

## To Our Stakeholders

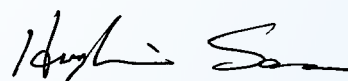


We are looking to the future, determining our vision for Olympus 10 years from now and drafting the roadmap that will guide us on our path. Our commitment to leading Olympus to success is resolute, and we will move swiftly as we boldly tackle the obstacles that come before us.

Olympus passed an important milestone in fiscal 2015. The milestone I refer to is the resolution of the financial issues that had plagued the Company. Over the three years since the institution of the Company's new management team, we have pushed forward with reconstruction, all employees united in our goal of regaining stakeholder trust lost and improving corporate value. The benefits today all palpable, and extend beyond restructured corporate governance systems and more stringent compliance. Our mainstay Medical Business, for example, posted record-breaking net sales and operating income, despite conducting additional growth investments, and made massive contributions to the Company's overall performance in fiscal 2015. We have also realized substantial improvements in our financial position, an area where improvements were badly needed. We were therefore able to issue dividend payments for the first time in four years, thus resolving an issue that was of top priority for management. Moreover, we are making steady progress in transitioning to a new organizational structure, which entails integrating business units in order to reallocate management resources. I truly feel that fiscal 2015 was a year in which we were successful in building the foundations for future growth.

Fiscal 2016 will be the first year under the new organizational structure. Not just this, but I also feel that fiscal 2016 marks the start of a new Olympus. We are currently in the process of formulating a new medium-term management plan that is slated to start with fiscal 2017. In developing this plan, we are looking to the future, determining our vision for Olympus 10 years from now and drafting the roadmap that will guide us on our path. We have cut a fresh start, and are working to build the foundations for the future development of the new Olympus with eyes on our next milestone to pass—our centennial anniversary in 2019—and the road that lies beyond. Our commitment to leading Olympus to success is resolute, and we will move swiftly as we boldly tackle the obstacles that come before us.

August 2015



**Hiroyuki Sasa**  
President and Representative Director

## Interview with the President

### Question 1

Would you please provide an overview of performance in fiscal 2015?

### Answer

**Our mainstay Medical Business made massive contributions to overall performance, resulting in consolidated operating income rising for the second consecutive year. Unfortunately, a net loss was posted due to the recording of extraordinary loss. Regardless, we decided to issue dividend payments for the first time in four years in recognition of the progress made toward resolving the financial issues that have plagued Olympus.**

In fiscal 2015, consolidated net sales rose 7% year on year, to ¥764.7 billion, largely as a result of the continuation of strong performance in the mainstay Medical Business. Operating income

similarly showed a massive 24% increase, to ¥91.0 billion, demonstrating that our business operations are proceeding as planned. However, I have the regrettable duty of reporting to our stakeholders that the Company posted a net loss of ¥8.7 billion. This outcome is largely due to the recording of loss related to the investigation under U.S. Anti-kickback Act and the related Act of ¥53.9 billion as an extraordinary loss. This loss was associated with U.S. Department of Justice investigations of a U.S. subsidiary and the progress in subsequent discussions on how to resolve the issue in question. This, too, is unfortunate to report, but rest assured in the knowledge that we have already reinforced global compliance systems to ensure that no such issues occur in the future. On a more positive note, we have made progress toward resolving the financial issues that have plagued Olympus. In consideration of this accomplishment, as well as the strong performance of our mainstay business and our improved financial position, we decided to issue dividend payments for the first time in four years. This is huge step forward, and we intend to continue enhancing shareholder returns going forward.



### Question 2

Looking back at your three years as president, how would you evaluate the Company's progress?

### Answer

**While there are still unresolved issues that need to be addressed, performance is in line with our plans, and the Medical Business is even exceeding expectations.**

With regard to the restructuring of corporate governance, restoration of financial health, expansion of the mainstay Medical Business, and reorganization of non-core business domains, the speed of progress has exceeded our plans, and our goals in these areas have been met.

In the Medical Business, we conducted additional upfront investments, primarily for addressing the need to strengthen surgical device field sales forces in North America, and I feel that the benefits are apparent in terms of both business expansion and increased prospects for the future. At the same time, we realized smooth improvements in the profitability of the Scientific Solutions Business by shifting from strategies based on product lineups to pursue those oriented toward customer groups. Other contributions to this improved profitability came from the

increased business efficiency achieved by integrating operating sites in North America and other areas. The Imaging Business, meanwhile, has recorded losses for five consecutive years, and we are still in the process of fundamentally resolving the issues facing this business. There are clearly still areas requiring improvement, and we are restructuring this business to address these areas. Specific reforms planned include furthering the shift toward mirrorless cameras to boost profitability and reallocating management resources from the Imaging Business to business-to-business (BtoB) operations and other growth fields.

As for our financial position, through the steady reduction of interest-bearing debt, we have successfully increased the equity ratio to above 30%, achieving our initial target for this indicator earlier than planned.

Question  
3

Olympus began operating under a new organizational structure in April 2015. What has changed in this new structure and what was the aim of this transition?

Answer

The primary aim of the new organizational structure is to fully leverage the Company's management resources through a matrix style of business operation that is realized by forming a balanced union between the divisions on the business axis and the functional axis of the organization.

One main reason for the new organizational structure was the integration of the development, manufacturing, and other functions—previously dispersed among different businesses—into a single unified axis of functional organizations that cater to all businesses. I expect that this integration will enable us to more effectively utilize management resources while also allowing for additional strengthening of the development and manufacturing functions that form the Company's foundation. In addition, we have established the Sales Group as a new functional organization. Through this organization, we plan to enhance Olympus' overall sales capabilities by sharing expertise and communicating information regarding issues throughout sales operations in different businesses and regions, thereby instituting more aggressive sales strategies on a global basis. At the same time, the Business Development Office was established to facilitate efforts to expand operations in new fields, explore new businesses,

and conduct M&A activities. This office will aid us in creating the new businesses that will support Olympus in the future.

Another main point was that the Medical Business was split into five business units. Previously, we had developed our operations centered on the gastrointestinal, surgical device, and endotherapy device fields, formulating various measures and actively allocating resources to these fields. At the same time, however, we were unable to conduct a sufficient amount of investment and establish the necessary systems in the urology, gynecology, and ear, nose, and throat (ENT) fields, despite their potential for high growth and their compatibility with Olympus' technologies. Under the new business unit structure, we aim to accelerate investment and business development in these fields, and thereby stimulate the future growth of the Company.

► For more information, please refer to the "Special Feature" beginning on page 26.

Question  
4

What are the Company's future plans for the digital camera business? Do you believe that this business can be returned to profitability in the current harsh operating environment?

Answer

In the digital camera business, rather than pursuing sales expansion, we will cut back on fixed costs in order to realize a departure from the current state of unprofitability and ensure that the business can break even on the operating income level. In addition, we will utilize the technologies of the Imaging Business throughout the Company, and reallocate this business' resources to growth fields.

The operating environment for the digital camera business remains harsh due to the continuation of a market contract trend that is exceeding all expectations. Faced with this adversity, we transitioned to strategies that matched market changes and undertook structural reforms. Specifically, this process involved halving the staff of more than 10,000 that was working in the business three years ago and consolidating its five manufacturing sites into two. In addition, the Company took steps to address projected future changes by withdrawing from low-priced compact digital camera businesses and accelerating the shift of its focus toward mirrorless cameras. Despite our best efforts, however, we were unable to keep up with the pace of market contraction.

In fiscal 2016, rather than pursuing sales expansion, we will cut back on fixed costs in order to realize a departure from the current state of unprofitability and ensure that the business can break even. To this end, we will further narrow our product

lineup to reduce both R&D expenditures and advertising and promotion expenses. In terms of manufacturing, we will develop a more-efficient production system by leveraging the strengths of our different manufacturing sites. For example, lenses and other components requiring sophisticated technologies and masterful techniques could be produced at the Shenzhen plant in China, with assembly of cameras performed at the Vietnam plant to take advantage of its low labor costs. In addition, we will reform logistics procedures and conduct a full range of other improvement measures.

At the same time, we realize that there still exist business opportunities for us to use Olympus' imaging technologies to generate earnings. For this reason, we aim to create an operating structure that will ensure the Imaging Business can break even, while utilizing this business' superior technologies and resources in other areas throughout the Company.

Question  
5

With regard to investment in new businesses, which fields are being targeted and when do you expect these investments to begin generating returns? Also, are M&A activities being considered as an option for creating new businesses?

Answer

The most important concern for Olympus at the moment is the degree to which it can grow its businesses over the medium to long term. For this reason, it is absolutely essential that we conduct aggressive upfront investments for expanding our business scope while actively creating new strategic businesses through M&A activities and other means.

One of the new organizations established in the transition to a matrix style of business operation was the Business Development Office, which has been tasked with exploring business in new fields to support Olympus in the coming era. This organization will seek out business opportunities and incubate new businesses in order to expand operations, primarily in medical and imaging technology fields. At the moment, there are some opportunities we are still feeling out and some that are coming together. I am confident that all the investments conducted on this front will begin producing results over the next several years.

Specific policies for business exploration will be detailed in the next corporate strategic plan, but I will say that we intend to expand operations in medical fields in which we can capitalize on the existing strengths of the Medical Business, namely the orthopedics and regenerative medicine fields. In the regenerative medicine field, for example, we are conducting R&D ventures on treatment techniques that entail extracting cartilage cells from sufferers of gonarthrosis—osteoarthritis of the knee—and then cultivating these cells and reintroducing them into the patient. I feel there is significant potential for this technique given the projected rise in sufferers of this ailment in conjunction with the aging of the population as well as the fact that Olympus deals in arthroscopes. Presently, the primary treatment options for gonarthrosis include artificial joints or open surgeries. For this reason, the advent of minimally invasive therapies using regenerative medicine techniques and arthroscopes could

substantially reduce the burden on patients. In this manner, these fields represent areas in which Olympus can leverage its existing strengths.

In regard to imaging technology fields, we will strengthen operations focused on fields in which we can expect ongoing growth, including automobile-mounted cameras and security cameras. Strategic investments in the Imaging Business have been directed at these fields since 2014, and a number of projects are already under way. The automobile-mounted camera field is a massive market, and is also highly appealing due to the potential for cameras to be used in various vehicle models for long periods of time. At the same time, the need for security cameras is increasing, and the market for these cameras is growing rapidly. In these markets, Olympus will target segments in which highly specialized, high-value-added products are in demand. We will compete in these segments not by chasing sales scale through mass production, but by setting sights on market areas in which we can leverage Olympus' technological prowess. For example, our industry-leading image stabilization technologies could be used to develop security cameras that are exceptionally resilient to the impacts of seismic vibrations and wind.

Such technologies are viewed as incredibly valuable. Even if only in niche markets, we aim to determine the areas in which Olympus can become No. 1, and devote our resources accordingly.

Question  
6

Olympus' operations in the gastrointestinal endoscope field are highly competitive, and the Company's share of this market is dominating. In the surgical device field, however, European and U.S. rivals are quite formidable. How do you intend to combat these rivals?

Answer

Although we are behind our European and U.S. rivals in terms of sales and marketing capabilities, as Olympus is a technology-oriented company, we are unrivaled in terms of our products. This means that if we strengthen our sales capabilities and arm ourselves with superior products, we should be more than capable of holding our own against the competition.

Achieving long-term growth requires the development of technologies for use in future products. The market for our core surgical endoscopes is currently undergoing a technological revolution, and we recognize that the tides are turning toward 3D and 4K imaging technologies. Visual cues portraying depth are incredibly important when conducting surgeries, and 3D

imaging technologies are highly effective at providing these cues. The 3D laparoscopy surgical system Olympus launched previously has earned an incredibly strong reputation, and its sales are exceeding expectations, despite the fact that it is more expensive than 2D systems. Olympus already has sophisticated technological foundations related to 3D and 4K imaging

technologies. For this reason, were these technologies to become the de facto standard, the Company would be placed in a very advantageous position, differentiated by these foundations. Elsewhere, our THUNDERBEAT energy device is another differentiated product featuring leading technologies. Armed with this product and our highly competitive surgical endoscopes, we plan to expand our share in the surgical device market.

We recognize that sales and marketing capabilities will need to be strengthened to realize such share expansion. It is for this reason that we have been focusing investments on these capabilities in the surgical device field. We are committed to quickly developing the systems necessary for ensuring that new products launched in the future meet robust sales.

Question  
7

What do you, President Sasa, see as the main points that presently need to be considered in formulating the next corporate strategic plan?

Answer

The policies for the next corporate strategic plan will be substantially different than those practiced thus far. We are past the phase in which we need to focus on rebuilding Olympus. Accordingly, we will formulate the next corporate strategic plan while considering how Olympus should grow going forward and establishing a vision for the Company 10 years in the future.

The main point of the next corporate strategic plan will be to incorporate a perspective that balances considerations regarding growth, capital efficiency, and financial soundness, and to live up to the expectations for Olympus as a global player in the medical field. Accordingly, a major focus will be determining how investments should be conducted in the Medical Business to ensure robust growth while securing a level of capital that can be considered appropriate based on the Company's characteristics as a medical equipment manufacturer. To reiterate, investments are to be directed at the Medical Business, a growth market. We are considering means of effectively utilizing the Imaging Business resources born out of the structural reforms

that have been instituted in this business. Fortunately, the trend toward limiting medical expenses has placed Olympus in an advantageous position. Accordingly, an important element of the next corporate strategic plan will be the degree to which we can leverage this advantage to fuel the overall growth of the Company, and this will form the framework for the plan. Another issue of crucial importance will be our ability to strike a balance between the need to grow and the need to provide returns to our shareholders.

► For information on shareholder return policies, please refer to the "Message from the CFO" beginning on page 67.

## In Closing

I believe that Olympus is a manufacturer at heart, and that it possesses amazing technologies. Moreover, I am confident that these technologies are unrivaled in any field. Developing such technologies requires a great deal of time, meaning it will take that much longer for competitors to catch up even if we were to remain still. I am fully committed to leveraging this advantage to guarantee that Olympus continues to beat out the competition in terms of technologies. However, we have no intention of simply letting our technologies do the talking. We are therefore working to strengthen sales capabilities to ensure that Olympus

can properly explain as well as use these technologies to respond to customer needs.

I feel that, today, the market's expectations for Olympus are changing; rather than being concerned with the degree to which we can rebuild, stakeholders are now interested in seeing how much we can grow. Looking five and 10 years into the future, we are shifting gears toward management that emphasizes aggressive action as we pursue our vision for the Company and the growth that entails. I look forward to showing our stakeholders the results of these efforts.