average annual growth of 23%. (For detailed strategies that make up the three basic policies, see Medical Business on page 45 in the Review of Operations.)

Let's consider the environment surrounding the Medical Business that is the backdrop to this growth. At a time of rapid aging of populations, especially in developed countries, improvement of patient quality of life and control of healthcare costs and social security costs have become urgent priorities in countries all over the world. Early detection and diagnosis and minimally invasive treatment, as exemplified by endoscopic surgery, will play an increasingly important role in meeting these needs. Today, Olympus is the only company in the world with technologies for the development and manufacture of devices that meet the full gamut of needs from early detection and diagnosis to minimally invasive treatment. Olympus will seek further business expansion by capitalizing on the highly strategically advantageous position of being capable of simultaneously developing devices necessary for new minimally invasive treatments as well as new diagnostic methods closely related to those new treatments.

The surgical devices field, a growth driver in which Olympus aims for average annual sales growth of 14%, offers high growth potential because there is a process flow from diagnosis through treatment. As a matter of fact, although there are a great many gastrointestinal surgical procedures, the number of laparoscopic stomach or colon surgical procedures is limited. The reason is inadequate image definition level and energy device capabilities. This represents a major business opportunity. Olympus seeks to leverage its unique, world-leading technologies in the field of gastrointestinal endoscopy to make possible to date impossible surgeries by combining high-definition endosurgery imaging devices and energy devices with

Net Sales in the Medical Business



Note to the graph: Net sales adjusted using the exchange rate assumptions in the medium-term vision: 80 yen to the US dollar and 100 yen to the euro. Figures for fiscal 2013 and beyond are projected amounts.

sharp cutting edges and unique hemostasis capabilities. We will replace existing devices with new devices and create a new market by applying highly superior technologies that competitors cannot imitate. Furthermore, we will steadily expand our business in this field by taking maximum advantage of the Gyrus' powerful sales network.

By geographical region, sales expansion in high-growth emerging markets is the key to growth in the Medical Business. In these markets, we aim for high average annual growth of 23%. What is important in emerging markets is to increase the number of physicians who are able to use endoscopes. To meet this need, we will establish more than twenty training centers in Asia and further accelerate the training of endoscopic physicians and dissemination of endoscopic procedures.

>>> Growth Strategies for the Life Science & Industrial Business

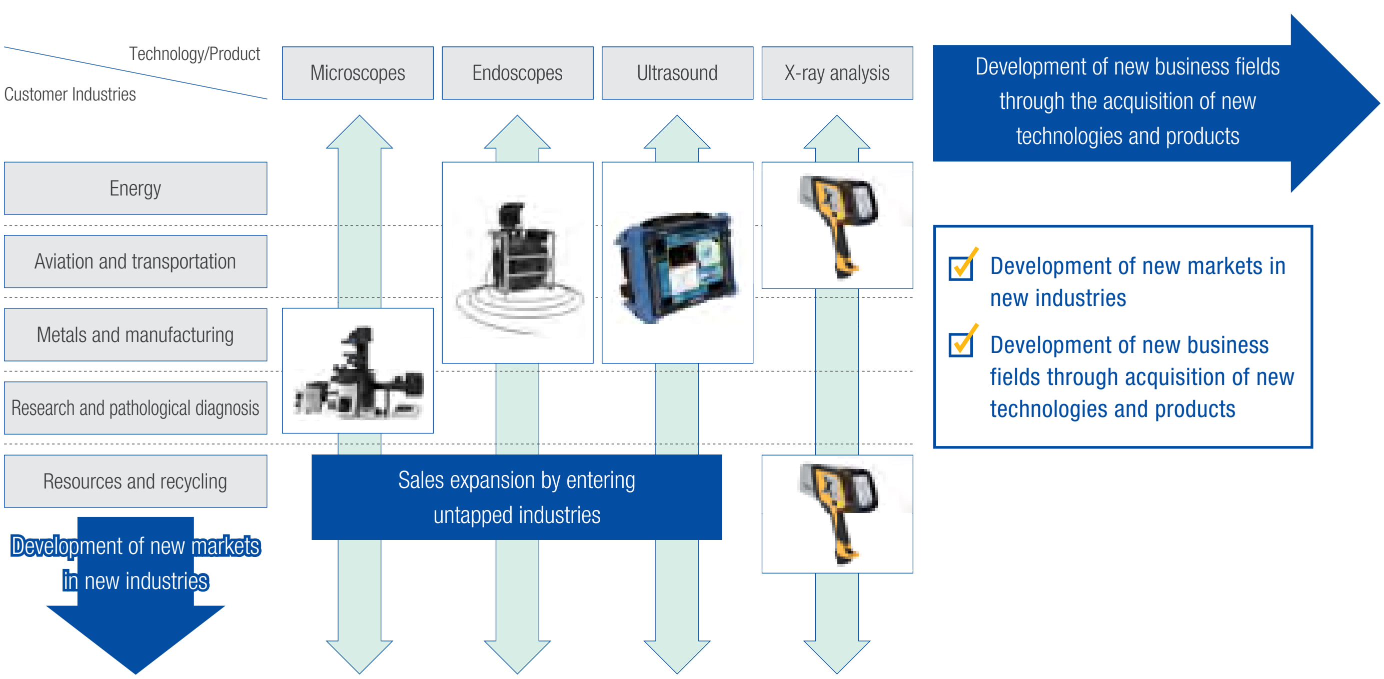
We aim for average annual growth of 5% in sales and 21% in operating income from profit improvement in the life science field and product portfolio expansion in the industrial field.

One growth strategy is product portfolio expansion. The vertical axis in the graph below indicates customer industry categories, and the horizontal axis indicates technologies and product categories. We will leverage the Olympus Group's global infrastructure to efficiently open up new customers (in the direction of the arrow). Similarly, we will open up new business fields and expand our business by acquiring new technologies and products. In addition, we will focus on emerging countries, which are growth markets.

The second strategy is full-fledged reform of the profit structure of the life science field. For instance,

Proactive Expansion of the Product Portfolio

Effectively expand business fields based on the needs of customer industries and technologies/products
by leveraging the Olympus Group's global infrastructure



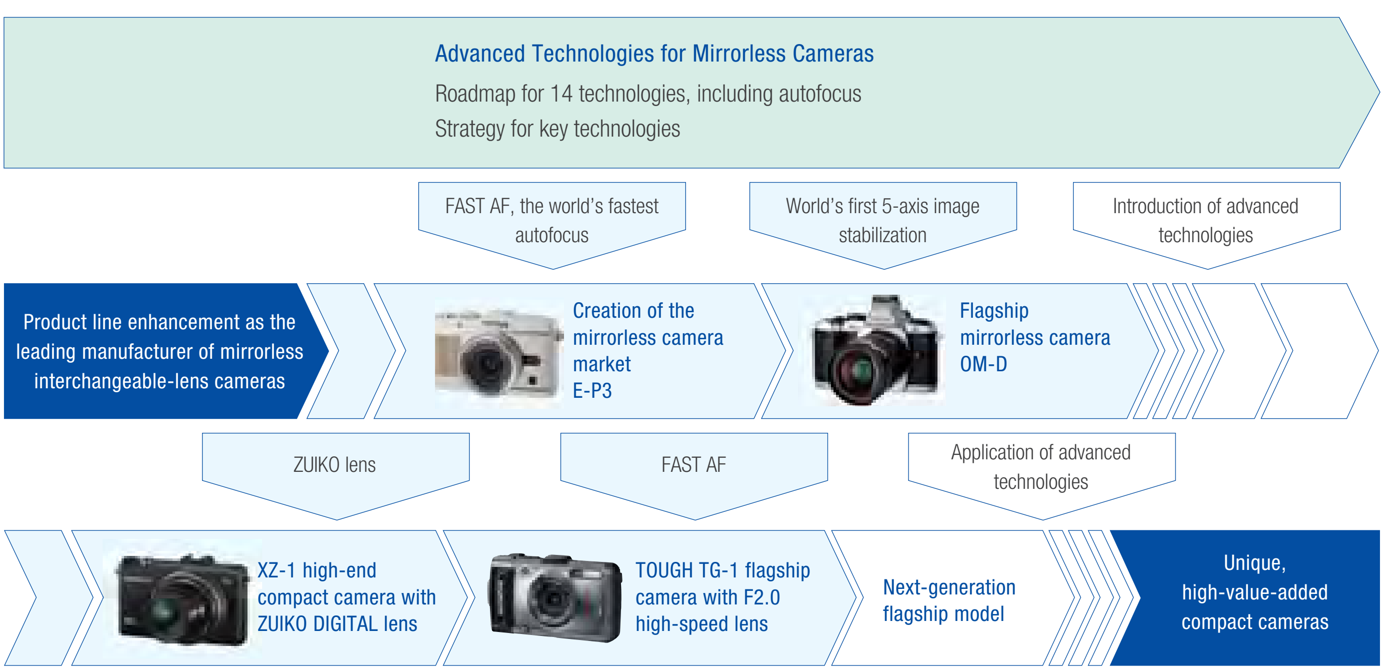
one key point is manufacturing cost reductions and operating efficiency improvements applied across our global network after a review of production sites, including plants in the Philippines and Nagano. Through these initiatives, we expect an improvement of one percentage point in the cost of sales ratio and two points in the SG&A ratio in three years. (For details of these strategies, see Life Science & Industrial Business on page 49 in the Review of Operations.)

>>> Growth Strategies for the Imaging Business

Restructuring of the Imaging Business is our most important task. We must establish a business structure to ensure stable profitability. To that end, we have two key strategies: the first is to focus on mirrorless interchangeable-lens cameras and high-end compact cameras, and the second is the restructuring of manufacturing and fundamental reform of the cost structure, including SG&A expenses. By implementing these strategies, we will return the business to profitability in fiscal 2013 and secure an operating margin of 5% five years from now. (See Imaging Business on page 53 of the Review of Operations for details of these strategies.)

What is important in the Imaging Business is continuity of profit generation, and the key to that is a high-value-added strategy. The key aspect of rebuilding the business in the medium to long term is the nurturing of differentiated technologies. We must introduce advanced technologies ahead of competitors as we did when Olympus developed the world's first mirrorless interchangeable-lens camera and created a market for this product. For that purpose, we have prepared a roadmap for fourteen advanced technologies, one being autofocus, looking five years into the future and are already engaged in their development. By continuing to introduce new technologies, we will create successful models to follow the PEN and OM series.

Application of Leading-Edge Technologies Cultivated in the Development of Mirrorless Interchangeable-lens Cameras toward High-Value-Added Compact Cameras



We will also apply the advanced technologies cultivated in the development of mirrorless interchangeable-lens cameras to high value-added compact cameras. For instance, the XZ-1 is equipped with a bright, high-performance lens and the PEN image engine. It has been well received and has maintained a high share of the market in its category since its introduction in February 2011. Furthermore, in June 2012, we added a new model equipped with the world's fastest autofocus available in a mirrorless interchangeable-lens camera to the Tough series of waterproof, shock-resistant cameras at which Olympus excels. This model has met with high acclaim.

In this way, we will work to increase product profitability by regularly introducing unique, high-value-added compact cameras unmatched by competitors while efficiently leveraging development resources, that is, applying advanced technologies cultivated in the development of mirrorless interchangeable-lens cameras to high-value-added compact cameras.

In addition to such product innovation, we will greatly improve the profit structure. One way is to reinforce cost competitiveness by raising manufacturing value-added and enhancing productivity. For instance, we will increase productivity by introducing the latest production technologies at the Shenzhen plant in China, focus production on high-value-added lens barrels and interchangeable lenses, and actively utilize outside production in assembly processes, in which it is generally difficult to create added value. Furthermore, by fiscal 2015, we will achieve an improvement of eight percentage points in the SG&A ratio in the Imaging Business through selection and concentration of advertising investment and personnel optimization in Japan and overseas.

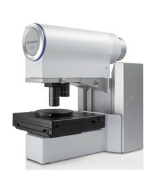
Q5

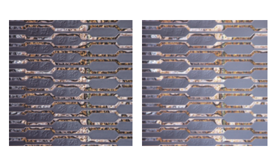
The competitive environment facing the Imaging Business and the profit structure seem more adverse than those facing the other core business domains. In such circumstances, what reasons are there for Olympus to continue the Imaging Business?

Providing superb imaging technologies to the Medical Business and the life science field

A As I mentioned previously, the Imaging Business is simultaneously a brand driver and an optical and imaging technology driver. An important purpose of the Imaging Business is to apply imaging technologies created in an adverse competitive environment to the medical and life science fields.

For instance, one strength of Olympus' Medical Business is technological capabilities in the imaging field. For gastrointestinal endoscopes and surgical endoscopes alike, the existence of high-value-added, excellent imaging technologies is a prerequisite to the establishment of new diagnostic methods. Since product cycles in the Imaging Business are extremely short, Olympus continually operates on the leading edge of imaging technologies. In the Medical Business, however, to cite one example, the development period for the EVIS EXERA III, a core endoscopy system introduced this spring, was seven years. Products in the Medical Business have different lifecycles from those in the Imaging Business, and development cycles are rather long. If we didn't have the Imaging Business, a seven-year gap would occur in imaging technologies that might make it difficult to introduce the latest innovations into the medical field. This would result in a wide technological gap between Olympus and competitors and might lead us to lose our competitive edge in development. That is not to say that it is acceptable for the Imaging Business to operate at a loss. By reliably implementing the measures in the medium-term vision, we will devise ways of creating a business structure that can continuously and reliably generate operating income.





Q6

What is the future direction for non-core business domains?

A We have defined businesses other than the Medical, Life Science & Industrial, and Imaging businesses as non-core business domains, and will reconsider optimal measures to improve the value of each of them. Although we have invested in wide-ranging fields for the purpose of creating new businesses, as things now stand there are many investments that have not developed into businesses. We recognize that stringent business selection and concentration is necessary and will decisively divest, downsize, liquidate, or withdraw from businesses whose profitability or growth potential make continuation of operations within the Olympus Group difficult after examining their relationship to the core business domains.

We have already begun this initiative. Specifically, we have decided to proceed with the sale or liquidation of three companies in Japan (Altis, NEWS CHEF, and Humalabo) by the end of the current fiscal year. In addition, Olympus Business Creation Corp., a company with more than 20 subsidiaries that engages in wide-ranging projects related to new businesses, such as medical-related service businesses and the construction and operation of IT infrastructure, plans to reduce the number of subsidiaries to a few companies in the next two years. We will move steadily ahead with selection and concentration measures, including the disposal of subsidiaries from which synergies with the core business domains cannot be expected.

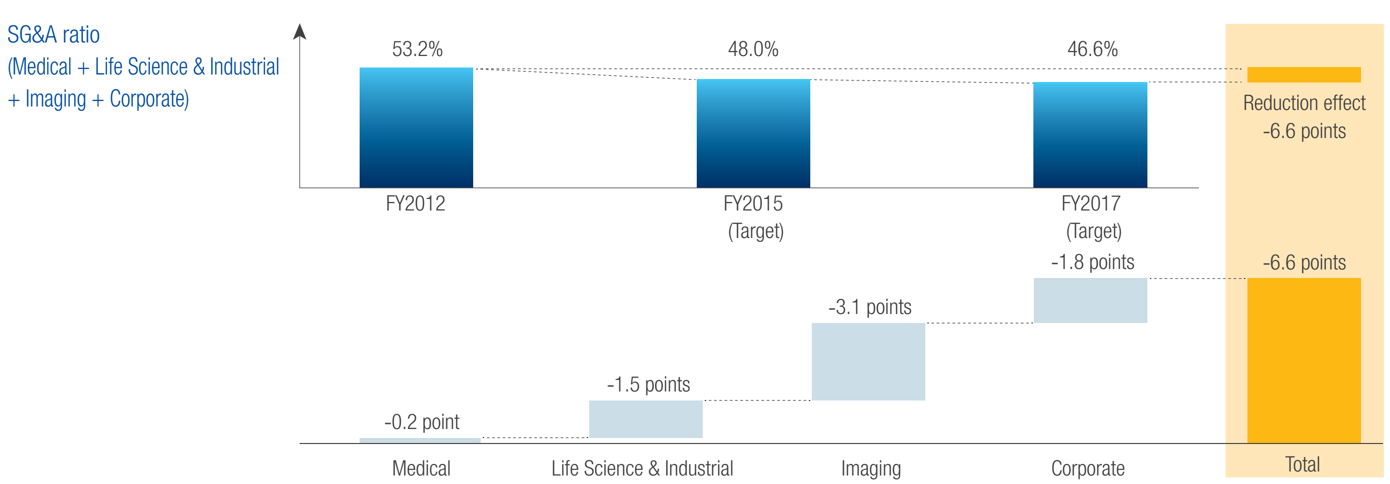
Q7

Please discuss in detail the second strategy: the review of cost structures. How is it different from Cost Cutting 20, the previously announced initiative?

A Although we have already engaged in cost-cutting initiatives, such as Cost Cutting 20, these initiatives have stopped at cost-reduction measures, which consist only of short-term measures to reduce expenses. The review is a more in-depth cost-reduction initiative that will transform all cost structures through business restructuring and will reform business structures at Olympus from a medium- to long-term perspective. It does not end with mere cost reductions. By fundamentally reviewing cost structures and reinvesting the resulting cash flows, we seek to improve overall Group profitability in the long term.

The ratio of SG&A expenses to sales at Olympus is extremely high. Looking at the situation the other way around, there is enormous room for improvement. By proactively accelerating cutbacks to Groupwide SG&A expenses, which means reducing costs by restructuring production sites and reinforcing procurement

SG&A Expense Reduction Activities



capabilities, and through personnel optimization, we aim to reduce the total SG&A ratio, including of core business domains (Medical, Life Science & Industrial, and Imaging) and corporate expenses, by 6.6 percentage points over the five-year period to fiscal 2017. This represents a reduction of approximately ¥38.0 billion on a fiscal 2012 sales basis. The fruits of these efforts will contribute to investment in next-generation products and businesses. By preparing for future growth, we are working to further improve corporate value.

>>> Groupwide Personnel Optimization

Through the restructuring of subsidiaries and production sites worldwide, in addition to selection and concentration in each business field, and to enhance the efficiency of the workforce at corporate departments, we plan to reduce the number of employees worldwide by 2,700, or approximately 7%, by the end of fiscal 2014. At the same time, we will reassign personnel to organizations that require additional staff, focusing on growth fields.

>>> Cost Reductions from Restructuring Production Sites and Strengthening Procurement

To reduce costs, we will also engage in structural reforms of procurement and by restructuring production sites. Specifically, we will first of all, centrally control Groupwide procurement to reduce procurement costs. Furthermore, we will boost cost competitiveness by eliminating approximately 40% of our thirty production sites worldwide by fiscal 2015 and increasing plant efficiency and operating rate. We plan to finalize the details together with the authorities in host countries. To cite one example, we have already decided to begin procedures to deactivate a microscope plant in the Philippines in fiscal 2013.

Through such initiatives, we seek an improvement of two percentage points in the cost of sales ratio in the core business domains by fiscal 2015 and an improvement of three points by fiscal 2017.

Q8

Please discuss the current financial situation and medium- to long-term improvement measures.

A As the plans in the medium-term vision demonstrate, we will improve the financial position without fail in the medium to long term. By vigorously implementing business structure reforms, we will secure stable profits and steadily increase shareholders' equity. We will also maximize cash flows and reduce interest-bearing debt by efficiently investing in each business taking an overall management perspective.

Current Financial Indicators and Targets

	FY2012	FY2017 (Plan)
Operating margin	4%	10% or more
(Medical)	20%	22%
(Life Science & Industrial)	6%	12%
(Imaging)	-8%	5%
SG&A ratio to net sales (Medical, Life Science & Industrial, Imaging, Corporate)	53%	47%
Free cash flows	-¥4.8 billion	¥70.0 billion or more
Equity ratio	4.6%	30% or more
Balance of interest-bearing debt	¥642.4 billion	¥300.0 billion

>>> Current Financial Conditions and Targets

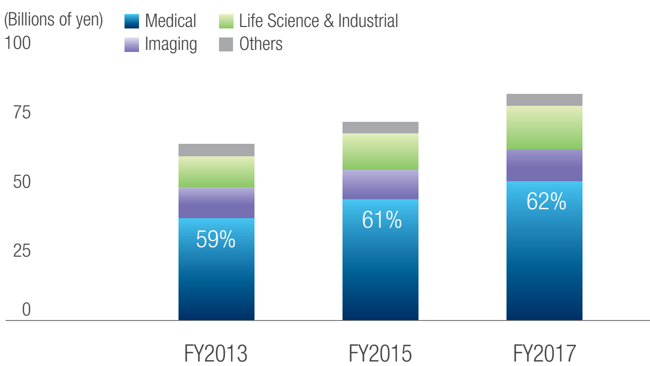
The equity ratio decreased from 11% at the fiscal 2011 year-end to 4.6% at the fiscal 2012 year-end. In view of global economic trends, that include the European economic crisis and yen appreciation, the current operating environment is highly adverse, and one of the most important management tasks is to rapidly restore a stable financial position. Our immediate aim is to swiftly achieve an equity ratio of approximately 10% by further strengthening our businesses and financial position.

Our target is an equity ratio of 30% or more at the end of fiscal 2017, and one initiative to achieve this target is the streamlining of assets through the rapid sale of idle property, plant and equipment and inventory reduction. In addition, we will allocate cash flows generated by our businesses to the repayment of interest-bearing debt. In this way, we will nearly halve interest-bearing debt to approximately ¥300 billion by fiscal 2017.

Capital Allocation (R&D, CAPEX, Shareholder Returns)

Continue to invest to promote growth, with particular focus on the Medical Business, and aim for rapid resumption of dividend payments and higher shareholder returns.

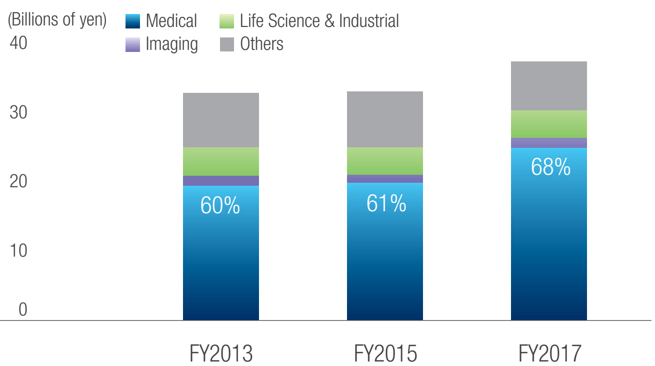
R&D Investment



Ratio of R&D expenses to net sales	7.0%	7.1%	7.0%

- Maintain the ratio of R&D expenses to consolidated net sales at the 7% level
- Increase the composition ratio of the Medical Business by 3 points

CAPEX



Ratio of CAPEX to net sales	3.6%	3.3%	3.2%

- Maintain the ratio of CAPEX to consolidated net sales at the 3% level
- Increase the composition ratio of the Medical Business by 8 points

>>> R&D Investment and Capital Expenditures

Since Olympus is a manufacturing company, I believe that investment in the future is extremely important. Even as we strive for rigorous cost reductions and profitability improvements, we will step up investment in technology development and facilities and make strategic moves for future growth. We plan to invest 7% of net sales in R&D on an ongoing basis. Although we will allocate the appropriate capital to each business sector, we plan to increase the share of investments in the Medical Business, a growth sector, by three percentage points in fiscal 2017.

We plan to maintain capital expenditures at 3% of net sales. We plan to increase the CAPEX share of the Medical Business by eight percentage points in fiscal 2017 in step with the expansion of the surgical devices business.

Q9

Finally, what is your message to stakeholders?

A Through these various reforms, Olympus will succeed in returning to profitability by fiscal 2013. We aim to achieve net sales of ¥1,160 billion, operating income of ¥130 billion, and an operating margin of approximately 11% within five years, by fiscal 2017. I believe the key to the revitalization of Olympus will be how earnestly we implement and achieve this medium-term vision.

Olympus is a profoundly earnest company, and our employees exhibit great honesty and integrity. For this reason, I am convinced that we will not fail to achieve our financial plans if all our Olympus employees share in the aspirations of the medium-term vision and devote themselves wholeheartedly to implementing the plan.

I promise to revitalize Olympus without fail and to meet the expectations of our shareholders and other stakeholders. I urge you to have high expectations of the reborn Olympus.

Financial Plans

	FY2012 Results	FY2013 Plan	FY2015 Plan	FY2017 Plan
Net sales	¥848.5 billion	¥920.0 billion	¥1,010.0 billion	¥1,160.0 billion
Operating income (Operating margin)	¥35.5 billion 4%	¥50.0 billion 5%	¥90.0 billion 9%	¥130.0 billion 11%
Ordinary income (Ordinary income ratio)	¥17.9 billion 2%	¥21.0 billion 2%	¥70.0 billion 7%	¥115.0 billion 10%
Net income (Net income ratio)	–¥49.0 billion -6%	¥7.0 billion 1%	¥40.0 billion 4%	¥85.0 billion 7%
EBITDA (Net sales ratio)	¥80.3 billion 9%	¥95.0 billion 10%	¥140.0 billion 14%	¥185.0 billion 16%

Note: These figures include the Information & Communication Business, however, Olympus has resolved to transfer the business to Japan Industrial Partners, Inc., on August 24, 2012. The transfer will be carried out on September 28, 2012.

Exchange rates: US$1 = ¥80, 1 EUR = ¥100