

OLYMPUS

Your Vision, Our Future

OLYMPUS Investor Day 2017

Medical Business Strategy

Akihiro Taguchi
Business Management Officer,
Medical Business
Olympus Corporation
September 13, 2017

16CSP

Disclaimer

- This material contains forward-looking statements that reflect management's current views, plans, and expectations based on information available at the time of preparation. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, future business decisions, and other internal and external factors that may cause the Company's actual results, performance, achievements, or financial position to be materially different from any future results expressed or implied by these forward-looking statements.
- Additionally, this information is subject to change without notice. Accordingly, other information should be used in addition to this material when making investment decisions.
- These materials contain information on products that have not yet been approved under The Law on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (including products still under development). This information is not provided for the purposes of advertising or offering medical advice. This information is purely meant to offer examples of Olympus' R&D activities. Moreover, the Company does not guarantee that products described in these materials will actually be marketed.
- Olympus Corporation assumes no responsibility for any damage resulting from the use of this material.

Olympus' Vision

Olympus contributes to society by making people's lives healthier, safer, and more fulfilling around the world

Value to Be Provided by Medical Business

Early diagnosis

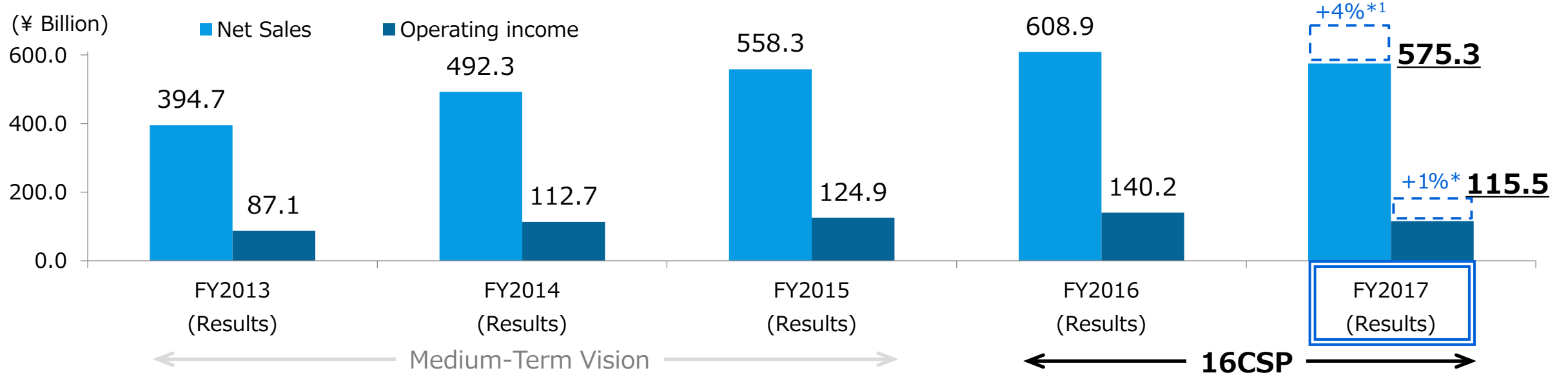
+

Minimally invasive
therapy

- 1. Review of the First Year of 16CSP and Future Initiatives (Challenges and Measures)**
2. Progress toward Overcoming Strategic Challenges and Future Initiatives by Business Unit

Review of the First Year of 16CSP and Future Initiatives

*Under Japanese GAAP



*1 Growth rates are after adjustment for foreign exchange influences (influences in relation to FY2016).

| Medical | FY2017 Growth rate*2 (Result) | 16CSP CAGR |
|--------------------------------|--|------------|
| | 4% | 8% |
| | Gastrointestinal Endoscopes: 4% | 6% |
| | Surgical Device: 4% | 11% |
| Endotherapy Devices: 7% | 9% | |

<Net Sales>

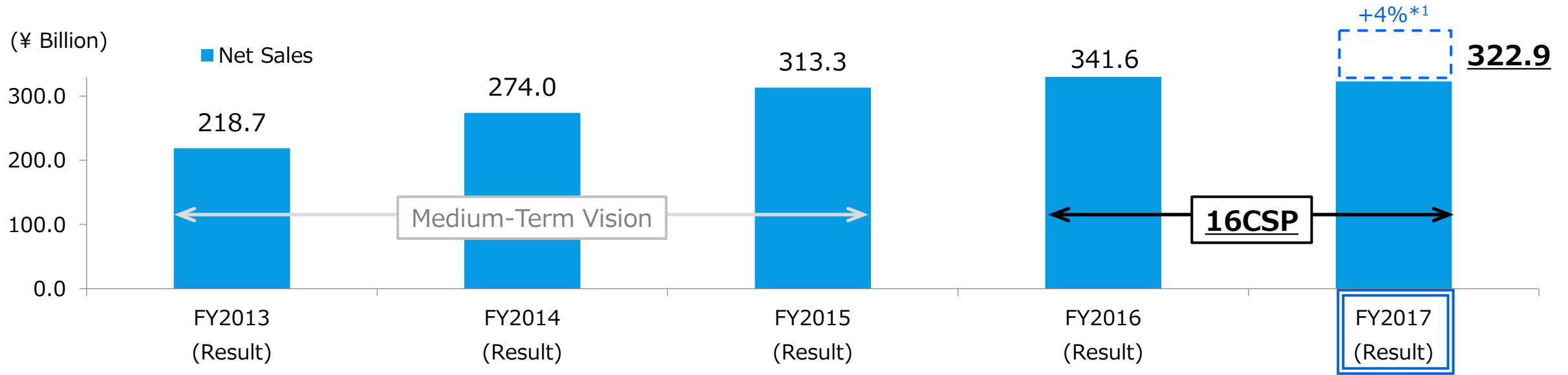
- Net sales growth falls below CAGR at 4% due to mainstay gastrointestinal endoscopes and surgical endoscopes entering the late stage of their lifecycles
- Stark difference between relatively strong performance in Europe and Asia / Oceania and struggling surgical device growth in North America

<Operating income>

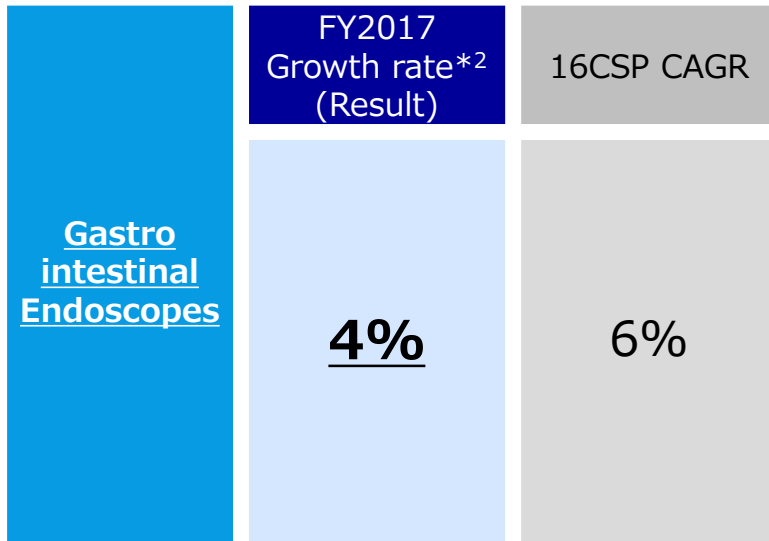
- Operating income and margin relatively unchanged YoY when the impacts of foreign exchange influences are excluded

Review of the First Year of 16CSP and Future Initiatives – GI –

*Under Japanese GAAP



*1 Growth rates are after adjustment for foreign exchange influences (influences in relation to fiscal 2016).



■ Challenges:

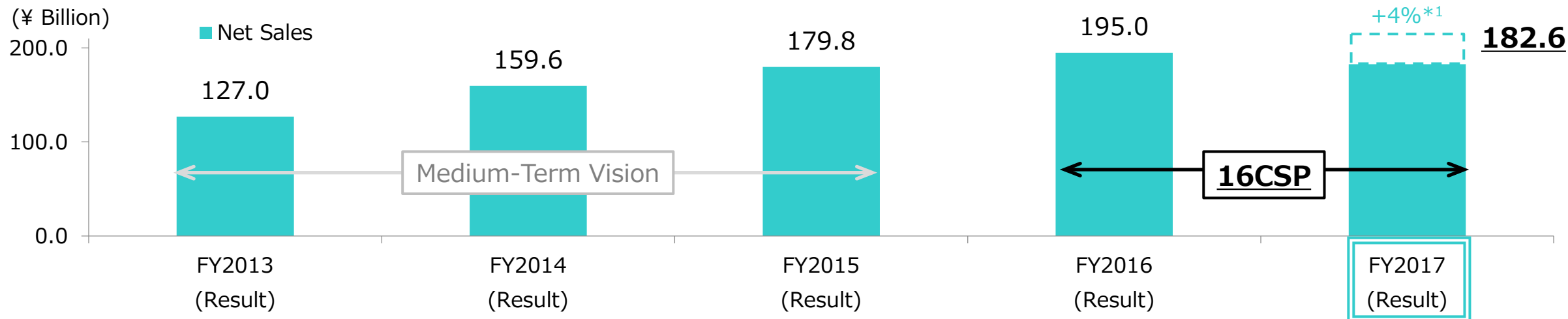
- ✓ Address sluggish growth in developed countries where products were launched five years ago

■ Measures:

- ✓ Step up scope sales and approach toward customers using competitor products in developed countries and deploy appealing sales programs
- ✓ Secure double-digit growth in China and other parts of Asia / Oceania
- ✓ Invest in development of next-generation systems
- ✓ Expand operations related to respiratory endoscopes, ultrasound endoscopes, and peripheral equipment (CDS, IT)

Review of the First Year of 16CSP and Future Initiatives – Surgical Devices –

*Under Japanese GAAP



*1 Growth rates are after adjustment for foreign exchange influences (influences in relation to fiscal 2016).

| | | |
|------------------------|-------------------------------|------------|
| Surgical Device | FY2017 Growth rate*2 (Result) | 16CSP CAGR |
| | 4% | 11% |

- Performance falls below targets in North America, largest market, in first year of 16CSP; issues remain for surgical devices

<Surgical Imaging>

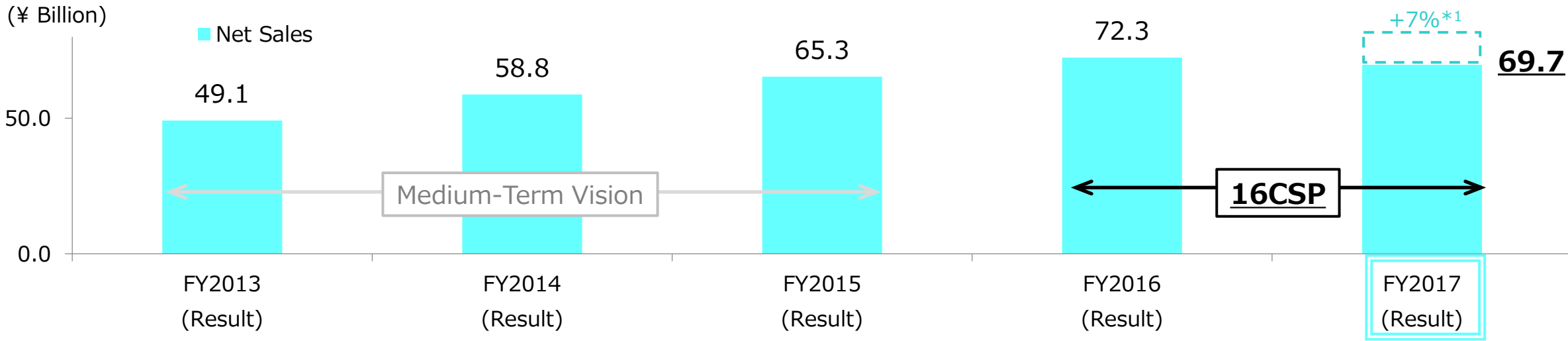
- Challenges: Address delays in developing de facto standard for 4K and 3D systems and prolongation of budget execution and business negotiation periods
- Measures:
 - ✓ Provide comprehensive 4K and 3D solutions incorporating system integration services of acquired ISM and accelerate development of de facto standard
 - ✓ Enhance account and pipeline management
 - ✓ Step up sales promotions for VISERA ELITE II

<Energy Devices>

- Challenges: Address decline in sales of products related to the PK bipolar device
- Measures:
 - ✓ Initiative phased recovery of PK-related sales through introduction of CTE*3 system
 - ✓ Expand THUNDERBEAT operations through enhancement of already-appealing portfolio

Review of the First Year of 16CSP and Future Initiatives – ET –

*Under Japanese GAAP



*1 Growth rates are after adjustment for foreign exchange influences (influences in relation to fiscal 2016).

| | | |
|----------------------------|-------------------------------|------------|
| Endotherapy Devices | FY2017 Growth rate*2 (Result) | 16CSP CAGR |
| | 7% | 9% |

- Current state:
 - ✓ Growth rates in line with 16CSP targets due benefits from past investments for strengthening sales systems and expanding lineups (FY2015-FY2017: CAGR of 8%)
- Measures:
 - ✓ Optimize sales organizations and systems to promote sales of single-use devices
 - ✓ Continually enhance product lineups through introduction of new, strategic products

Directives for Medical Business Strategy

Concentrate investments on 5 BUs and increase revenue and profit

GIRBU

GSRBU

UGBU

ENTBU

MSBU



Gastrointestinal and Respiratory Business Unit

General Surgery Business Unit

Urology / Gynecology Business Unit

Ear, Nose, and Throat Business Unit

Medical Service Business Unit

* The Company began disclosing performance information for the five Medical Business BUs with the announcement of consolidated financial results for the 1Q of FY2018 (announced on August 8, 2017).

Today's Agenda

1. Review of the First Year of 16CSP and Future Initiatives
(Challenges and Measures)
- 2. Progress toward Overcoming Strategic Challenges and
Future Initiatives by Business Unit**

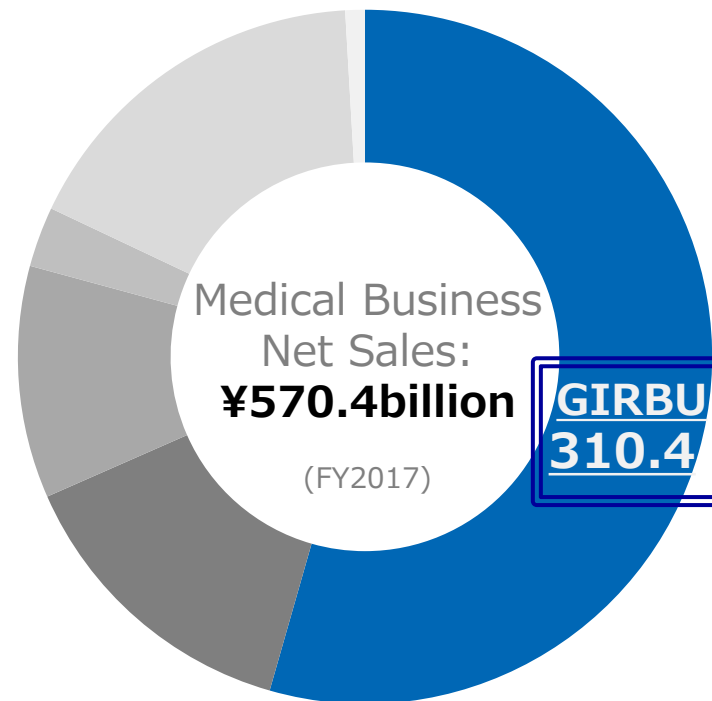
Gastrointestinal and Respiratory Business Unit

(GIRBU)

Positioning of GIR Business within Olympus

GIRBU

- Core business supporting entire Company
- Target for maintaining endoscope market share and improving profitability by increasing overall business efficiency.
- Potential for ET* business growth by leveraging the Company's strong position as a global endoscope leader.



Major Products and Areas

Endoscope Field

Gastrointestinal Endoscopes



- Used for gastrointestinal diagnoses, biopsies, and treatments
- Contributes to early diagnosis by highlighting minute details of mucous membrane structures with HD technologies, Opt-Digital Technology (NBI*) and easy-to-use magnified observation features

<Others>

Bronchoscopes

- Used in bronchial observation and collection of tissues and cells (biopsies, aspiration)

Ultrasound endoscopes

- Used to discover lesions in deep sites that cannot be seen on organ surfaces by using ultrasound probe equipped on tip of scope

Cleaning, disinfection and sterilization (CDS)

- Used for cleaning and high-level disinfection of endoscopes after examinations

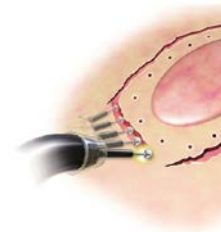
Endotherapy (ET) Field

Hemostasis



- Performed to stop bleeding after hemorrhagic ulcer or endoscopic treatments (EMR, ESD)

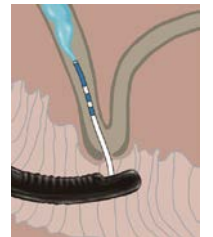
EMR, ESD*1



- Entails the resection and removal of early-stage gastrointestinal cancer lesions using endoscopes

*1 EMR: Endoscopic Mucosal Resection
ESD: Endoscopic Submucosal Dissection

ERCP*2



- Performed by inserting ET devices into bile ducts via the duodenum to remove gallstones and detect and treat bile duct functional abnormalities

*2 ERCP: Endoscopic Retrograde Cholangio Pancreatography

*NBI: Narrow Band Imaging

Progress in Addressing Strategic Challenges (Business Strategies)

1

Secure strong market leader position in GI business and improve profitability through selection and concentration

2

Expand business in following fields; respiratory, endoscopic ultrasound (EUS), CDS*, and IT

3

Realize business growth in emerging markets

4

Expansion of endotherapy device business (Single-use device)

1

Secure strong market leader position in GI business and improve profitability through selection and concentration

- Secured consistent sales and maintained dominating share in developed countries where products are in late stages of lifecycles
 - ✓ Enhanced account management
 - ✓ Expanded lease sales contracts (U.S., Japan)
- Achieved double-digit growth in China and other emerging countries
- Addressed reprocessing issues

Progress in Addressing Strategic Challenges (Business Strategies)

2

Expand business in following fields; respiratory, endoscopic ultrasound (EUS), CDS, and IT

■ Respiratory field:

- ✓ Expanded usage of EBUS-TBNA* procedures (19% average increase in needle sales (FY2012-2016))
- ✓ Continually invested in endoscopic treatment field



EBUS-TBNA needle (ET device)



Access to peripheral bronchial tube (concept image)

■ CDS field (Cleaning, Disinfection and Sterilization) :

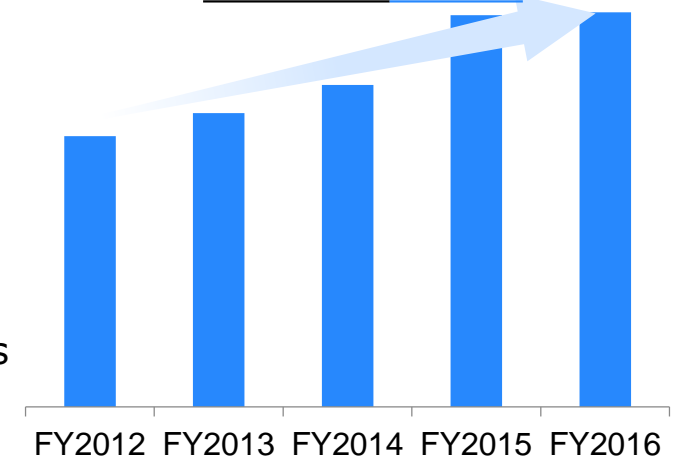
- ✓ Achieved strong sales (average growth of 10%) for cleaning devices and consumables in four principal regions (Japan, Europe, U.S., China)



Endoscope reprocessors

<Growth Rates in Four Principal Regions>

CAGR of **10%**



Progress in Addressing Strategic Challenges (Business Strategies)

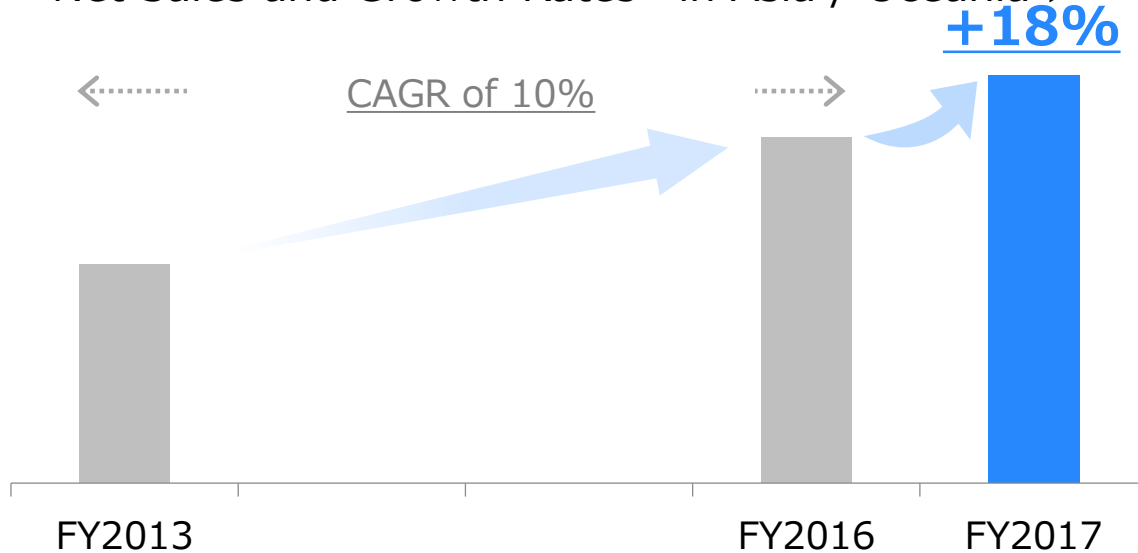
3 Realize business growth in emerging markets

- Achieved 18% increase* in Net Sales in Asia / Oceania
 - ✓ Expanded portion of total Medical Business sales attributable to Asia / Oceania
 - ✓ Established training center in Thailand to accelerate growth in Southeast Asia

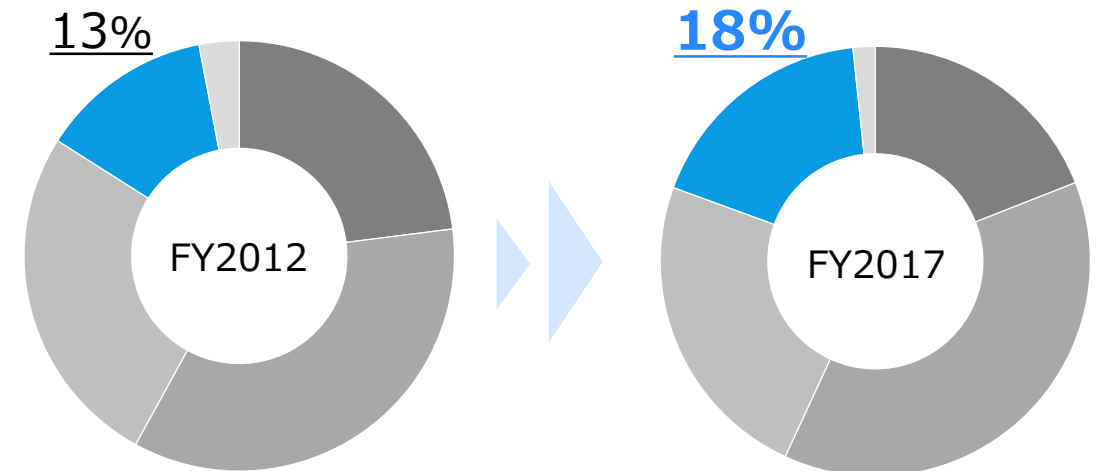
<Training center in Thailand>



< Gastrointestinal Endoscopes:
Net Sales and Growth Rates* in Asia / Oceania >



< Medical Business: Portion of Total Sales
Attributable to Asia / Oceania >



Progress in Addressing Strategic Challenges (Business Strategies)

4 Expansion of endotherapy device business

- Launched several strategic products in North America and other markets in line with priority strategy of expanding product lineup
 - ✓ Launched products for focus areas in North America (ERCP, hemostasis, strictures), including some procured externally
 - ✓ Expanded portfolio and introduced differentiated and unique products

Portfolio Expansion



QuickClipPro (Hemostasis)



CleverCut3 V (EST)



EZDilate (Endoscopic Balloon Dilator)

Differentiated and Unique Products



EndoCuff vision (Distal Hood)



SB knife (ESD)



StoneMasterV
(Balloons with knife)



EZ Shot 3 Plus
(Ultrasound- Fine Needle)

Future Initiatives for Accomplishing 16CSP Targets

GIRBU—Net Sales: CAGR of 7%

Endoscopes (CAGR of 6%)

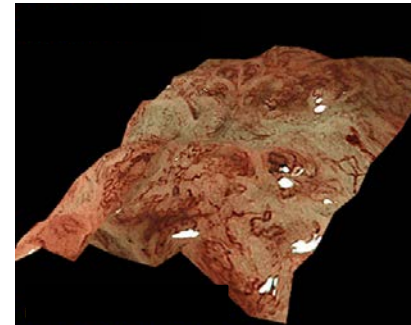
- Invest in development of next-generation endoscopy systems
 - ✓ Diagnosis support using AI technologies (computer-aided diagnosis)
 - ✓ 3D observation endoscopes
- Introduce product lines with features specially designed for procedure
 - ✓ Motor-driven enteroscope*
 - ✓ Ultrawide angle colonoscope*
- Accelerate system replacement in developed countries / Develop an attractive sales program
- Maintain double-digit sales growth in emerging markets



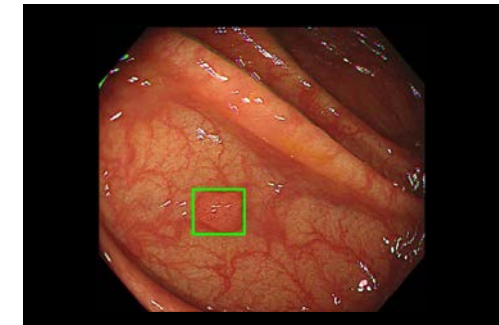
Ultrawide angle colonoscope*



Motor-driven enteroscope*



3D observation endoscope*



CAD*

Research is being conducted through cooperation with several domestic and overseas institutions. (Image provided by Dr. Ryoichi Yamakawa of Kaetsu Hospital)

Future Initiatives for Accomplishing 16CSP Targets

Endotherapy Devices (CAGR of 9%)

- Sustain strong growth through reinforcement of sales systems and expansion of strategic lineups
- Strengthen operations in North American market
 - ✓ Increase number of contracts with group purchasing organizations (GPOs and IDNs)

GI Business

- Develop proprietary Olympus contract programs



Deploy comprehensive programs combining endoscopes, reprocessors, endotherapy devices, and maintenance services that other companies cannot imitate

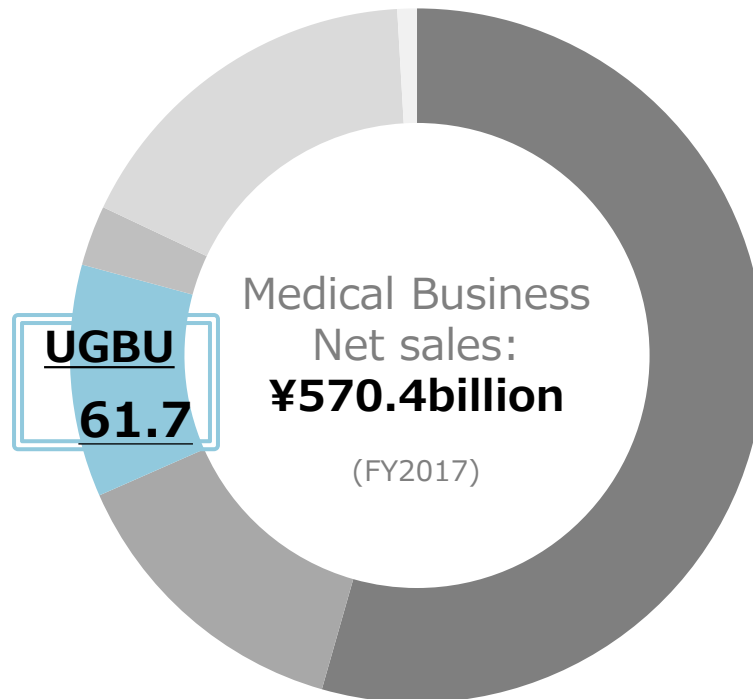
Urology / Gynecology Business Unit

(UGBU)

Positioning of UG Business within Olympus

UGBU

- Core business supports ongoing business growth
- Expand business by leveraging technologies in GI and GS
- Potential for single-use device business growth leveraging large endoscope market share



Major Products and Areas

Urology

Flexible Cystoscope



- Flexible cystoscopes are used in diagnosis of bladder tumors
- Olympus flexible cystoscopes have a dominating edge realized by utilizing NBI technologies from GI

Flexible Ureteroscope



- Flexible ureteroscopes are used in urinary stone treatment
- Olympus flexible ureteroscopes have a dominating edge realized by merging GI endoscope technologies with the small diameter scope technologies of former Gyrus

Stone Treatment Devices



- Stone treatment devices are used with ureteroscopes to treat stones

Resectoscope OES Pro.



Therapeutic electrodes

Flexible Hysteroscope



- Flexible hysteroscopes are used to observe uterine fibroids and polyps.

- Resectoscope and electrodes are used to treat urology field diseases (benign prostatic hypertrophy and bladder tumors) and gynecology field diseases (endometrial hypertrophy and uterine myoma)
- TURis* electrodes boast safety and performance of cutting compared to monopolar devices thanks to high-frequency energy technologies from GS.

Gynecology

Progress in Addressing Strategic Challenges (Business Strategies)

Urology

1

Secure dominant share in markets for flexible endoscopes and TURis products that leverage Olympus's technological prowess

2

Strengthen urinary tract stone treatment business operations to expand market share

Gynecology

3

Efficiently increase market share by leveraging existing products and technologies

Progress in Addressing Strategic Challenges (Business Strategies)

Urology

1

Secure dominant share in markets for flexible endoscopes and TURis products that leverage Olympus's technological prowess

- Boosted competitiveness of flexible scopes by soliciting NBI technology benefits
 - ✓ Achieved listing in bladder cancer treatment guidelines of American Urological Association



Enhanced Cystoscopy

31. In a patient with NMIBC, a clinician may consider use of NBI to increase detection and decrease recurrence. (Conditional Recommendation; Evidence Strength: Grade C)

- ✓ Became applicable for reimbursement in Japan
 - D317 Cystoscopy
 - Note: Additional JPY2,000 points added for NBI highlighting when observation is conducted using NBI
 - (NBI highlighting points are limited to cases in which NBI is used to determine treatment policies for patients diagnosed with having carcinoma in situ.)

Progress in Addressing Strategic Challenges (Business Strategies)

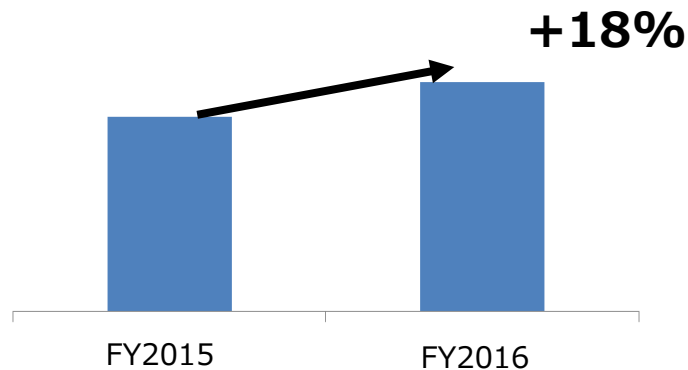
Urology

1

Secure dominant share in markets for flexible endoscopes and TURis products that leverage Olympus's technological prowess

- Maintained No. 1 position in TURis markets of Japan, the United States, and Europe through increased sales of electrodes
 - ✓ Introduced new TURis electrode (exhibited at EAU*1 in March 2016, launched in October)
 - ✓ Achieved 18% growth in TURis electrode sales volumes

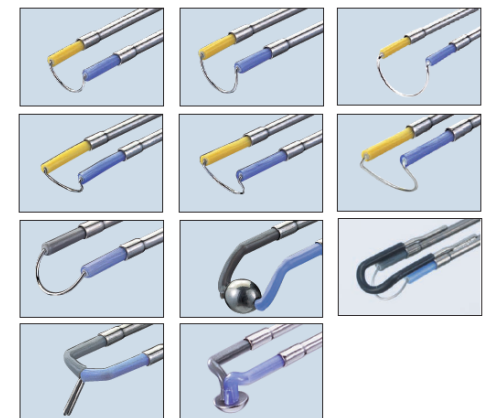
TURis Electrode Sales Volumes*2



New TURis electrode



Robust lineup



Progress in Addressing Strategic Challenges (Business Strategies)

Urology

2

Strengthen urinary tract stone treatment business operations to expand market share

- Grew stone management business through measures advanced in various countries
 - ✓ Achieved solid sales in the United States and exceptionally strong growth in Europe and Japan
- Promoted spread of flexible ureterorenoscopy (FURS) using flexible ureteroscopes for removing stones
 - ✓ Addressed rising needs for minimally invasive therapies using FURS
- Expanded product portfolios
 - ✓ Proposed comprehensive solutions



Lithotripsy system



Stone Treatment Devices
(Enhanced product lineup)



Imaging system



Endoscopes



Maintenance services

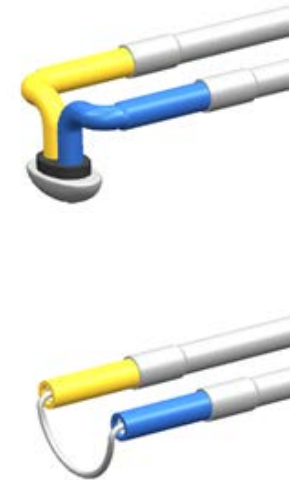
Progress in Addressing Strategic Challenges (Business Strategies)

Gynecology

3

Efficiently increase market share by leveraging existing products and technologies

- Increased sales of hysteroscopes and related devices
 - ✓ Exhibited TCRis* system at AAGL Annual Congress
 - ✓ Resumed approach focusing on Gynecology resection systems (intrauterine tissue resection) using TCRis



Future Initiatives for Accomplishing 16CSP Targets

UGBU—Net Sales: CAGR of 8%

Urology

- Reinforce No. 1 position in flexible cystoscope business
 - ✓ Expand cystoscope business by spreading use of NBI
 - ✓ Promote “videonization” of cystoscopes
- Continue growing sales of TURis electrodes
 - ✓ Address increase in number of benign prostatic hypertrophy patients
 - ✓ Solicit clinical evidence for TURis
 - ✓ Transition from laser and monopolar treatments to TURis
- Strengthen marketing and development capabilities to achieve further growth in the urinary tract stone treatment business
 - ✓ Grow business by leveraging No. 1 position in flexible ureteroscope market
 - ✓ Strengthen stone treatment device development capabilities and bolster product portfolio
 - ✓ Reinforce sales systems in various countries

Gynecology

- Continually grow sales of hysteroscopes and Gynecology resection systems
- Promote sales of TCRis electrodes in the United States

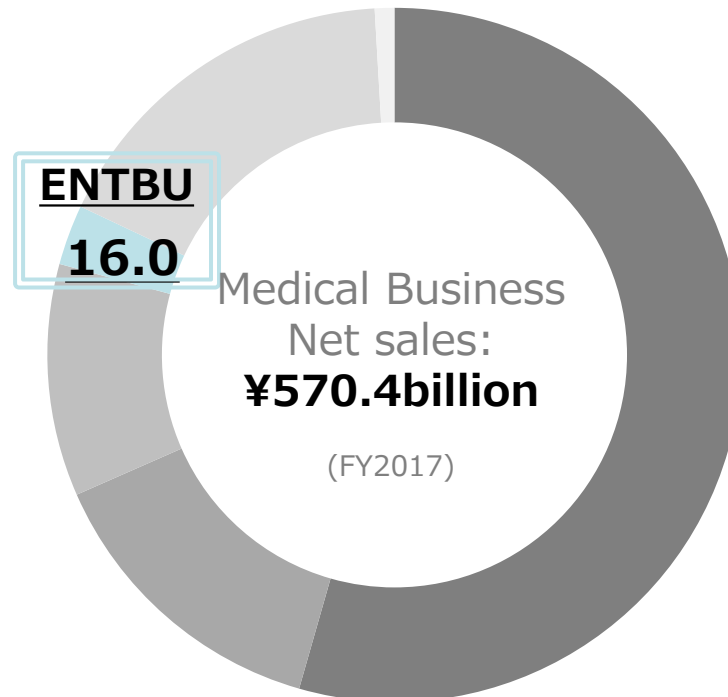
Ear, Nose, and Throat Business Unit

(ENTBU)

Positioning of ENT Business within Olympus

ENTBU

- Business with high growth potential and possibility of ongoing expansion to be realized by utilizing Olympus' competencies
- Target of business scope expansion using GI and GS technologies
- Set to increase earnings capacity through proactive investments in strengthening product development and sales networks



Major Products and Areas

Laryngology

Flexible laryngoscopes



- Flexible laryngoscopes are inserted via the nasal cavity to perform examinations in the laryngopharyngeal region, using NBI to diagnose malignant tumors and other abnormalities
- Diagnosis vocal cord movements and detect polyps in the larynx using strobe lights; laser probes or forceps can be inserted via the scope channels to treat papilloma or tumors

Stroboscopy light source



Rhinology

4K Camera heads and Rigid scopes



- Provides high-resolution endoscopic images displaying a wide spectrum of colors via Olympus 4K system to support sophisticated surgeries

Debriders



- Used to debride diseased tissue from the sinuses

High-frequency ablation systems



- Used to create lesions leading to reduced volume and stiffer tissue

Otology

Vent tubes



- After making an incision in the eardrum, vent tubes are placed to drain effusion

Ossicular Chain replacement



- These implants are designed to repair the ossicular chain in the middle ear

Business Strategies

Laryngology

1

Expand ENT flexible endoscope operations centered on “videonization”

Rhinology

2

Acquire endoscopic sinus surgery (ESS) operations

Overall

3

Establish global sales systems

Progress in Addressing Strategic Challenges

Laryngology

1 Expand ENT flexible endoscope operations centered on “videonization”

Maintained impressive performance with YoY increases in sales volumes and net sales, once again driving growth of overall ENT business

- **Differentiate by soliciting benefits of NBI**
 - Conducted global training activities and advanced differentiation by soliciting clinical benefits
 - Globally promoted sales of videoscopes by spreading understanding of clinical benefits of NBI
- **Promote shift from fiberscopes to videoscopes**
 - Solicited benefits of NBI, thereby sustaining a solid transition trend toward videoscopes in the European and North American market, which contributed to ongoing growth in foundation businesses



Petr Lukes, M.D., Ph.D.
First Faculty of Medicine, Charles University in
Prague and University Hospital Motol

Progress in Addressing Strategic Challenges

Rhinology

2 Acquire endoscopic sinus surgery (ESS) operations

Moved ahead with growth of business focused “See & Treat” concept revolving around 4K camera systems and DIEGO ELITE

■ Expand ESS imaging business centered by 4K camera systems

- Won praise with superior color reproduction of 4K camera systems, and expanded imaging business by approaching customers using competitor products



■ Expand ESS treatment device (single-use device) business focused on DIEGO ELITE

- Grew single-use device sales with differentiated high-value-added functions (high-frequency hemostasis, de-clog)
- Realized synergies with new InstaClear lens cleaning sheath



Progress in Addressing Strategic Challenges

Overall

3 Establish global sales systems

Steadily advanced reinforcement of sales systems in regions of business

- **Commence full-fledged development of ESS business in Japanese and European markets**
 - Established dedicated sales systems for Japanese market
 - Continued to deploy successful initiatives from the U.S. market in the Japanese and European markets
- **Step up development of ENT business in Asia Pacific**
 - Made progress in constructing and strengthening dedicated sales systems in Australia, Singapore, and South Korea
 - Grew sales by utilizing Company-operated sales network in China

Future Initiatives for Accomplishing 16CSP Targets

ENTBU—Net Sales: CAGR of 13%

Laryngology

- Reinforce operating foundations and achieve ongoing growth
 - Continue soliciting the clinical benefits of NBI to further reinforce operating foundations
 - Achieve ongoing sales growth through launches of high-value-added products

Rhinology

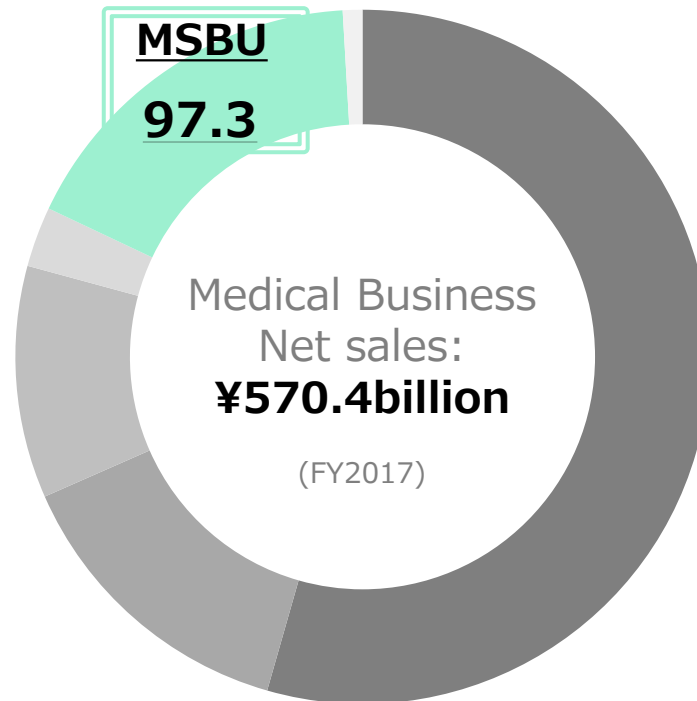
- Expand ESS business
 - Expand lineup of new InstaClear products and DIEGO ELITE products to accelerate ESS treatment device business
 - Release DIEGO ELITE in Asia following launches in Japan, the United States, and Europe

Medical Service Business Unit (MSBU)

Positioning of MS Business within Olympus

MSBU

- Recognized as a core competency of Olympus that supports overall Medical Business growth by continually strengthening customer contact points
- Target for allocation of necessary management resources for establishing service system foundations in emerging countries that are projected to grow rapidly and for strengthening systems one step ahead of competitors
- Collaborative partner to manufacturing functions in streamlining and enhancing repair service systems
- Core business pursuing improved earnings capacity and steady operating profit growth



Major Services

General Repairs

- Sales of repair services through repair bases worldwide (excluding service contracts)
- Sales of repair services at facilities through field services

Service Contracts

- Single-year or multi-year contracts
- Partial or complete repair cost coverage
- Priority provision of loaners
- Periodic inspections of contracted equipment
- Provision of failure prevention training to facility staff



Progress in Addressing Strategic Challenges (Business Strategies)

| | Measure | Details |
|---|--|---|
| 1 | Increase service contracts | <ul style="list-style-type: none">■ Offer breakthrough service contracts■ Realize reliable equipment operation with preventative maintenance |
| 2 | Strengthen service operations on surgical products | <ul style="list-style-type: none">■ Provide training to allow customers to conduct inspections themselves■ Offer always-on-site services |
| 3 | Efficiently deploy repair services and improve productivity | <ul style="list-style-type: none">■ Re-establish repair service infrastructures in all regions (reorganize existing bases, establish new bases, etc.)■ Step up coordination efforts with Manufacturing Group to improve productivity and reducing repair costs |

Progress in Addressing Strategic Challenges (Business Strategies)

1 Increase service contracts

- Offer appealing service contract
 - Introduced product lifecycle management guidelines for service contracts
 - Commenced development of new service contracts focused on equipment uptime
- Realize reliable equipment operation with preventative maintenance
 - Began analyzing repair data by facility (frequency of usage cases between product failure) to propose preventative maintenance plans optimized for each facility
 - Worked to improve quality of field service activities (provision of failure prevention, inspection, and troubleshooting services, enhancement of training)

2 Strengthen service operations on surgical products

- Provide training to allow customers to conduct inspections themselves
 - Formulated practical pre-use inspection methods, defined information that can be provided in documents, and established methods of supplying these documents
 - Introduced surgical energy device product inspection kits
- Offer on-site service
 - Stepped up efforts to sell on-site service contracts in the United States



Surgical energy device product inspection kit

Progress in Addressing Strategic Challenges (Business Strategies)

3 Efficiently deploy repair services and improve productivity

■ Establish repair service systems in all regions

- North America: Completed start-up of operations at 2nd repair base and commenced shipments of repaired items
- Europe: Finished construction of repair base in Portugal, started reorganizing repair system
- Asia / Oceania: Completed relocation of major repair bases in South Korea, Shanghai, India, etc.
- Latin America: Commenced reinforcement of repair system in Brazil

【Future Directives】

- Accelerate development of repair bases centered on Asia and Latin America

■ Strengthen efforts to further improve productivity and reduce repair costs through collaboration with Manufacturing Group

- Further utilize plant consulting ⇒ Conduct plant consulting at repair bases and cultivate plant consultants
- Reduce repair costs ⇒ Create repair units at repair bases



Commenced repair services in Portugal (Europe)



Started repair services in Tennessee (North America)

Future Initiatives for Accomplishing 16CSP Targets

MSBU—Net Sales: CAGR of 5%

Increase service contracts and improve profitability

■ Increase service contract

- ✓ Develop appealing service contracts focused on equipment uptime
- ✓ Realize reliable equipment operation with preventative maintenance

■ Improve profitability

- ✓ Achieve efficient operation through consolidation of repair bases
- ✓ Increase contract profitability by lowering incidences of repairs through preventative maintenance
- ✓ Efficiently utilize loaners and repair parts
- ✓ Coordinate with Manufacturing Group to improve repair work efficiency

OLYMPUS
