

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.

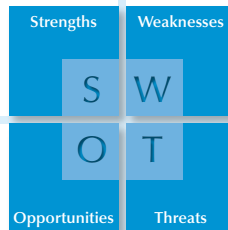
Olympus is one of the few healthcare companies capable of providing a full lineup of solutions for early diagnosis, centered on gastrointestinal endoscopes, and minimally invasive therapy, primarily through endotherapy devices and surgical devices. Going forward, we will continue striving to help reduce 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.

Akihiro Taguchi

Business Management Officer, Medical Business

- More than 70% share of global gastrointestinal endoscope market
- Technological capabilities that led to development of world's first practical gastrocamera 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
- Lineups of 3D, 4K, and other differentiated products boasting high resolution and impeccable quality

- 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



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

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

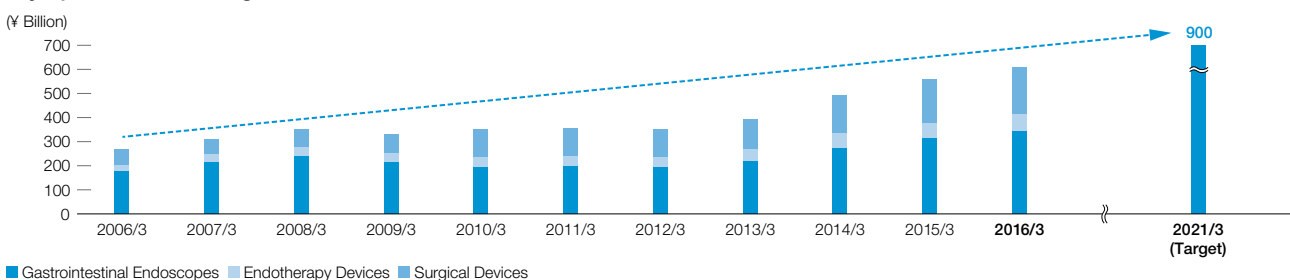
Operating Environment and Business Opportunities

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 toward 10 years in the future.

Olympus' Ever-Growing Medical Business



Direction of Medical Business Strategy

To further accelerate growth in the Medical Business, we will concentrate investments on the five business units created under the new organizational structure and work to increase sales and income. Investments will also be conducted in the functions that support business expansion in order to strengthen these functions while striking a balance between growth potential and profitability.

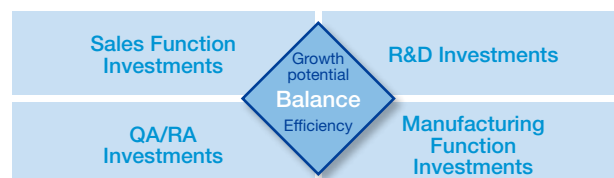
1. Concentrate Investments on Five Business Units and Increase Sales and Income

In April 2015, Olympus shifted to an organizational structure for the Medical Business that comprises five business units: the GI&R (gastrointestinal and respiratory) Business Unit; the GS (general surgery) Business Unit; the Uro/Gyn (urology / gynecology) Business Unit; the ENT (ear, nose, and throat) Business Unit; and the MS (medical service) Business Unit. We will pursue increased sales and income by directing growth investments toward each of these business units.

2. Invest in Sales, R&D, Manufacturing, and Quality and Regulatory Assurance Functions That Support Business Expansion

In order to further expand the Medical Business, we will work

to strengthen our sales, R&D, manufacturing, and quality and regulatory assurance functions and conduct efficient investments to improve 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 eyes to 10 years from now. In Japan, the principal site of gastrointestinal endoscope manufacturing, new facilities at our Aizu, Shirakawa, and Aomori factories were constructed through a total investment of ¥24 billion. Looking ahead, we will 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.



Priority Measures

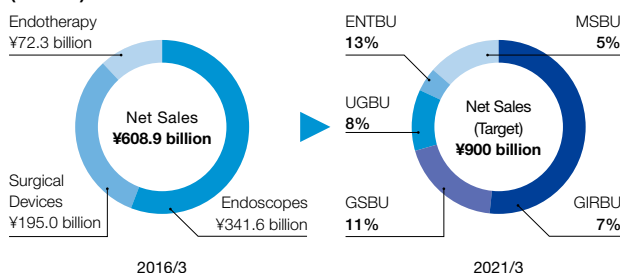
1	Expand dominant GI market share and improve profitability while realizing substantial growth in ET and surgical business operations	<ul style="list-style-type: none"> Continuing on from the former medium-term plan
2	Shift from installation-based Medical Business model to procedure-based Medical Business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

*1 GPOs: Group Purchasing Organizations; IDNs: Integrated Delivery Networks

*2 Quality Assurance / Regulatory Assurance

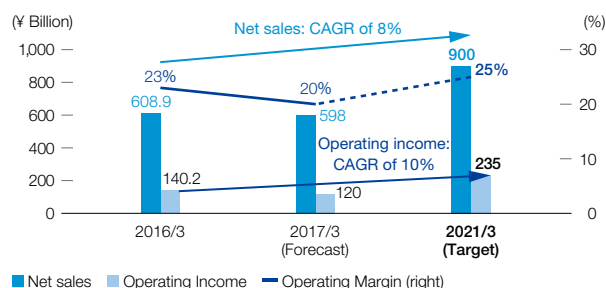
KPI (16CSP)

Medical Business Portfolio and Growth 5 Years from Now (CAGR)



(Note) GIRBU: Gastrointestinal and Respiratory Business Unit; GSBU: General Surgery Business Unit; UGBU: Urology / Gynecology Business Unit; ENTBU: Ear, Nose, and Throat Business Unit; MSBU: Medical Service Business Unit

Performance Forecasts



*1 Fiscal 2017 net sales and operating income are set to decrease due to the negative impacts of yen appreciation.

*2 The figures for fiscal 2021 have been calculated using International Financial Reporting Standards (IFRS).

Gastrointestinal and Respiratory Business Unit (GIRBU)

MEDICAL BUSINESS



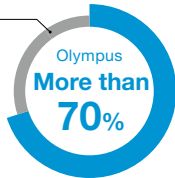
The GI&R Business Unit advances the Company's core business, which supports Olympus with its share of more than 70% of the global gastrointestinal endoscope market. We will continue to expand this business while improving profitability. At the same time, we will actively invest in boosting our share of the endotherapy device market and seek to grow operations in peripheral fields: respiratory; cleaning, disinfection, and sterilization (CDS); endoscopic ultrasound (EUS); capsule endoscopy; and IT.

Katsuyuki Saito
Head of GI&R Business Unit

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

Endoscope Field

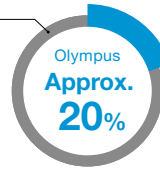
FUJIFILM
HOYA



EVIS EXERA III
EVIS LUCERA ELITE

Endotherapy (ET) Field

Boston Scientific
Cook Medical



ERCP^{*1} products
(guidewires, basket forceps, etc.)



EMR and ESD^{*2} products
(knives, hemostasis forceps)



Hemostasis products

^{*1} ERCP: Endoscopic Retrograde Cholangio Pancreatography
^{*2} EMR: Endoscopic Mucosal Resection
ESD: Endoscopic Submucosal Dissection

Strategies and Priority Measures

Gastrointestinal Endoscopes (Capital Products)

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. For example, over the period of 16CSP, we plan to launch unique scopes that address market needs as well as base systems to replace existing models. Olympus realizes that the global drive to limit healthcare

expenses has created a need for the development of equipment that provides economic benefits in the medical field. We are thus developing products that allow examinations with Olympus endoscopes to be performed with increased efficiency. At the same time, we will work to improve profitability by boosting the efficiency of development, manufacturing, and sales functions.

2 Expand Business in Respiratory, CDS^{*1}, Endoscopic Ultrasound, Capsule Endoscopy, and IT Fields

We will also expand our operations in fields other than gastrointestinal endoscopes. In the respiratory field, we aim to spread and expand usage of endobronchial ultrasound guided transbronchial needle aspiration (EBUS-TBNA)^{*2}. As CT screening becomes increasingly more common in North America, it can be expected that the number of cases of lung cancer incidence will increase, stimulating a growing need for local biopsies. In the CDS field, we have re-acknowledged the rising level of market requirements from the perspective of infection control, and we are targeting rapid growth in the North American and Chinese markets accordingly. As for the IT field, we will utilize strategic alliances with medical IT vendors to grow our operations through the provision of seamless interfaces for connecting endoscopy systems to hospital network systems.



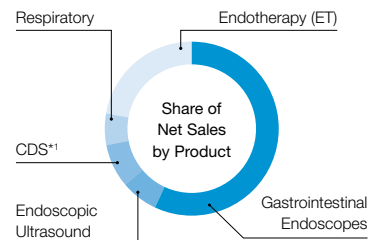
Respiratory (EBUS-TBNA)^{*2}



CDS^{*1}



Endoscopic ultrasound



^{*1} Cleaning, disinfection, and sterilization
^{*2} EBUS-TBNA is a procedure performed mainly for lung cancer diagnosis and staging by sampling tissues from mediastinal and hilar lymph nodes.

3 Realize Business Growth in Emerging Markets

Recognizing that emerging markets will continue to be positioned as growth markets into the future, we will strengthen our operating foundations in China, other parts of Asia, and the Near and Middle East. Emerging countries are experiencing population aging in a similar fashion to developed countries, and national healthcare costs are shooting upward. For this reason, fostering of new endoscopists is a pressing task.

To address this task, Olympus has established three training and service centers in China, located in Shanghai, Beijing, and Guangzhou. The Company is now amply equipped to respond to training and after-sales service demand in the Chinese

market. Furthermore, in July 2016, we established a training center in Thailand that targets healthcare professionals in Southeast Asia.

We also have plans to develop training centers in other parts of Asia. These

centers will be utilized to spread early diagnosis procedures and minimally invasive therapies and techniques using endoscopes, thereby helping us expand our business.



T-TEC (Thai-Training and Education Center)

Endotherapy Devices (Single-Use Devices)

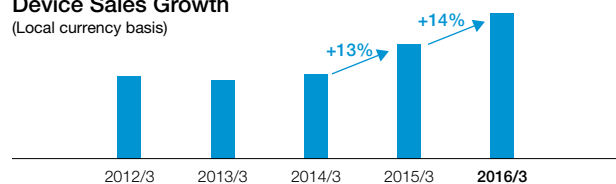
1 Expand Share in World's Largest Market of North America

We have continued to expand our sales force in the North American market, an undertaking that has enabled us to achieve double-digit growth in the endotherapy device market for two consecutive years. Having launched differentiated products that match this market's needs, including guidewires, various endoscopic submucosal dissection knives, and rotating clips, we anticipate further sales expansion. Going forward, we will work to further expand our market share by redoubling our efforts to continually develop differentiated products and acquire lineups of competitive products while further reinforcing and enhancing sales systems. At the same time, we will step up our

approach to group purchasing organizations (GPOs) and integrated delivery networks (IDNs) on an ongoing basis to raise the recognition of Olympus, thereby seeking to provide comprehensive solutions combining endoscopes, services, and other offerings.

North American Endotherapy Device Sales Growth

(Local currency basis)



2 Strengthen Business Excellence in Single-Use Device Business

The expansion of operations in the endotherapy device field will require unique sales and marketing, R&D, and manufacturing functions tailored to single-use devices. We are strengthening our operating foundations in this area out of consideration for this requirement. In regard to sales and marketing functions, we will work to improve the knowledge and skills of sales representatives. We will also steadily develop account management infrastructure to better track sales activities, thereby aiming to

improve sales quality and efficiency. In reinforcing the R&D function, we will step up activities for collecting information on market needs and develop systems that allow us to respond quickly to requests for minor changes to products. We will also coordinate R&D and manufacturing functions to shorten the cycles of new product introductions. While undertaking these reforms, a phased shift in the production of existing products to Vietnam will be undertaken to raise cost competitiveness.

3 Execute Growth Strategies Utilizing Strength in Endoscope Field

By utilizing our strength of being able to provide both endoscopes and endotherapy devices, we will advance the development of techniques and of businesses that adopt both

of these items. Through this endeavor, we aim to provide total solutions for early diagnosis and minimally invasive therapies, the likes of which only Olympus can.

KPI (16CSP)

Net Sales: CAGR of 7%

Field	Targets	Key Points	Market Scale (Growth Forecasts)
Endoscopes	CAGR: 6%	<ul style="list-style-type: none"> Achieve stable growth that exceeds market growth rates Expand business peripheral to endoscopes and operations in emerging markets 	¥350 billion–¥370 billion (CAGR: 4%–6%)
Endotherapy Devices	CAGR: 9%	<ul style="list-style-type: none"> Take advantage of higher endotherapy device demand accompanying rising case numbers and expanding share in U.S. market 	¥370 billion–¥390 billion (CAGR: 4%–6%)



General Surgery Business Unit (GSBU)

MEDICAL BUSINESS

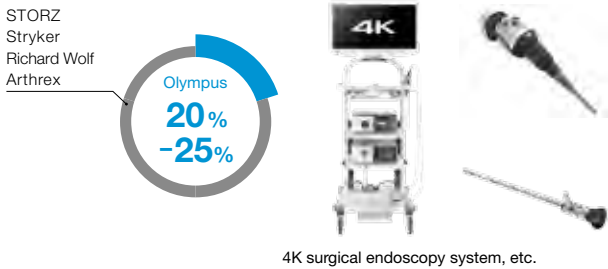


Olympus is actively allocating management resources to the general surgery field with the aim of growing operations into a second core business after gastrointestinal endoscopes. Specific goals with this regard include working to establish 4K and 3D surgical endoscopes as the de facto standard and developing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

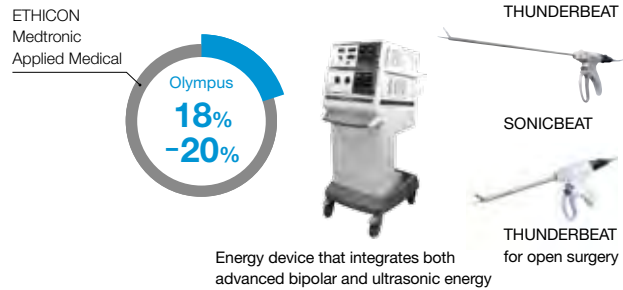
Tomohisa Sakurai
Head of General Surgery Business Unit

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

Surgical Imaging



Surgical Energy Devices



Strategies and Priority Measures

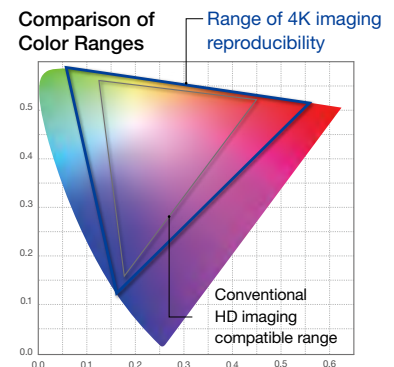
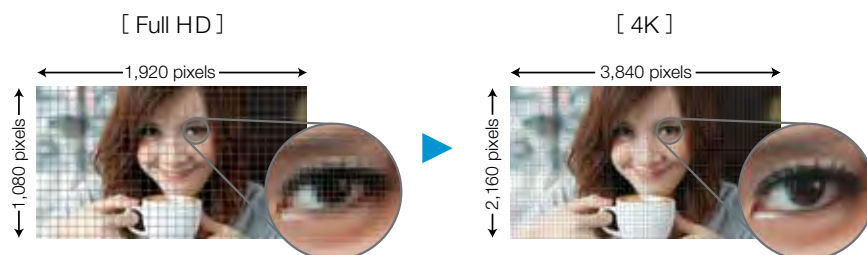
Surgical Imaging (Capital Products)

1 Establish New De Facto Standard in Surgical Imaging Market

In October 2015, Olympus launched a surgical endoscopy system that employed 4K technologies developed jointly with Sony Corporation. The unique high-resolution images provided through 4K technologies make it possible to observe minute details inside the body with this system. Moreover, the high color reproducibility of the system supports the identification of the small tissue and vessel structures of veins, nerves, and lymph ducts. Compared to conventional full HD images, 4K images have increased color reproducibility and a wider color gamut, allowing for more delicate color adjustments. The system has, in particular, a higher degree of reproducibility for the

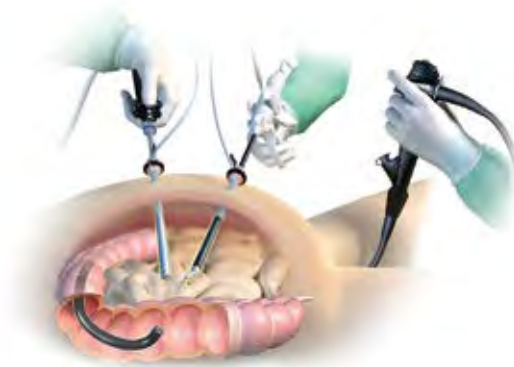
color red, which is a crucial color to be able to distinguish during surgeries. This feature is expected to contribute to increased surgical accuracy by making it easier to identify the boundaries between veins, nerves, lymph ducts, and fat. In addition to helping realize better accuracy in difficult surgeries, this system can also be expected to reduce the physical burden placed on surgeons. Since the product's launch, the response from the medical field has been incredibly positive, and we are already seeing customers convert from competing products. Moving forward, we aim to establish a new de facto standard in the surgical imaging field with this system.

Comparison of Full HD and 4K Images



2 Fully Leverage Strength of Olympus in Gastrointestinal Endoscope Field

In recent years, the need for flexible endoscope utilization in operating rooms has been growing. For example, a procedure in which flexible endoscopes are used to confirm anastomosis when conducting endoscopic colorectal surgery is becoming increasingly more common in the United States. Compared to confirming anastomosis after the completion of colon resection surgery, conducting confirmation at an early stage during the process of the surgery in this manner is an effective means of minimizing post-surgery complications and is therefore expected to contribute to reduced healthcare costs. Taking advantage of such strengths of flexible endoscopes, we aim to develop and provide new minimally invasive therapy procedures to create value that is unique to Olympus.



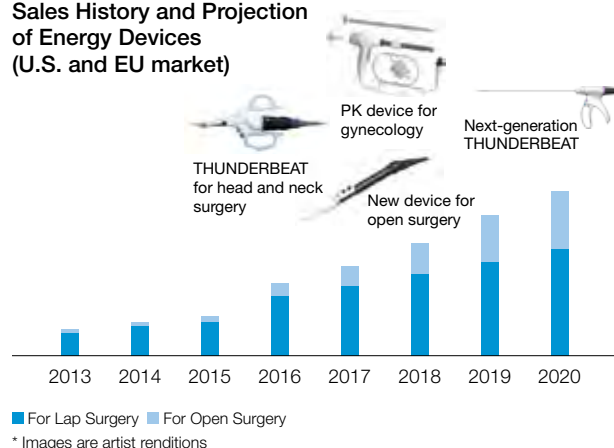
Confirmation of anastomosis when conducting endoscopic colorectal surgery (artist rendition)

Surgical Energy Devices (Single-Use Devices)

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

The energy device market is anticipated to grow at a startling pace. Olympus aims to expand its share in this market by broadening its device portfolio and shortening the product development cycle. We offer a platform power supply system that integrates the advanced bipolar and ultrasonic energy of strategic product THUNDERBEAT and can also be connected to other devices. One such compatible device is SONICBEAT, which was launched in Japan in 2015. Looking ahead, we will continue expanding our energy device operations by bolstering our lineup of products through the development of devices that are compatible with various surgeries and procedures.

Sales History and Projection of Energy Devices (U.S. and EU market)



4 Establish Single-Use Device Business Model

There are systems that will need to be put in place if we are to expand our energy device operations. Energy devices are single-use devices that must be purchased and used for individual cases. As such, the purchasing process employed by hospitals with regard to these devices differs from that for endoscopes and other capital products. Therefore, it is necessary that we first develop an understanding of the types of surgeries and procedures conducted at each hospital as well

as the case numbers so that we can propose devices that meet the needs of specific hospitals. In order to effectively carry out this style of sales, we will need to establish a customer relationship management (CRM) system and step up our sales approach. We will also need to solicit the clinical and economic value of our devices, rather than focusing only on their performance and characteristics. We aim to realize growth in these operations through these efforts.

KPI (16CSP)

Net Sales: CAGR of 11%

Field	Targets	Key Points	Market Scale (Growth Forecasts)
Surgical Imaging	CAGR: 10%	<ul style="list-style-type: none"> Achieve sales growth that greatly exceeds market growth rates Establish new de facto standard in surgical imaging market 	¥260 billion–¥290 billion (CAGR: 2%–4%)
Surgical Energy Devices	CAGR: 14%	<ul style="list-style-type: none"> Establish single-use device business model 	¥160 billion–¥180 billion (CAGR: 3%–5%)



Urology / Gynecology Business Unit (UGBU)

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The Uro/Gyn Business Unit develops operations that form the foundations supporting the Company's ongoing business expansion. Seeking to reinforce existing operations and expand its scope, this business unit calls upon the imaging technologies gained through dealing in gastrointestinal endoscopes and the treatment technologies accumulated in surgical device operations. It also utilizes the solid North American sales network created through the acquisition of Gyrus ACMI, Inc.

Minoru Okabe
Head of Uro/Gyn Business Unit

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

Field	Market Trends (Operating Environment)	Market Scale (Growth Forecasts)	Share	Competitors
Urology	<ul style="list-style-type: none"> Approx. 1.0 million benign prostatic hypertrophy and bladder tumor resection procedures conducted annually; increasing cost awareness associated with outpatient surgical alternatives and prevention of reoccurrence Approx. 1.8 million stone treatment procedures conducted annually: number of high-efficacy endoscopic treatments (ureteroscopic lithotripsy) rising (CAGR: 4%) Reimbursement for bladder tumor (cancer in-situ) observation and treatment using NBI (Japan, FY2017) 	¥170 billion–¥190 billion (CAGR: 2%–4%)	Approx. 30%	<ul style="list-style-type: none"> Karl Storz Richard Wolf Boston Scientific Cook Medical CR Bard
Gynecology	<ul style="list-style-type: none"> Rising case numbers for diagnosis and treatment of atypical genital bleeding and hypermenorrhea Shift toward outpatient surgical alternatives and other minimally invasive therapies 	¥20 billion–¥30 billion (CAGR: 2%–4%)	Approx. 10%	<ul style="list-style-type: none"> Karl Storz Richard Wolf Johnson & Johnson

Strategies and Priority Measures

Urology

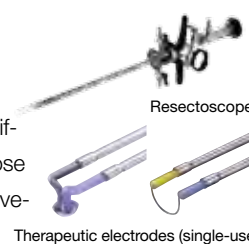
1 Secure Dominant Shares in Markets for Flexible Endoscopes and TURis* Products

That Leverage Technological Prowess of Olympus

Olympus prides itself on its top share in the market of the flexible cystoscopes and resectoscopes used in diagnosis and treatment of benign prostatic hypertrophy and bladder tumors. By stepping up our efforts to support healthcare professionals, we will promote the spread of procedures using these products amid the rise in case

numbers. At the same time, we will differentiate Olympus products from those of competitors by soliciting the effectiveness of narrow band imaging (NBI).

* TURis: Transurethral resection in saline



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

Created by utilizing the small diameter scope technologies of the former Gyrus ACMI, Olympus flexible ureteroscopes have a dominating edge and boast the top market share, similar to flexible cystoscopes. This strength will be used to advance our

efforts and grow sales in the field of stone treatment devices (single-use), which are used with flexible ureteroscopes to treat urinary tract stones.



Gynecology

3 Efficiently Increase Market Share by Leveraging Existing Products and Technologies

The products Olympus handles in the gynecology field are highly compatible with the urology field. We will therefore seek to efficiently

increase our market share in areas in which we can leverage competitive, existing products and technologies to grow sales.

KPI (16CSP)

Net Sales: CAGR of 8%

Field	Products	Targets	Key Points
Urology	Flexible Scopes	Acquire and maintain dominating No. 1 share (more than 60%)	<ul style="list-style-type: none"> Secure share in flexible endoscopes and TURis markets Expand urinary tract stone management market share
	TURis Electrodes (single-use)	CAGR: 6%	
	Stone Treatment Devices (single-use)	Share: 14% (Europe, U.S., and Japan)	
Gynecology	TURis Electrodes (single-use)	Share: 8% (U.S.)	



Ear, Nose, and Throat Business Unit (ENTBU)

MEDICAL BUSINESS



The ENT Business Unit 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.

Georg Schloer
Head of ENT Business Unit

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

Field	Market Trends (Operating Environment)	Market Scale (Growth Forecasts)	Share	Competitors
Laryngology Flexible Endoscopes	<ul style="list-style-type: none"> Improved recognition of NBI benefits and rising needs for early diagnosis 	¥15 billion–¥17 billion (CAGR: 4%–5%)	50%–60%	• Hoya
Rhinology	<ul style="list-style-type: none"> Increased needs for high-resolution, wide-color-spectrum images through HD and 4K systems 	¥18 billion–¥20 billion (CAGR: 4%–5%)	Less than 1%	• Karl Storz
	<ul style="list-style-type: none"> Sinus surgeries and procedures using debriders commonplace in developed countries Healthcare economics in U.S. driving some procedures to out-patient care 	¥22 billion–¥24 billion (CAGR: 4%–5%)	10%–15%	• Medtronic
Otology Implants and Vent Tubes	<ul style="list-style-type: none"> Slight increase in illness and case numbers and procedure numbers 	¥5 billion–¥7 billion (CAGR: Less than 1%)	40%–50%	• Medtronic

* ESS: Endoscopic Sinus Surgery

Strategies and Priority Measures

Laryngology

1 Expand ENT Flexible Endoscope Operations Centered on “Videonization”

Our flexible endoscopes hold the No. 1 share. By advertising the effectiveness of NBI and its ability to contribute to early detection of laryngeal and pharyngeal cancer, we will further expand these operations. We will also seek to acquire clinical evidence on the efficacy of NBI and step up activities utilizing

this evidence to achieve an insurance reimbursement listing for this technology. At the same time, we will communicate the high value that differentiates this technology from competitors' and encourage customers to switch over to products using it.

Rhinology

1 Acquire ESS Operations

We aim to expand endoscopic sinus surgery (ESS) operations from the perspectives of “See & Treat.” The demand to use high level resolution and superior color reproducibility unique to 4K imaging for conducting diagnosis is increasing, and we can expect usage of systems that offer these advantages to grow.

Moreover, we will develop our operations through the provision of therapeutic devices for which our lineup centers around DIEGO ELITE, which supplies tissue debridement, high-frequency hemostasis, and other differentiated functions.



Overall

1 Establish Global Sales Systems

While our ENT business has previously been centered on North America, we will actively develop this business in Japan, Europe, and Asia Pacific in the future. To facilitate this endeavor,

we will enhance sales capabilities by assembling dedicated ESS sales forces and proactively introduce successful measures from the U.S. market into the markets in these regions.

KPI (16CSP)

Net Sales: CAGR of 13%

Field	Products	Targets	Key Points
Laryngology	Flexible Scopes	Maintain dominant No. 1 share by pursuing even higher levels of product and service value	<ul style="list-style-type: none"> Acquire ESS operations Establish global sales systems
Rhinology	ESS Imaging	Start up ESS imaging business and achieve market share of more than 10%	
	ESS Debriders	Expand ESS treatment business and achieve market share of more than 20%	



Medical Service Business Unit (MSBU)

MEDICAL BUSINESS



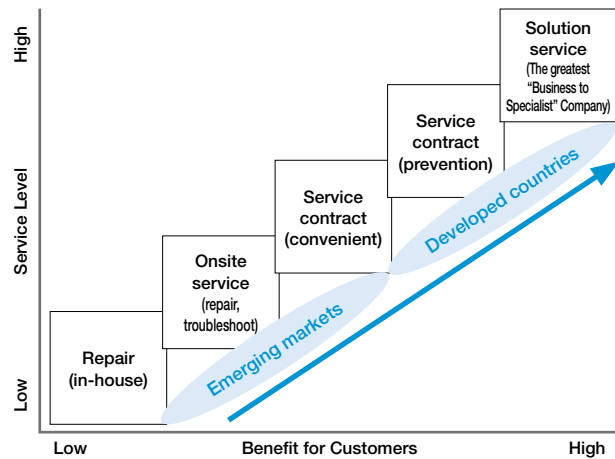
We recognize the Medical Service Business Unit as supplying a core competency of Olympus that supports the Medical Business. This business unit will continually strengthen customer contact points to provide ongoing support for the overall growth of the Medical Business. Specifically, we will further enhance relationships with customers by reinforcing systems and allocating the management resources necessary for establishing service system foundations in emerging countries that are projected to grow rapidly.

Yoshihito Shimizu
Head of Medical Service Business Unit

Strategies and Priority Measures

1 Introduce Service Contracts That Realize High Levels of Customer Satisfaction, Increase Number of Such Contracts, and Improve Profitability

Olympus has traditionally worked 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 realize high levels of customer satisfaction. Specifically, service contracts will be created that respond to various customer needs. These contracts will include such provisions as failure prevention training conducted at ideal timings and matched to the circumstances pertaining to customers, such as failure types and frequency, and prices set in consideration of usage numbers. In addition, the product improvement know-how accumulated on the manufacturing floor will be applied at repair bases to shorten lead time and reduce costs, thereby further augmenting the benefits of the consolidation of repair bases. The goal of



these initiatives will be to improve the profitability of operations in the Medical Service Business Unit.

2 Expand Service Operations for Surgical Devices

Surgical devices are used in the operating room to perform diagnosis and treatments, meaning that malfunctions and product failures during procedures must be avoided at all costs. Swift response to failures that do occur is also vital. Olympus takes numerous steps to offer services that contribute to substantial

improvements in device operating rates. For example, we provide hospital staff with ongoing training and distribute endoscope inspection manuals. We also quickly supply loaners and replacement products when necessary and offer services in which Olympus technical staff members can be stationed at customer facilities.

3 Provide Services That Improve Medical Institution Efficiency

Olympus possesses a global network of approximately 200 repair and service sites. We are advancing the reorganization of existing bases and the establishment of new bases in a phased manner to improve the efficiency and quality of services provided. Furthermore, we are endeavoring to utilize

product improvement know-how gained through manufacturing operations at our repair and service bases. We thereby aim to shorten turnaround times, reduce costs, and ultimately improve the profitability of the Medical Service Business Unit.

KPI (16CSP)

Net Sales: CAGR of 5%

Field	Targets	Key Points
Service Contract	CAGR: 6%	• Increase number of service contracts
General Repairs	CAGR: 0.5%	• Expand service operations for surgical devices



SCIENTIFIC SOLUTIONS BUSINESS



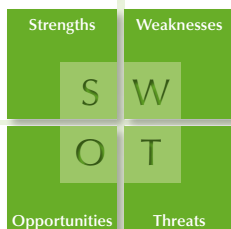
We will expand earnings by providing optimal products and solutions to target customer segments.

In the Scientific Solutions Business, we aim to achieve ongoing growth while securing stable income. We will therefore seek to identify the growth potential and profitability of each customer segment so that we can set priorities for the entire business and advance initiatives tailored to each segment. At the same time, we will continually enhance our ability to connect with customers and strengthen solutions provision capabilities to maintain relations with existing customers while approaching new customers.

Toshihiko Okubo

Head of Scientific Solutions Business Unit

- 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
- Lost opportunities and low efficiency due to product segment based business operation

- 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

- 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

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

Customer Segment	Business Opportunities	Market Scale (Growth Forecasts)	Share / Competitors
LS Research	<ul style="list-style-type: none"> • Growing needs in areas ranging from observation to analysis in drug discovery and regenerative medicine markets 	¥80 billion–¥100 billion (CAGR: 1%–2%)	
Wetlab (Cell cultures)	<ul style="list-style-type: none"> • Future cell culture support industry market growth projected in drug discovery and regenerative medicine fields 	¥6 billion–¥8 billion (CAGR: 6%–7%)	Biological microscopes: Approx. 40%
Clinical (Pathological examination)	<ul style="list-style-type: none"> • Expanding range of examination methods stemming from introduction of new technologies into overall examination market in conjunction with population aging and advances in cancer treatments 	¥20 billion–¥30 billion (CAGR: 3%–4%)	Competitors: Carl Zeiss, Leica, Nikon
Education	<ul style="list-style-type: none"> • Growing possibilities for education systems using digital imaging at medical education facilities 	¥8 billion–¥10 billion (CAGR: 1%–2%)	
Infrastructure Maintenance	<ul style="list-style-type: none"> • Infrastructure aging expected in developed countries and new infrastructure construction anticipated in emerging countries • Ongoing growth in aircraft and high-speed rail demand 	¥70 billion–¥90 billion (CAGR: 7%–8%)	Industrial endoscopes: Approx. 40% Non-destructive testing equipment: Approx. 30%
Manufacturing	<ul style="list-style-type: none"> • Long-term growth in automotive, aviation, electricity, and other markets • Advances in process efficiency improvements as illustrated by Industry 4.0, etc. 	¥100 billion–¥120 billion (CAGR: 4%–5%)	Competitors: GE, Carl Zeiss, Leica, Nikon, KEYENCE, Thermo Fisher
Environment & Natural Resource	<ul style="list-style-type: none"> • Rising needs anticipated for energy and materials in emerging countries and for energy, materials, and recycling in developed countries 	¥7 billion–¥9 billion (CAGR: 4%–5%)	

Operating Environment and Business Opportunities

The Scientific Solutions Business is currently faced with a difficult operating environment. This environment is characterized by limited budget execution among domestic and overseas public-sector research institutions and reduced capital expenditures by private-sector companies stemming from low resource prices and the deceleration of the markets for electronic components, such as those used in smartphones. In the medium-to-long term, however, we expect to see the acceleration of advanced research on such topics as induced pluripotent stem cells (iPS cells) as

well as a push for the practical application of regenerative medicine in the area of life science research. In addition, infrastructure investment is projected to increase in emerging countries in conjunction with economic development. The market for Scientific Solutions Business products is anticipated to expand as a result of these factors. Meanwhile, we aim to improve business efficiency and reinforce our earnings foundation by advancing business restructuring. At the same time, we will invest in growth fields over the medium-to-long term to expand earnings.

Strategies and Priority Measures

1 Realize Continuing Organic Growth and Keep Operating Margin Consistently above 10% through Initiatives Tailored to Customer Segments

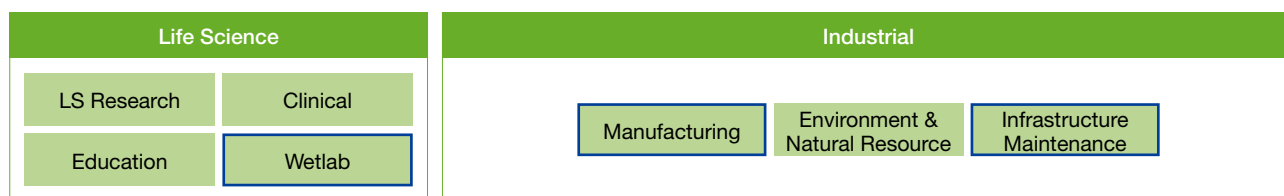
The top priority of the Scientific Solutions Business is to further enhance its growth strategies and improve its profitability. It was for this reason that the business undertook a massive change in the direction of its business strategies and measures for global operation of its organization in fiscal 2015. Previously, independent functions for such processes as development, marketing,

and sales were established for each product line. However, we have since shifted from strategies based on product lineups to formulate those oriented toward customer segments while taking on related structural reforms. These reforms entailed cutting back on redundant functions to improve profitability and constructing systems for executing priority investments in growth markets.

2 Actively Expand Portfolios Targeting Customer Segments from which Particular Growth Can Be Anticipated in Consideration of Company Strengths and Market Growth Potential (Wetlab, Manufacturing, and Infrastructure Maintenance)

The Scientific Solutions Business has defined seven segments in its customer segment oriented strategies. In consideration of the Company's strengths and the market growth potential in these segments, we have positioned the

wetlab, manufacturing, and infrastructure maintenance segments as growth fields. We will thus pursue organic growth in these fields while expanding our product and solutions portfolios through M&A activities.



Contributions to Life Science and Medical Research
Through the provision of automated cell counters and cell cultivation microscopes, Olympus is contributing to future advances in life science and medical research. In the life science research sector, where research is conducted on regenerative medicine and various other themes, we are conducting the research and development of equipment that matches customer needs, thereby working to stimulate new product demand in this growth market.



Contributions to Improved Efficiency and Quality in Industry
Olympus provides various inspection, measurement, and analysis solutions, including those for use in quality inspections in the steelmaking and automotive industries as well as for use with the delicate electronic components contained in smartphones and other devices. With these solutions, we are contributing to efficiency improvements and advances in industry. Demand for such solutions is growing in conjunction with the global deployment of various industrial products as well as the diversification of quality requirements and the increasing precision of processing methods.

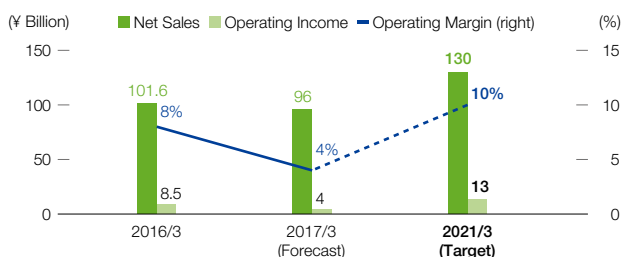


Contributions to Safety and Peace of Mind in People's Daily Lives
Olympus contributes to safety and peace of mind in people's daily lives by supplying inspection, measurement, and analysis solutions for use in the maintenance and inspection of lifelines and social infrastructure, such as aircraft, manufacturing plants, pipelines, roads, and bridges. We will expand operations in this field in developed countries, where the aging of infrastructure is becoming an issue, and in emerging countries, where brisk infrastructure-related construction is expected going forward.

KPI (Fiscal 2021)

Net Sales: ¥130 billion
Operating Margin: 10%

Indicators	Targets	Key Points
Net sales	¥130 billion	<ul style="list-style-type: none"> Structural reforms for improving profitability already implemented Organic growth to be realized through selective reinforcement of existing businesses Product and technology portfolio expansion targeting additional sales growth
Operating income (Operating margin)	¥13 billion (10%)	



IMAGING BUSINESS



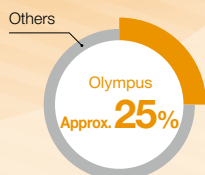
We will further advance selection and concentration and transition to cost structures that will enable us to establish a system that can generate stable income.

In the Imaging Business, we strive to provide products and services that are uniquely Olympus in order to establish a solid position for our brand. With this position, we will refrain from engaging in excessive cost competition and strive to create a system that can generate stable income. At the same time, we will advance the selection and concentration of target regions for sales in response to the contraction of the market in order to transition to a cost structure that supports ongoing income generation.

Masamichi Handa

Head of Imaging Business Unit

Domestic Market Share (Mirrorless cameras)



- 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

- Solid demand in mirrorless camera market
- Expanding camera applications and growing imaging-related technology demand in nonconsumer markets

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

Market Share / Competitors (As estimated by the Company)

Field	Market Trends (Operating Environment)	Market Scale (Growth Forecast)	Share	Competitors
Digital ILCs (including SLRs and mirrorless cameras)	<ul style="list-style-type: none"> • Ongoing contraction of SLR market, mirrorless camera market scale unchanged • Increased sales ratios for mirrorless cameras • Rising sales ratios for high-priced models 	10 million–13 million units (CAGR: -6%–0%)	Mirrorless cameras (Domestic): Approx. 25%	<ul style="list-style-type: none"> • Canon • Nikon • Sony • FUJIFILM • Panasonic, etc.

Operating Environment and Forecasts

The compact digital camera market is rapidly contracting due to the spread of smartphones, and the Imaging Business continues to face a harsh operating environment as a result. In order to address this major market change, we are pushing forward with structural reforms to shrink the Imaging Business to a more appropriate scale. As one facet of this undertaking, we have developed conservative sales plans with a narrower scope, only including focus products and market segments,

that do not presume the pursuit of sales growth, even in the core mirrorless camera market. We aim to minimize risks through this limited scope. In conjunction with this shift in focus, we are revising cost structures to realize a business structure that will enable the Imaging Business to break even, despite the reduced sales. We are also enhancing earnings structures by strengthening sales of high-margin interchangeable lens products.

Strategies and Priority Measures

1 Advance Ongoing Business Structure Reforms

Olympus will focus on the development of high-value-added mirrorless cameras and interchangeable lenses—primarily OM-D series cameras and PRO series lenses—that boast sufficient cost competitiveness. After the launch of products, the value of entire camera systems will be improved and new value will be provided by adding to the functionality of cameras through firmware updates and building upon the synergies with lens lineup expansions. This type of ongoing value provision will be ingrained into the image of the Olympus brand.

The Company will also endeavor to develop systems that allow for improved efficiency in new product manufacturing startups and mass production. This objective will be

accomplished by raising the level of manufacturing technologies at the Vietnam plant through the transfer of the sophisticated minute adjustment technologies created at our China plant. In procurement and purchasing activities, we will pursue cost reductions by increasing the procurement of finished units and establishing systems for Companywide purchasing.

Through these business structure reforms, we will create systems and cost structures capable of generating stable income.



2 Improve Responsiveness to Market Changes

Olympus strives to improve responsiveness to market changes. To this end, we will monitor the market scale and the Company's share so that we can furnish a timely response to changes in conditions by improving sales function efficiency and advancing the selection and concentration of target market segments.

In response to market contraction, we will cut back on sales bases with low cost performance to shift toward cost structures capable of generating stable income on an ongoing basis. In addition, we will construct sales systems to ensure that focus bases can consistently produce earnings.

3 Minimize Inventory Risks

By improving supply chain management processes, we aim to reduce product supply lead times and lower risks associated with overdependence on certain regions and consequently shorten inventory turnover periods. Specific measures for shortening turnover periods will include

process improvements, such as reducing the amount of time required for transportation from production bases to sales bases and developing shared product and packaging specifications to decrease the time required to respond to changes in export targets.

4 Contribute to Olympus as Groupwide Technology Driver

The Imaging Business has continued to foster a strong brand image by constantly providing customers with new value. This feat was accomplished in a fiercely competitive environment in which we face numerous rivals and must realize short product development cycles. The cutting-edge electronic imaging technologies born in this environment serve as valuable assets to other Group businesses.

Furthermore, through the development and manufacture of OM-D series cameras and PRO series lenses, we will continually create advanced digital, low-cost manufacturing, and mobile technologies. By applying these technologies to other businesses, the Imaging Business will continue to contribute to Olympus as a Groupwide technology driver.

To augment these technologies, we will establish a comprehensive range of 4K and 8K technologies that can be used for developing devices necessary for recording at these resolutions as well as for optimizing interface with outputs (monitors).



KPI (Fiscal 2021)

Achievement of Profitability through Earnings Structure Improvement

Indicators	Targets	Key Points
Net sales	¥55 billion	● Create business structure capable of securing operating margin of 4% even if net sales decrease by as much as 7% each year after fiscal 2016 due primarily to compact camera market contraction
Operating income (Operating margin)	¥2 billion (4%)	

