

At a Glance

Olympus generates approximately 80% of its sales in the Medical Business, which primarily operates in the gastrointestinal endoscope field, where it holds a share of more than 70% of the global market. The Company's other businesses include the Scientific Solutions Business, which deals in microscopes and nondestructive testing equipment, and the Imaging Business, which sells digital cameras. These three businesses constitute the business domains of Olympus.

Consolidated Performance (FY2017)

Net Sales

¥748.1 billion

YoY (after foreign exchange adjustment): +2%

Operating Income

¥76.5 billion

YoY (after foreign exchange adjustment): +2%

EBITDA

¥129.8 billion

YoY: -16%

Net Income

¥78.2 billion

YoY: +25%

ROE

19.3%

YoY: +2.3pts

FCF

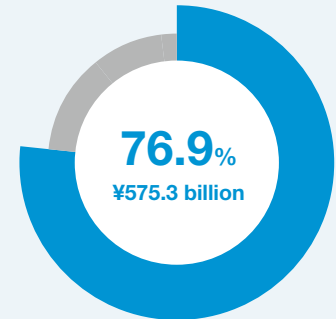
¥81.9 billion

YoY: +¥86.2 billion

Medical Business



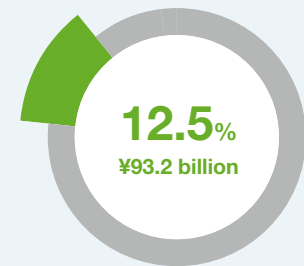
Share of Net Sales



Scientific Solutions Business



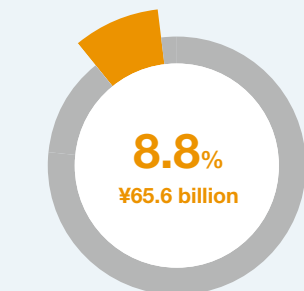
Share of Net Sales



Imaging Business



Share of Net Sales



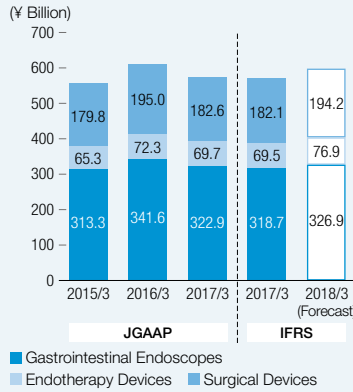
Others

Share of Net Sales **1.9%**
¥14.0 billion

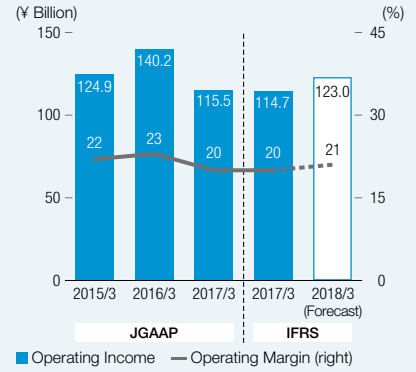
Business Description

In the Medical Business, Olympus supplies various types of medical equipment, including gastrointestinal endoscopes that contribute to the early diagnosis of diseases, surgical endoscopes that allow for minimally invasive therapies for reducing the burden placed on patient bodies, and energy devices. By providing such equipment, we are contributing to a medical environment that cares for both the physical health and the mental health of people around the world.

Net Sales



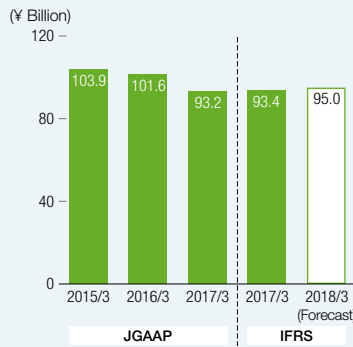
Operating Income / Operating Margin



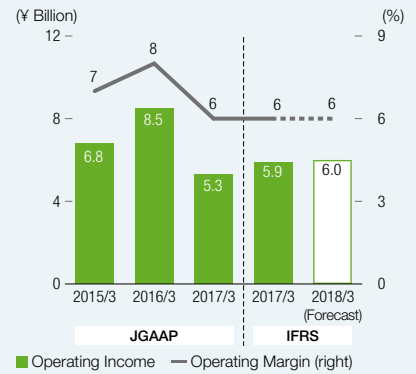
Business Description

The Scientific Solutions Business provides microscopes, which Olympus has been manufacturing since its inception. These microscopes are used in various fields, whether for conducting such clinical examinations as blood tests or pathological examinations related to cancer diagnosis, assisting advanced research in the life science and medical fields, or performing quality control on manufacturing lines. Furthermore, the industrial videoscopes and ultrasonic flaw detectors offered in this business are used in inspections and examinations underpinning the safety of social infrastructure.

Net Sales



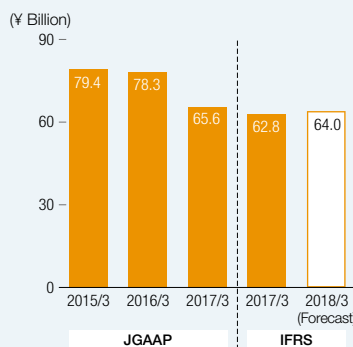
Operating Income / Operating Margin



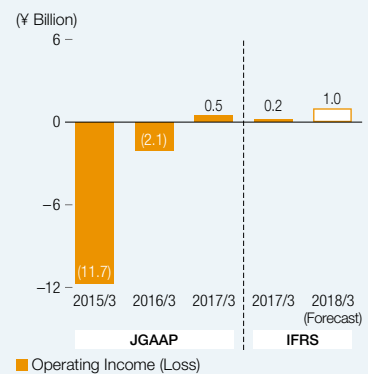
Business Description

The Imaging Business provides Olympus brand cameras, which boast unparalleled image quality realized through world-leading lens processing technologies and have won the hearts of photographers around the world. We continue to introduce the world to such unique cameras as our compact, lightweight mirrorless cameras that offer the same level of performance as single-lens-reflex cameras and our Tough series of dustproof, waterproof cameras that are ideal for outdoor use.

Net Sales



Operating Income (Loss)



In Others, we provide bone replacement material and other biomaterials and also sell lens modules directly to other companies. In addition, this segment is responsible for seeking out new businesses and conducting R&D activities in relation to such businesses. To develop future pillars supporting the Company, we are searching for new business opportunities and advancing R&D and discovery activities for acquiring technologies.

MEDICAL BUSINESS



Business Management Officer, Medical Business **Akihiro Taguchi**

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.

- 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
- 3D, 4K, and other products differentiated with high resolution and quality

Strengths	Weaknesses
S	W
O	T
Opportunities	Threats

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

- 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
- Rise in illness case numbers due to population aging

- 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.

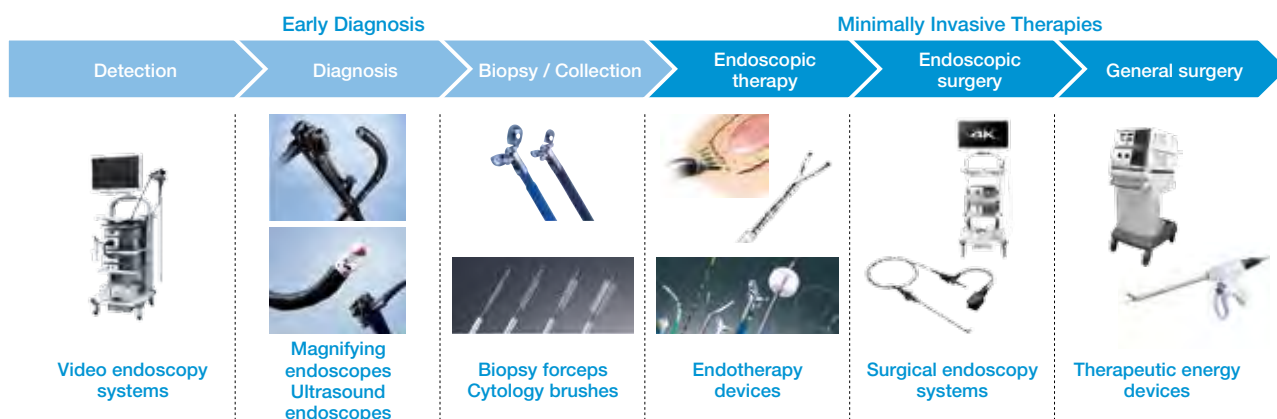
Olympus possesses technologies for the development and

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 on 10 years in the future.

Overall Strategy for Medical Business

The Medical Business aims to help realize the vision put forth by 16CSP: "Olympus contributes to society by making people's lives healthier, safer, and more fulfilling around the world." Focused on the two types of value provided by early diagnosis and minimally invasive therapies, the Medical Business will continue to enhance the already exceptional technologies, products, services, and solutions it provides in order to expand its operations.

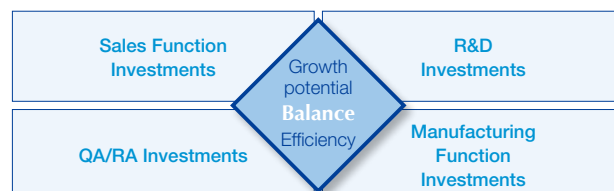
Olympus Medical Equipment for Everything from Diagnosis and Endoscopic Therapy to Surgery



Investment Policy

The Medical Business is Olympus' growth driver, and we therefore intend to conduct the investments necessary for each of its functions. We will strengthen the sales, R&D, manufacturing, and quality and regulatory assurance functions and also conduct efficient investments to increase 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 an eye to 10 years from now. In Japan, the principal site of gastrointestinal endoscope manufacturing, new facilities at our Aizu,

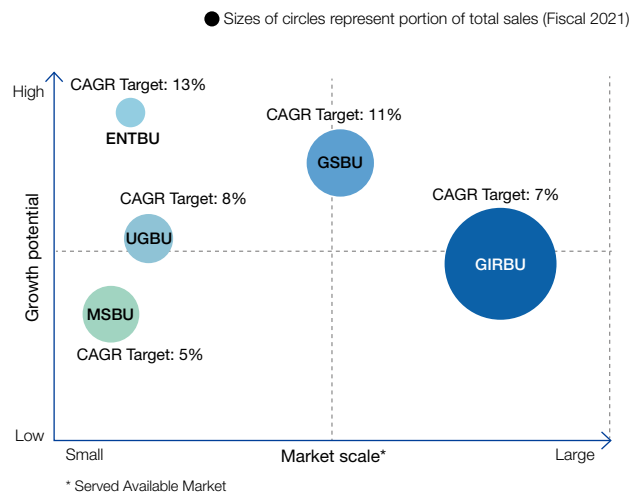
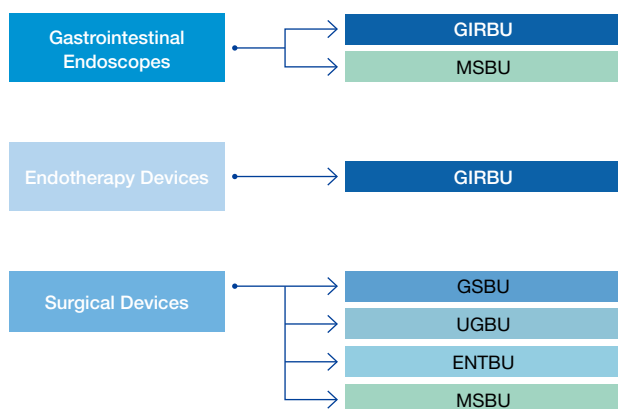
Shirakawa, and Aomori factories have already been constructed. Looking ahead, we will continue to transfer the manufacture of certain endotherapy devices from Aomori to Vietnam. In North America, meanwhile, we will expand manufacturing lines and pursue increased efficiency with regard to energy devices and other products at our Brooklyn Park plant.



Business Portfolio Strategy

The prior three divisions of the Medical Business have been reorganized to form five business units. We will target increased sales and profits by concentrating investment on these five business units.

Business Portfolio Strategy Diagram



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 management 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

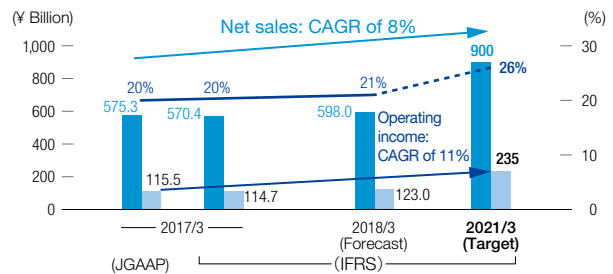
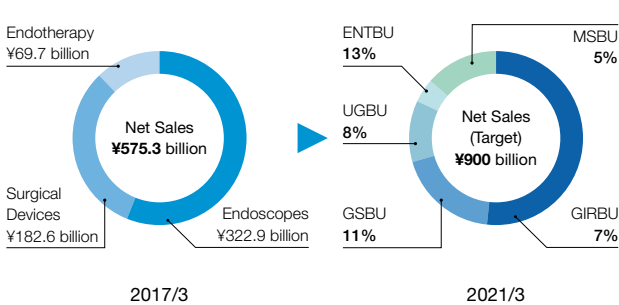
Accomplishments in Fiscal 2017 and Future Measures (Tasks)

Accomplishments
<ul style="list-style-type: none"> Double-digit sales growth and strong performance in Asia and Oceania in gastrointestinal endoscope field Smooth progress in expansion under procedure-based Medical Business model: <ul style="list-style-type: none"> Strong performance with double-digit sales growth for THUNDER-BEAT energy device in principle regions in surgical device field Impressive growth in Japan, the United States, and Europe in the endotherapy device field achieved by bolstering sales forces and expanding product lineups Systematic expansion of endoscope training centers for growing operations in emerging countries (establishment of training center in Thailand to serve Southeast Asia and in Dubai to serve the Middle East and Africa)

Future Measures (Tasks)
<ul style="list-style-type: none"> Pursuit of ongoing sales growth while gastrointestinal endoscope products are in the later stages of their product cycles by implementing various sales measures to promote scope upgrades and by launching high-value-added products Expansion of market share in surgical endoscope field by approaching institutions using competitors' products with Olympus' strategic 4K systems and introducing new products (VISERA ELITE II) Strengthening of manufacturing function through cost reductions and production system initiatives aimed at minimizing the impacts of foreign exchange influences Shortening of new product launch cycles through increased coordination between development and manufacturing functions

KPI (16CSP)

Medical Business Portfolio and Performance Forecasts (CAGR)



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

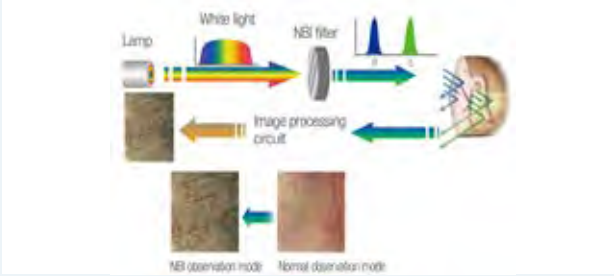
Creation of Value with Medical Technologies and Products

Olympus' endoscopes continue to be forged through an ongoing process of discussion with healthcare professionals so that the fastidious attention to detail of the Company's development engineers can be used to respond to the desires of the medical field. On this page, we will introduce the major characteristics of Olympus' latest gastrointestinal and surgical endoscopy systems and some of the value they create.

EVIS EXERA III / EVIS LUCERA ELITE Gastrointestinal Endoscopy Systems

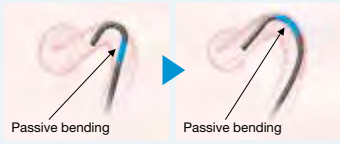
Improved Observation Capabilities: Contributions to Early Diagnosis and Treatment of Cancer Realized through Refinement of Proprietary NBI Optical Digital Technology

Narrow band imaging (NBI) is a technology that utilizes optical mechanisms to enhance the visualization of lesions. The ongoing refinement and spread of this technology continues to make large contributions to the advancement of endoscopic diagnosis procedures. Cancer and other tumors use capillary vessels to gather the energy needed to undergo cellular multiplication. Hemoglobin in blood vessels absorbs significant amounts of narrow-band blue light. NBI is a technology that utilizes a specialized optical filter to produce narrow spectrum light with a wavelength that is easily absorbed by hemoglobin. This process highlights capillary vessels on the surface of mucous membranes, thereby making it easier to discover lesions, which could be very difficult to find using previous methods.



Increased Ease of Colonoscopy Insertion: Lower Burden for Both Physicians and Patients

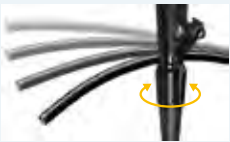
For physicians, inserting a colonoscopy into the recesses of the colon is an incredibly difficult procedure that requires substantial skill. Maneuvering a scope through the sharp S-curves of the rectum and the left and right colonic flexures is particularly taxing. Olympus' colonoscopes feature passive bending, high force transmission, and flexibility adjustment functions that support smooth scope insertion during colonoscopies and thereby help reduce discomfort for patients and improve examination efficiency.



Passive Bending
Scopes are designed to bend naturally if they make contact with the intestinal wall, helping scopes be smoothly guided passed curvatures.



High Force Transmission
Enhancements have been made to scopes to allow for pushing, pulling, and bending force exerted through the handheld controller to be more easily transmitted to the tip of the scopes, thereby improving the ease of insertion.



Flexibility Adjustment
By rotating a ring on the handheld controller, the endoscopist can adjust the flexibility of the insertion portion of the scope to their desired level.

New VISERA ELITE II Surgical Endoscopy System

Improved Observation Capabilities: New Infrared Observation Functions Joining 3D Observation Functions

Infrared observation is a technique for which research is advancing in the medical field, although its application to endoscopes is relatively new. This technique entails administering a specialized chemical and then shining light (far-red light) onto the site in order to observe the fluorescence that is produced (fluorescence from substances with a strong capacity to absorb far-red light), making it possible to view substances present in the depths of tissue. Infrared observation is anticipated to make it easier to discern organs and tissue that can be difficult to view through endoscopic observation using standard light and to support visualization of the distribution of blood flow and lymph flow, thereby helping determine the appropriate scope of resection. Various clinical research projects are being advanced by healthcare professionals to examine these potential benefits. Specifically, infrared observation is anticipated to be viable for

use in the evaluation of blood flow at the site of intestinal anastomosis, which is thought to be related to anastomotic leaks; observation of the bile ducts in hepato-biliary-pancreatic field procedures; and identification of lymph ducts.

Normal Light Observation
The color mode button can be used when conducting observation under white light. Pressing this button while observing white light images will change the color tone of the image.

Infrared observation mode 1 (infrared observation image superimposed on base image)

Infrared observation mode 2

Observation modes changeable with controller buttons

MEDICAL BUSINESS

Gastrointestinal and Respiratory Business Unit (GIRBU)

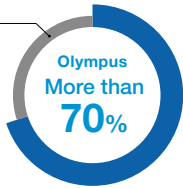


The GIRBU advances the Company's core business, which supports Olympus with its share of more than 70% of the global gastrointestinal endoscope market. We will continue to expand this business while improving profitability. At the same time, we will actively invest in boosting our share of the endotherapy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

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

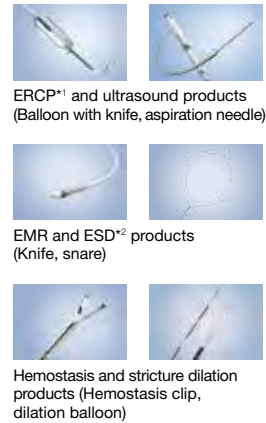
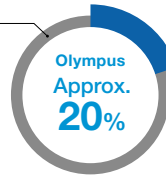
Endoscope Field

FUJIFILM
HOYA



Endotherapy (ET) Field

Boston Scientific
Cook Medical



*1. ERCP: Endoscopic Retrograde Cholangio Pancreatography
*2. EMR: Endoscopic Mucosal Resection
ESD: Endoscopic Submucosal Dissection

Operating Environment / Risks and Opportunities

Operating Environment

Developed countries	<ul style="list-style-type: none"> Rising case numbers due to aging population and higher cancer prevention awareness Ongoing increase in need for endoscopic therapies Higher requirements for quality and efficiency Increased concern for disinfection and sterilization processes
Emerging countries	<ul style="list-style-type: none"> Wider range of business opportunities accompanying economic growth Need for training to spread procedure usage

Strengths of Business Unit

- Dominating global market share for gastrointestinal endoscopes
- High-quality, global repair service infrastructure network
- Comprehensive training facilities and programs

Focuses for Business Growth

- Maintenance of endoscope market share and improvement of profitability
- Expansion of operations in field peripheral to endoscopes
- Investment in endotherapy devices and expansion of market share for these products
- Contributions to development of endoscopic medicine in emerging countries

Opportunities

- Rising case numbers due to aging population and higher cancer prevention awareness
- Projected increase in number of lung cancer patients, particularly in emerging countries
- Higher global awareness of cleaning, disinfection, and sterilization

- Potential for requirements for high-level disinfection and sterilization to become more stringent in response to infection issues
- Price competition resulting from global trend toward reducing healthcare costs
- More stringent cleaning, disinfection, and sterilization requirements

Risks

Business Strategies / Priority Measures

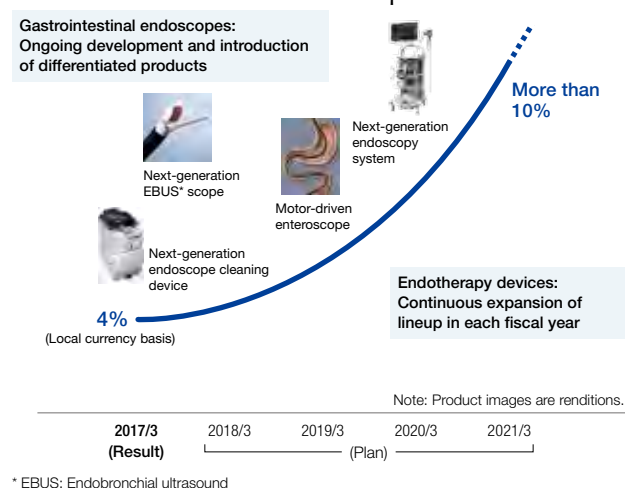
1	Secure Strong Market Leader Position in Gastrointestinal Endoscope Business and Improve Profitability through Selection and Concentration
2	Expand Business in Respiratory, CDS, Endoscopic Ultrasound, Capsule Endoscopy, and IT Fields
3	Realize Business Growth in Emerging Markets
4	Expansion of Endotherapy Device Business (Single-Use Devices)

Accomplishments in Fiscal 2017 and Future Measures (Tasks)

① Secure Strong Market Leader Position in Gastrointestinal Endoscope Business and Improvement 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. At the same time, we will work to improve profitability by boosting the efficiency of R&D, manufacturing, and sales functions. In fiscal 2017, performance was solid in the gastrointestinal endoscope field, with double-digit sales growth being recorded in China and other parts of Asia and Oceania. 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 and treatments with Olympus endoscopes to be performed with increased efficiency. For example, during the period of 16CSP, we plan to systematically introduce scopes designed specifically for certain procedures to address such needs. In the latter half of the period, we are scheduled to launch next-generation platform systems for gastrointestinal endoscopes, which will accelerate growth during the second half of the plan.

GIRBU Growth Rates and Product Expansion Plans



② Expansion of Endotherapy Device Business (Single-Use Devices)

In North America, the largest market for endotherapy devices, we achieved double-digit sales growth for these devices for the third consecutive year. This accomplishment was a result of initiatives such as enhancing product lineups and reorganizing sales forces. 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 continuously develop differentiated products and acquire lineups of competitive products while 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.

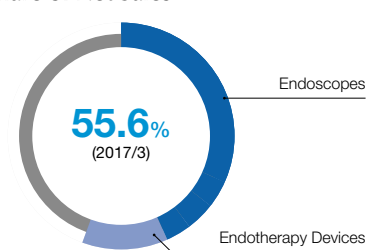
KPI (16CSP)

Net Sales: CAGR of 7%		
Field	Target	Market Scale (Growth Forecasts)
Endoscopes	CAGR: 6%	¥350 billion–¥370 billion (CAGR: 4%–6%)
Endotherapy Devices	CAGR: 9%	¥370 billion–¥390 billion (CAGR: 4%–6%)

Net Sales

GIRBU:
¥319.7 billion
(2017/3)

Share of Net Sales



MEDICAL BUSINESS

General Surgery Business Unit (GSBU)



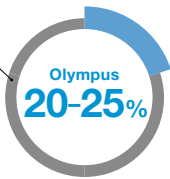
Head of General Surgery Business Unit
Tomohisa Sakurai

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.

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

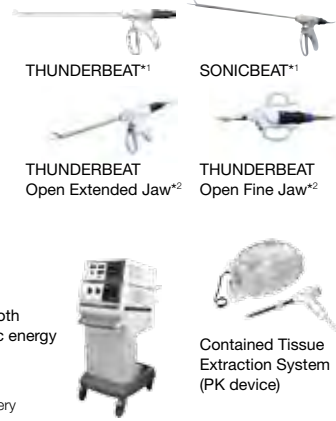
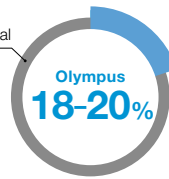
Surgical Imaging

STORZ
Stryker
Richard Wolf
Arthrex



Surgical Energy Devices

ETHICON
Medtronic
Applied Medical



*1. For laparoscopic surgery and open surgery
*2. For open surgery

Operating Environment / Risks and Opportunities

Operating Environment

Surgical imaging	<ul style="list-style-type: none"> ■ Growing maturity of 3D device market over the medium term, normalization of imaging sensors and data transferring technology compatible with 4K systems, and acceleration of full 4K system introduction ■ Ramped up R&D activities related to special light imaging technologies by companies for soliciting unique value to customers
Surgical energy devices	<ul style="list-style-type: none"> ■ Maturity to progress in European, Japanese, and then Chinese markets while the United States remains the largest market for energy devices

Strengths of Business Unit

- Only manufacturer to provide both the surgical imaging devices and the energy devices necessary for endoscopic surgery
- High-resolution and high-quality 3D, 4K, and other systems
- Operating room integration field business foundations reinforced through acquisition of Image Stream Medical, Inc.

Focuses for Business Growth

- Growth greatly exceeding market growth rate
- Establishment of new de facto standard in surgical imaging market
- Development of single-use device business model

Opportunities

- Rising demand for increasing clinical and economic efficacy
- Growing demand for minimally invasive therapy due to increased detection of early stage diseases through early diagnosis
- Expansion of minimally invasive therapy markets in emerging countries

- Greater emphasis on cost performance stemming from growing pressure to limit healthcare costs
- Focus on centralized purchasing through IDNs and GPOs
- Entry into market by low-cost manufacturers

Risks

Business Strategies / Priority Measures

1	Establish New De Facto Standard in Surgical Imaging Market
2	Fully Leverage Strengths of Olympus in Gastrointestinal Endoscope Field
3	Secure No. 3 Position in Energy Device Market and Encroach upon No. 2 and No. 1 Positions
4	Establish Single-Use Device Business Model

Accomplishments in Fiscal 2017 and Future Measures (Tasks)

① Establish New De Facto Standard in Surgical Imaging Market

Fiscal 2017 sales growth in the surgical imaging market was slower than had been anticipated. Factors behind this slow growth included the increasing complexity of the purchase decision-making processes at hospitals as well as the larger amounts of time these institutions have been devoting to comparing products from different companies. However, progress in the implementation of our strategies and priority measures was on schedule. Specifically, the newly introduced VISERA ELITE II—the next-generation successor of a mainstay surgical endoscopy system—was developed as a differentiated product that is compatible with 3D scopes, which support swift and accurate surgeries, and infrared observation and otherwise incorporates the needs of physicians to the greatest degree possible. Following up on the release of the VISERA ELITE II in the European and Japanese markets, this product will be systematically introduced into the North American and Chinese markets going forward. In regard to our 4K surgical endoscopy system, a strategic product developed by Sony Olympus Medical Solutions Inc., we have made steady progress in soliciting this product to customers that have mainly used rival products, encouraging them to convert to Olympus products. Both the VISERA ELITE II and the 4K surgical endoscopy system are equipped with functions and technologies that differentiate them from competitors' offerings and have thus won strong praise from healthcare professionals. By soliciting the value of these products, we aim to raise their level of recognition in the market and thereby expand our market share while establishing these products as the new de facto standard for 3D and 4K systems in the surgical imaging market.

Characteristics and Benefits of the Newly Introduced VISERA ELITE II

1. Improved usability

- All-in-one system
- Space saving realized through integration of processor, light source, and 3D image processor and intuitive controls via low-cost LCD touch panel

2. Higher observation capabilities

- New infrared observation function*
- Increased NBI brightness
- Higher resolution (Enhanced coloring of bleeding sites, more natural colors, etc.)

3. Multipurpose platform

- Compatible with a wide range of hospital departments (Efficient operation within hospitals through diverse scope lineup and extensive range of observation modes)

VISERA ELITE II



* For details on the infrared observation function, please refer to page 43.

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

The energy device business is anticipated to grow at a startling pace, thereby driving the growth of the Company. Olympus aims to expand its share in the energy device market by broadening its device portfolio and shortening the product development cycle. THUNDERBEAT, a strategic product, continues to deliver strong performance, with double-digit sales growth in principal regions in fiscal 2017. THUNDERBEAT is an energy device that integrates advanced bipolar and ultrasonic energy. As a platform, THUNDERBEAT is compatible with our lineup of THUNDERBEAT products, which includes instruments for laparoscopic surgeries and for open abdominal and chest surgeries, as well as with the SONICBEAT ultrasonic energy device and the bipolar PK device. THUNDERBEAT is thus a shared platform that can be utilized to approach a wide range of clinical departments. Looking ahead, we will continue expanding our energy device market share by bolstering our lineup of products through the development of devices that are compatible with various surgeries and procedures while also growing our single-use device operations.

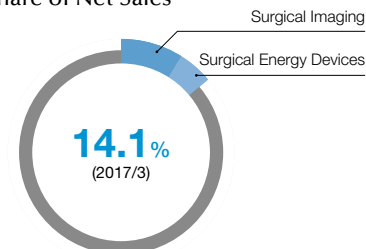
KPI (16CSP)

Net Sales: CAGR of 11%		
Field	Target	Market Scale (Growth Forecasts)
Surgical Imaging	CAGR: 10%	¥260 billion–¥290 billion (CAGR: 2%–4%)
Surgical Energy Devices	CAGR: 14%	¥160 billion–¥180 billion (CAGR: 3%–5%)

Net Sales

GSBU:
¥81.3 billion
(2017/3)

Share of Net Sales



MEDICAL BUSINESS

Urology / Gynecology Business Unit (UGBU)



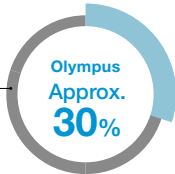
Head of Uro / Gyn Business Unit **Minoru Okabe**

The UGBU 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.

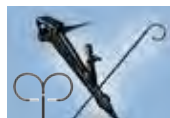
Global Market Share / Competitors (As estimated by the Company)

Urology

Karl Storz
Richard Wolf
Boston Scientific
Cook Medical
CR Bard



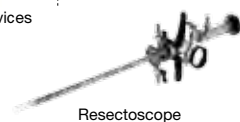
Flexible ureteroscope



Flexible cystoscope



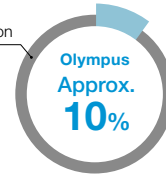
Stone treatment devices (single-use)



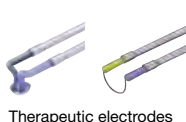
Resectoscope

Gynecology

Karl Storz
Richard Wolf
Johnson & Johnson



Flexible hysteroscope



Therapeutic electrodes

Operating Environment / Risks and Opportunities

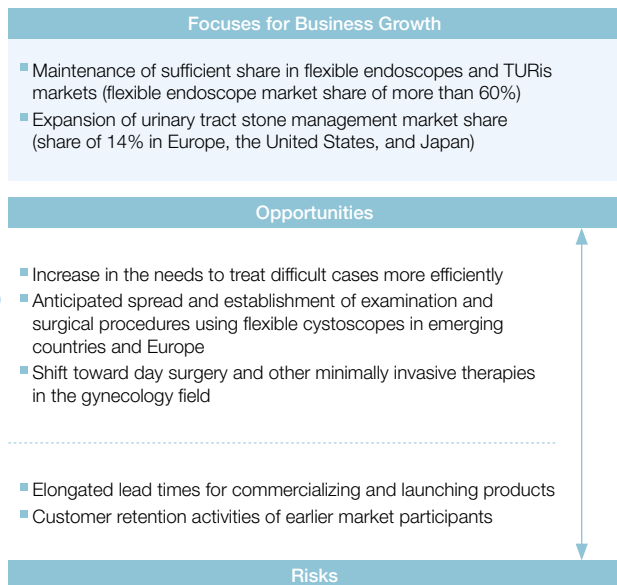
Operating Environment

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 day surgery and prevention of reoccurrence Approx. 1.8 million stone treatment procedures conducted annually; number of high-efficacy endoscopic treatments (ureteroscopic lithotripsy) rising (compound annual growth rate: 4%)
Gynecology	<ul style="list-style-type: none"> Previously, no competitor with an overwhelming gynecology market share, with the field mostly served by multi-specialty companies offering a wide range of products, including those outside of the gynecology field, but potential for massive companies to enter the market through M&A activities and drive the consolidation of the market

Strengths of Business Unit

- Robust TURis* product lineup and high installation base share
- Competitive diagnosis (NBI) and treatment (TURis) technologies
- Superiority in terms of rigid endoscope and high-frequency resection device technologies that can be applied to the gynecology field

* TURis: Transurethral Resection in Saline



Business Strategies / Priority Measures

1	Urology: Secure Dominant Shares in Markets for Flexible Endoscopes and TURis Products That Leverage Technological Prowess of Olympus
2	Urology: Strengthen Urinary Tract Stone Management Business Operations to Expand Market Share
3	Gynecology: Increase Market Share by Leveraging Existing Products and Technologies

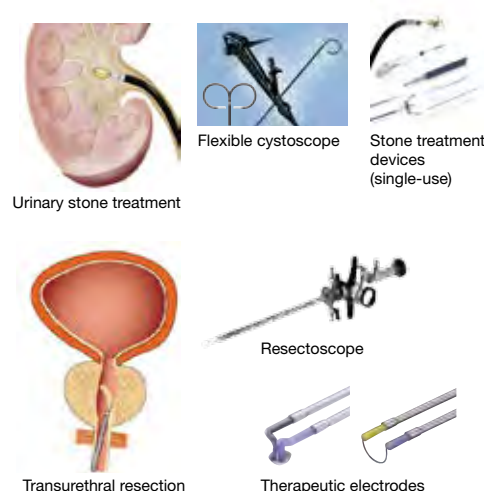
Accomplishments in Fiscal 2017 and Future Measures (Tasks)

① Urology: Secure Dominant Shares in Markets for Flexible Endoscopes and TURis* Products That Leverage Technological Prowess of Olympus / Strengthen Urinary Tract Stone Management Business Operations to Expand Market Share

Olympus boasts an unrivaled competitive edge and dominant market shares for cystoscopes, which are used in the diagnosis of bladder tumors, and flexible ureteroscopes, which are used for treating urinary tract stones and kidney stones. For cystoscopes, we won this share by utilizing the strength of the NBI we originally developed for use in gastrointestinal endoscopes, whereas our share for flexible ureteroscopes was achieved by taking advantage of our small diameter scope technologies. In addition, the top market share for bipolar electrodes for benign prostatic hypertrophy and bladder tumor resection has been claimed with the high-performance, high-frequency technologies we have accumulated in surgical energy device operations.

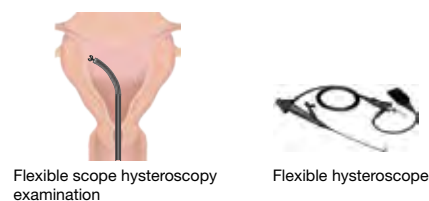
In fiscal 2017, strong performance was seen in all regions centered on bipolar electrodes for benign prostatic hypertrophy and bladder tumor resection, leading to double-digit growth in overall sales for the UGBU and resulting in performance that exceeded our forecasts. Case numbers for both of these treatments are displaying an upward trend. Seeking to take advantage of this trend to drive the ongoing growth of bipolar electrode sales during the second half of 16CSP, we will continue to reinforce the competitiveness of our products while also strengthening customer contact points and sales capabilities. We will also enhance our ability to cater to the needs of GPOs and IDNs while improving support for healthcare professionals to promote the spread of procedures. In addition, we will leverage our high share of the ureteroscope market to grow sales of stone treatment devices (single-use), which are used with flexible ureteroscopes to treat urinary tract stones.

* TURis: Transurethral Resection in Saline



② Gynecology: 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 expand our market share in areas in which we can exploit our superior technologies and competitive products to grow sales. At the same time, we will pursue further sales growth by responding to customer needs through the launch of new transcervical resection in saline (TCRiS) bipolar electrodes and other enhancements to our product portfolio.



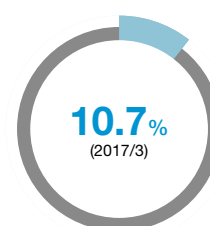
KPI (16CSP)

Net Sales: CAGR of 8%		
Field	Product	Target
Urology	Flexible Scopes	Acquire and maintain dominating No. 1 share (more than 60%)
	TURis Electrodes	CAGR: 6%
	Stone Treatment Devices (single-use)	Share: 14% (Europe, U.S., and Japan)
Gynecology	TCRiS Electrodes	Share: 5% (U.S.)

Net Sales

UGBU:
¥61.8 billion
(2017/3)

Share of Net Sales



MEDICAL BUSINESS

Ear, Nose, and Throat Business Unit (ENTBU)



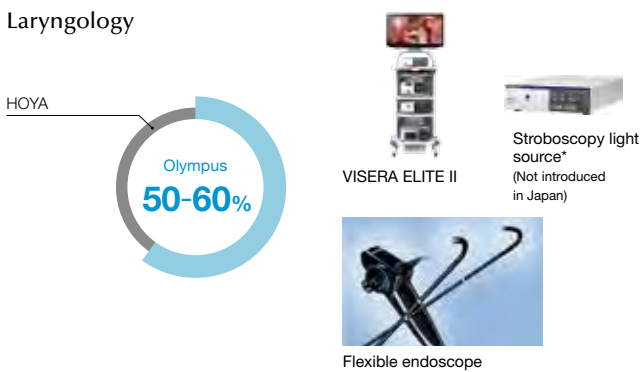
Head of ENT Business Unit

Georg Schloer

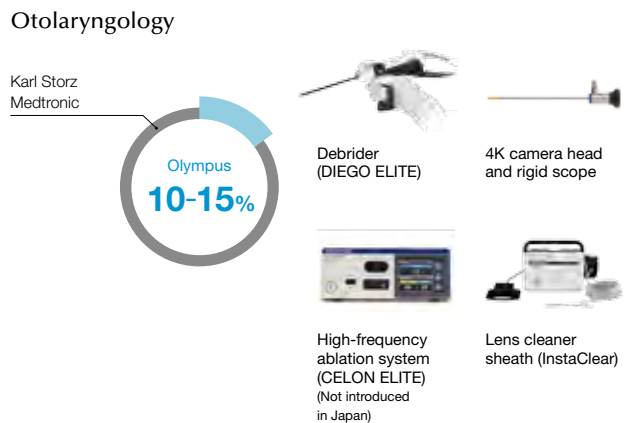
The ENTBU will continue to grow its operations by utilizing the Company's core competencies and capitalizing on the strong growth potential of the ENT business. Specific efforts will include expanding the range of areas in which this business unit is active by leveraging the technologies developed in gastrointestinal endoscope and surgical device operations. We will also aggressively invest in both sales network reinforcement and product development to increase earnings capacity.

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

Laryngology



Otolaryngology



* Uses stroboscopic light to examine vocal cord movement and determine the presence of polyps

Operating Environment / Risks and Opportunities

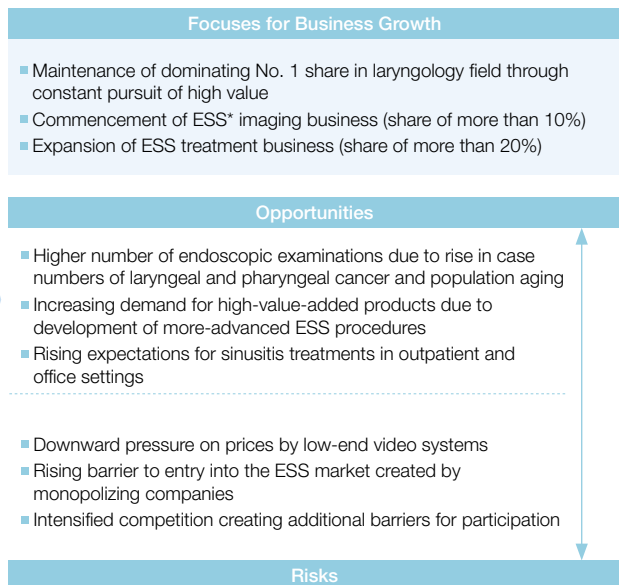
Operating Environment

Laryngology	<ul style="list-style-type: none"> Improved recognition of NBI benefits Rising needs for early diagnosis
Otolaryngology	<ul style="list-style-type: none"> Increased needs for high-resolution, wide-color-spectrum images through HD and 4K systems Sinus surgeries and procedures using debriders commonplace in developed countries

Strengths of Business Unit

- Competency with regard to imaging devices and endoscopes in particular
- Wide-ranging R&D resources in imaging technology field
- Extensive product portfolio in rhinology and otology fields

* ESS: Endoscopic Sinus Surgery



Business Strategies / Priority Measures

1	Laryngology: Expand ENT Flexible Endoscope Operations Centered on “Videonization”
2	Otolaryngology: Acquire ESS Operations
3	Establish Global Sales Systems

Accomplishments in Fiscal 2017 and Future Measures (Tasks)

① Expansion of ENT Flexible Endoscope Operations Centered on “Videonization”

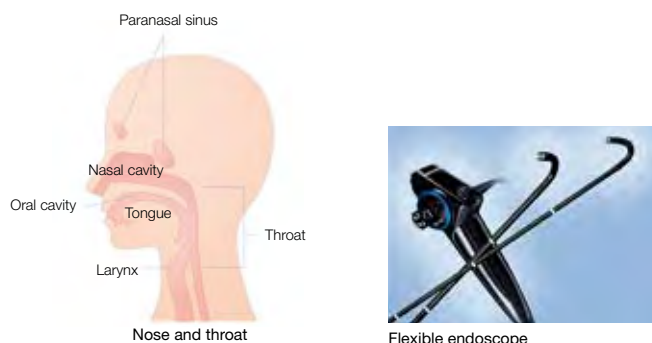
As a result of our global efforts to solicit the medical benefits of narrow band imaging (NBI), the transition from fiberscopes to videoscopes progressed smoothly, contributing to year-on-year increases in both sales volumes and amounts.

In fiscal 2018, we will continue to differentiate Olympus from its rivals. At the same time, we will seek to reinforce ENT business foundations by achieving ongoing growth in videoscope sales through the introduction of new, high-value-added products.

② Acquisition of ESS Operations

Our ESS treatment device (DIEGO ELITE) has been developing a strong reputation for its high-value-added functions, thereby driving the expansion of single-use device operations. At the same time, Olympus’ ESS field imaging operations have also been showing smooth growth. Contributions to this growth came from the introduction of a 4K camera system (capital products), which is garnering praise for its high levels of precision and wide spectra of colors, and the launch of InstaClear (single-use device), a lens cleaning sheath that is used to quickly clean the tips of lenses during procedures.

In fiscal 2018, we will continue soliciting the differentiated performance of DIEGO ELITE, the 4K camera system, and InstaClear while simultaneously building upon our distinctive strengths from the perspectives of “See & Treat.” Furthermore, both capital product and single-use device operations will be expanded. Through these efforts, we will seek to bolster our ESS operating foundations.



Flexible endoscope

Laryngeal and pharyngeal region examinations are conducted by inserting flexible endoscopes via the nasal cavity.



Endoscopic sinus surgery

Lens cleaning sheath (InstaClear)

4K rigid scopes

DIEGO ELITE

Clogged paranasal cavities are cleared by making incisions with debriders, while observing the site via endoscopes, to extract the pus that has accumulated in the cavity.

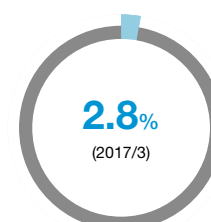
KPI (16CSP)

Net Sales: CAGR of 13%		
Field	Product	Target
Laryngology	Flexible Scopes	Maintain dominant No. 1 share by pursuing even higher levels of product and service value
Otolaryngology	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%

Net Sales

ENTBU:
¥16.1 billion
(2017/3)

Share of Net Sales



MEDICAL BUSINESS

Medical Service Business Unit (MSBU)



Head of Medical Service Business Unit

Yoshihito Shimizu

We recognize the Medical Service Business Unit as supplying a core competency of Olympus that supports the Medical Business. This business unit will continuously strengthen customer contact points to provide ongoing support for the overall growth of the Medical Business. Specifically, we aim to further enhance relationships with customers and grow our medical service business. To this end, we will allocate the management resources necessary for establishing and reinforcing service system foundations in emerging countries that are projected to grow rapidly while providing services matched to various customer needs.

Business Strategies / Priority Measures

- 1 Expansion of Service Contracts*1
- 2 Reinforcement of Surgical Device Field Services
- 3 Deployment of Efficient Repair Services and Improvement of Productivity

Accomplishments in Fiscal 2017 and Future Measures (Tasks)

Olympus has continued working 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 respond to various customer needs and realize high levels of customer satisfaction. In addition, we will enhance endoscopic medicine support services.

In fiscal 2017, the first year of 16CSP, performance was strong in all regions, leading to growth in line with our expectations. Seeking to develop even more appealing service contracts, we enhanced our service contract management systems and began performing analyses of data on the frequency of use cases prior to product failures*2 in order to facilitate preventive medicine activities. In regard to services for the surgical device field, our efforts are focused on services that contribute to improvements in device operating rates. At the same time, we are undertaking a reform of our base network centered on Europe and the United States, which includes reorganizing, consolidating, and establishing new repair bases. We commenced operations at a new repair base in Portugal in April 2017, and the construction of our second repair base in North America is currently underway in Tennessee State of the United States. In the future, we are planning the sequential start-up of new repair bases in the Middle East (Dubai) and Asia. Coordination will be pursued with the manufacturing function in order to maximize the benefits of the consolidation of repair bases as we move ahead with the reorganization and reinforcement of our repair functions. Although repair bases will be consolidated, service bases will be maintained to function as contact points with customers in order to improve efficiency, quality, and profitability while also enabling us to provide services that thoroughly satisfy our customers.

Medical equipment repair and service sites:
Approx. 200 worldwide
 Of which, major repair sites:
50 worldwide
 (As of June 30, 2017)

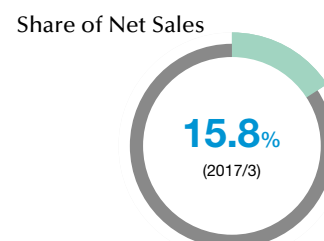


*1. Service contracts: Single- or multiple-year contracts providing service coverage including free repair, priority access to loaners, regular inspection, and preventive maintenance training
 *2. Frequency of use cases prior to product failures: Data usable for planning preventive maintenance training based on customer use patterns

KPI (16CSP)

Net Sales: CAGR of 5%		
Field	Target	Key Points
Service Contract	CAGR: 6%	<ul style="list-style-type: none"> • Increase number of service contracts • Expand service operations for surgical devices
General Repairs	CAGR: 0.5%	

Net Sales
 MSBU:
¥91.2 billion
 (2017/3)



SCIENTIFIC SOLUTIONS BUSINESS



Head of Scientific Solutions Business Unit **Toshihiko Okubo**

We will help make people's lives healthier, safer, and more fulfilling around the world by supplying innovative products and services for supporting scientific research, pathological diagnoses, and inspections of manufacturing and social infrastructure.

During the first year of 16CSP, the Scientific Solutions Business completed its transition from an organizational structure optimized with regard to individual product lines to an entirely optimized organizational structure focused on customer segments. We have thus entered into the stage in which we will be executing customer segment-oriented strategies. By allocating the newly consolidated management resources to customer segments in a focused manner, we will pursue further growth and profitability improvement.

- 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
- Creation of business opportunities and improvement of efficiency through organizational structure based on customer segments

- 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

Strengths	Weaknesses
S	W
O	T
Opportunities	Threats

- 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

- Large foreign exchange rate movements
- 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

Operating Environment and Business Opportunities

In the short term, we are witnessing improvements in conditions for the semiconductor and electronic components industries due to increased demand in relation to smartphones and the Internet of Things (IoT). Trends surrounding capital investment are also showing an upturn thanks to increases in resource prices. In the medium-to-long term, we anticipate growth in the Scientific Solutions Business to be driven in part by market expansion stemming from investment in aviation,

transportation, and other social infrastructure. Solutions for the drug discovery and regenerative medicine fields will also contribute to this growth.





Meanwhile, we aim to improve business efficiency and reinforce our earnings foundation in the Scientific Solutions Business by advancing business restructuring. At the same time, we will invest in growth fields over the medium-to-long term to expand earnings.

Overview of Scientific Solutions Business and Direction of Strategies

The Scientific Solutions Business provides microscopes, which Olympus has been manufacturing since its inception. These microscopes are used in various fields, whether for conducting pathological examinations related to cancer diagnosis, assisting advanced life science or new material research, or performing quality control on manufacturing lines. Furthermore, the industrial endoscopes and non-destructive testing

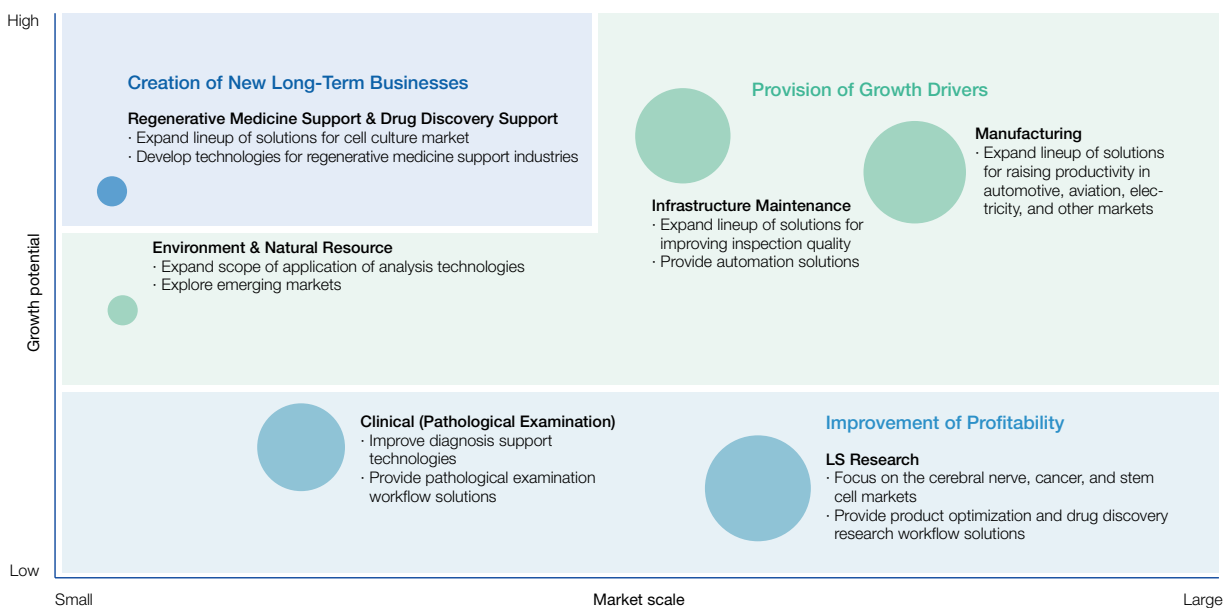
equipment offered in this business are used in inspections and maintenance of social infrastructure, underpinning the safety and efficiency of such activities. Under 16CSP, the Scientific Solutions Business is shifting the focus of its strategies from product lines to customer segments in order to selectively concentrate its resources on growth fields in the pursuit of business expansion and higher profitability.

Operating Environment and Share Direction of Business

		Product Lines			
Field	Biological Microscopes	Industrial Microscopes	Industrial Videoscopes	Non-Destructive Testing Equipment	X-ray Fluorescence (XRF) Analyzers
Share	30-40%	20-30%	35-45%	30-40%	25-35%
Competitors	Nikon, Zeiss, Leica	Nikon, Zeiss, Leica	GE	GE	Thermo Fisher
Products					
Customer Segment	LS Research				
	Regenerative Medicine Support & Drug Discovery Support				
	Clinical (Pathological Examination)				
	Infrastructure Maintenance				
	Manufacturing				
	Environment & Natural Resource				

Direction of Business Development by Customer Segment

● Sizes of circles represent portion of total sales

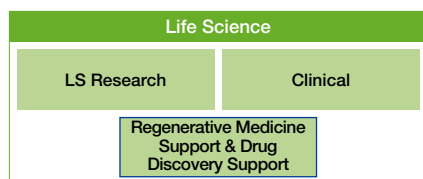


Priority Measures

1	Realize Continuous Organic Growth and Keep Operating Margin Consistently above 10% through Initiatives Tailored to Customer Segments	<ul style="list-style-type: none"> Grow using existing products Improve profitability by optimizing expenses in existing businesses
2	Actively Expand Portfolios Targeting Customer Segments from Which Particular Growth Can Be Anticipated in Consideration of Company Strengths and Market Growth Potential	<ul style="list-style-type: none"> Expand lineup of solutions that contribute to increased inspection quality, productivity, and efficiency for customers
3	Broaden Scope of Development of Drug Discovery and Regenerative Medicine Solutions to Further Long-Term Growth	<ul style="list-style-type: none"> Conduct up-front investments in future growth

Accomplishments in Fiscal 2017 and Future Measures (Tasks)

Accomplishments	Future Measures (Tasks)
<ul style="list-style-type: none"> Contributions to performance primarily during second half of fiscal year from strategic products introduced into our biological microscope, industrial endoscope, and X-ray fluorescence (XRF) analyzer product lines Proactive expansion of product portfolio for manufacturing, infrastructure maintenance, and other customer segments in which we can anticipate market growth and leverage Company strengths Strong performance in component business supplying components that utilize advanced optical technology and are meant to be embedded in other equipment and for non-destructive testing equipment designed to be incorporated into automated inspection processes 	<ul style="list-style-type: none"> Realization of sales and income growth for existing product lines by expanding market share through the development of new products and sales methods that cater to customer segments Advancement of R&D ventures to expand portfolio and implementation of other strategies for creating new sales opportunities Investment in long-term growth in the regenerative medicine support and drug discovery support fields, which are anticipated to see market growth in conjunction with future advancement of research



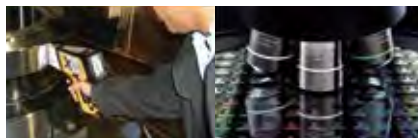
Regenerative Medicine Support & Drug Discovery Support



Contributions to Life Science and Medical Research
By supplying biological microscopes, Olympus supports basic life science research for purposes such as gaining knowledge about diseases. In the future, we will conduct research and development of microscope products based on the needs of users in support of regenerative medicine and drug development, and subsequently create new demand for these products in such growth markets.



Manufacturing



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, automotive, and aircraft 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.

Infrastructure Maintenance

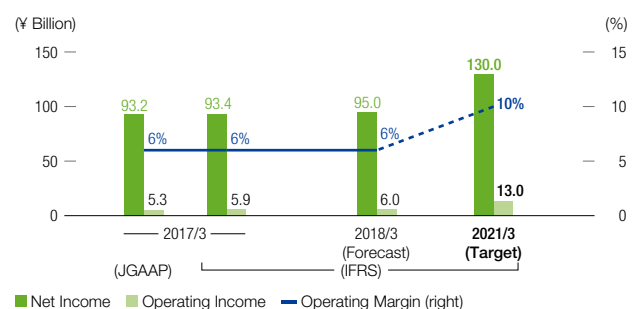


Contributions to Safety and Peace of Mind in People's Daily Lives
Olympus contributes to safety and peace of mind in people's daily lives by supplying inspection, measurement, and analysis solutions for use in the maintenance and inspection of lifelines and social infrastructure, such as aircraft, manufacturing 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 (16CSP)

Net Sales: ¥130 billion Operating Margin: 10%
(FY2021)

Indicator	Target	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
Operating Income (Operating Margin)	¥13 billion (10%)	<ul style="list-style-type: none"> Product and technology portfolio expansion targeting additional sales growth



IMAGING BUSINESS



Head of Imaging Business Unit **Masamichi Handa**

We will provide people with joy and make their lives more fulfilling through the supply of mirrorless cameras and other innovative products.

The Imaging Business has successfully transitioned to a cost structure that enabled it to achieve profitability. Our next step will be to continue structural reforms to ensure that we can stably generate income. Looking ahead, we will strive to supply products and services that are uniquely Olympus by identifying customers' photography needs and stepping up the development, manufacture, and sale of high-value-added products.

- 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

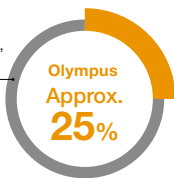
Strengths	Weaknesses
S	W
O	T
Opportunities	Threats

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

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

Domestic Market Share (Mirrorless cameras)

Canon, Nikon, Sony, Panasonic, etc.



Digital Cameras



Mirrorless interchangeable-lens cameras, compact digital cameras, digital camera-related products, digital camera lens barrels, optical components

Others



IC recorders, binoculars

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 continue generating income, despite the reduced sales. We are also enhancing earnings structures by strengthening sales of high-margin interchangeable lens products.

Priority Measures

1	Advance Ongoing Business Structure Reforms	<ul style="list-style-type: none"> Focus on the development of high-value-added mirrorless cameras (primarily OM-D series) and interchangeable lenses (PRO series) boasting competitive prices Develop systems that allow for improved efficiency in new product manufacturing start-ups and mass production by transferring production to Vietnam Increase the procurement of finished units and establish systems for Companywide purchasing
2	Improve Responsiveness to Market Changes	<ul style="list-style-type: none"> Monitor the market scale and Olympus' share to respond to changes in conditions by improving sales function efficiency and advancing the selection and concentration of target market segments
3	Minimize Inventory Risks	<ul style="list-style-type: none"> Reduce product supply lead times and lower risks associated with overdependence on certain regions to shorten inventory turnover periods
4	Contribute to Olympus as Groupwide Technology Driver	<ul style="list-style-type: none"> Establish comprehensive range of technologies for 4K and 8K video, development of devices necessary for recording at these resolutions, and optimization of interface with outputs (monitors) Apply advanced digital, low-cost manufacturing, and mobile technologies—which are created through the process of developing and manufacturing OM-D series cameras and PRO series lenses—to other businesses

Accomplishments in Fiscal 2017 and Future Measures (Tasks)

Accomplishments	Future Measures (Tasks)
<ul style="list-style-type: none"> Achievement of profitability through structural reforms <ul style="list-style-type: none"> Selection and concentration of sales channels Transference of production to the Vietnam plant (phase 1), reduction in ratio of manufacturing costs to net sales Reinforcement of earnings foundation <ul style="list-style-type: none"> Revision of cost structures through streamlining of development processes Improvement of product quality through enhancement of quality assurance systems Optimization of inventory levels (¥23.7 billion on March 31, 2015 → ¥13.6 billion on March 31, 2017) On-schedule introduction of OM-D E-M1 Mark II and three M. ZUIKO PRO series lenses due to concentration on development of mirrorless cameras 	<ul style="list-style-type: none"> Ongoing advancement of structural reforms to maintain profitability <ul style="list-style-type: none"> Reinforcement of sales function after streamlining through selection and concentration (monitoring and response to changes in conditions) Expansion of production capacity and improvement of efficiency at Vietnam factory (phase 2 measures to be advanced after production transference) Ongoing development and manufacturing of high-value-added products and technologies and implementation of marketing and sales strategies based on specialist needs

Triple Honors at the Camera Grand Prix 2017 Awards and Receipt of XXVII TIPA Awards

Awards were received by the OM-D E-M1 Mark II mirrorless camera and the M. Zuiko Digital ED 12–100mm f/4.0 IS PRO high-magnification interchangeable zoom lens in the Camera Grand Prix 2017 Awards and the XXVII TIPA Awards.



Named "Lens of the Year" in Camera Grand Prix 2017 and received "Best CSC Telephoto Zoom Lens" award in XXVII TIPA Awards



Named "Camera of the Year" and received "Readers Award" in Camera Grand Prix 2017 Awards and "Best Mirrorless CSC Professional" award in XXVII TIPA Awards



Yukihiko Sugita
Head of Imaging Development
Headquarters (right)



Development team for the OM-D E-M1 Mark II mirrorless camera and the M. Zuiko Digital ED 12–100mm f/4.0 IS PRO

KPI (16CSP)

Maintain profitability by improving earnings structures		
Indicator	Target	Key Points
Net Sales	¥55 billion	<ul style="list-style-type: none"> Achieved full-year operating income for the first time in seven years
Operating Income (Operating Margin)	¥2 billion (4%)	<ul style="list-style-type: none"> Increased portion of sales from mirrorless cameras despite lower net sales

