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Medical Service Business Unit (MSBU) Strategy

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1. Business Overview

2. Recognition of Current Conditions

3. Business Strategies

4. Targets and Indicators

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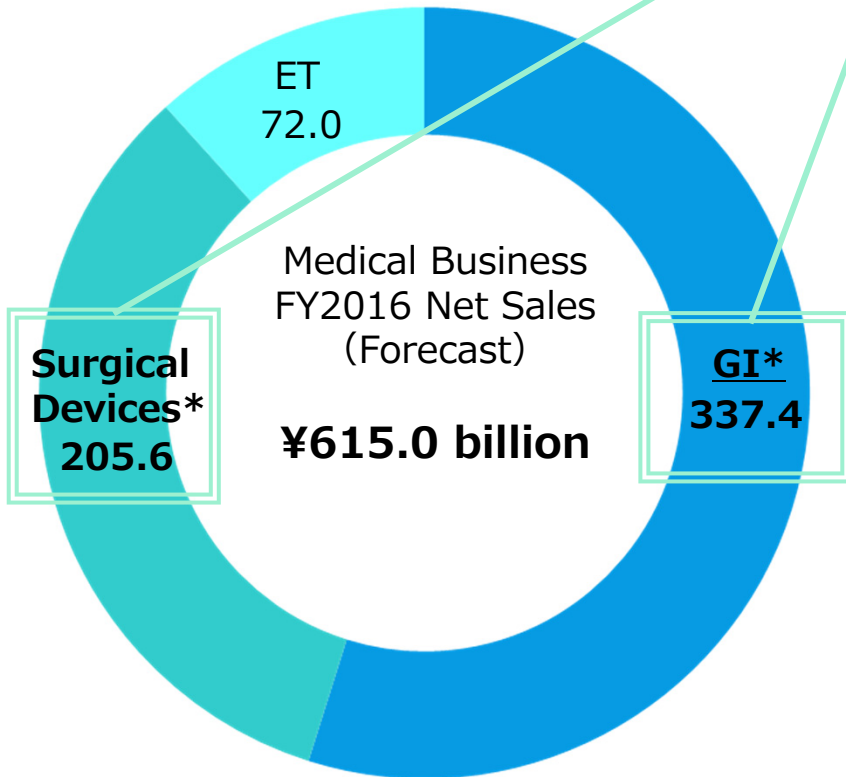
Positioning of Medical Service Business within Olympus

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 income growth

Distribution of Sales and Business Portfolio

FY2016 Net Sales (Forecast)



* FY2016 MSBU net sales have been allocated to GI and Surgical Devices fields

Medical Service Business Unit (MSBU)*

General Repairs

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

Service Contracts (Major coverage details as follows)

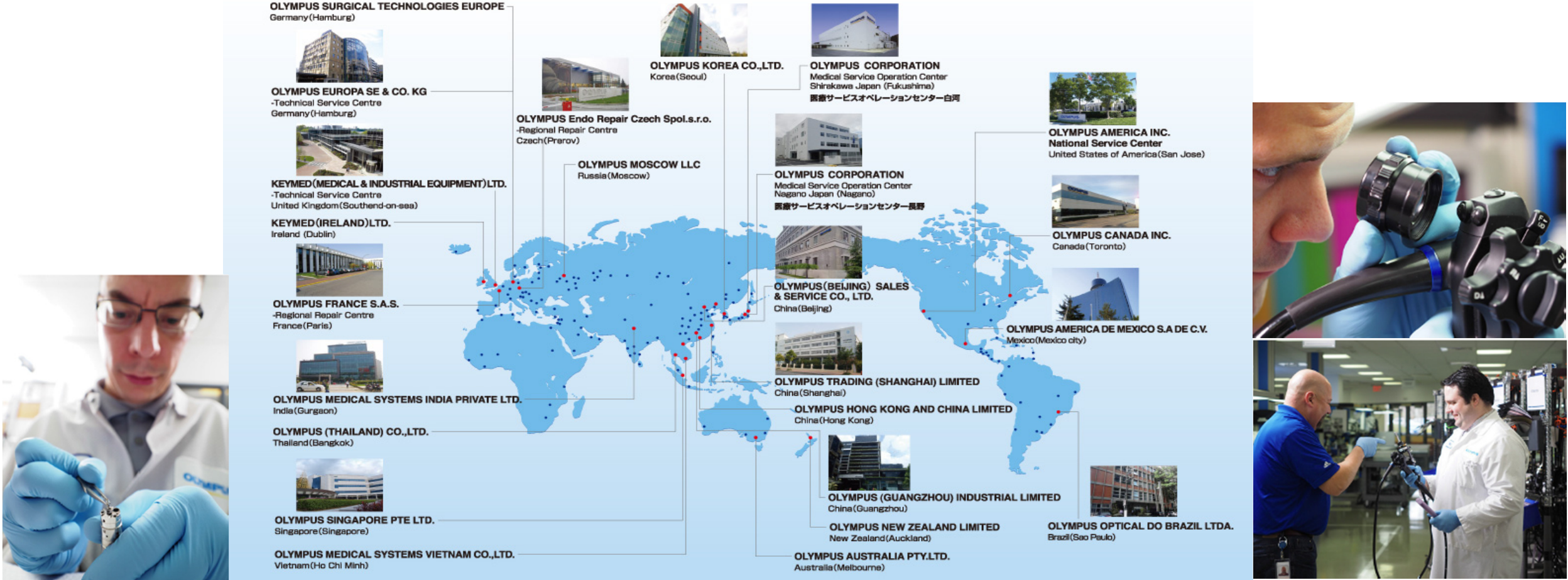
- Single-year or multi-year contracts
- Partial or complete repair cost coverage
- Priority provision of loaners
- Periodic inspections of contracted equipment
- Provision of failure prevention training to facility staff



Overview of Medical Service Business (Industry-Leading Global Service Network)

- Service network consists of more than 200 bases worldwide
- Safety and reliability provided anywhere in the world based on the belief that medical treatment does not stop at the doors of the hospital

Global Service Network for Medical Business



Today's Agenda

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Recognition of Current Conditions : Review of Medium-Term Vision Period (From FY2013)

Strategies	Measures and Evaluation
Strengthen repair service systems supporting business expansion	<p>◎</p> <ul style="list-style-type: none">✓ Enhanced repair QCD in emerging countries as planned✓ Completed consolidation of domestic repair bases (Shirakawa and Nagano)
Enhance preventative maintenance activities	<p>△</p> <ul style="list-style-type: none">✓ Began advancing preventative maintenance activities matched to market needs✓ Failed to conduct sufficient initiatives in surgical field
Reinforce global service foundations	<p>○</p> <ul style="list-style-type: none">✓ Installed necessary infrastructure for conducting service activities in markets

Recognition of Current Conditions (Olympus' Initiatives)

Developed Countries

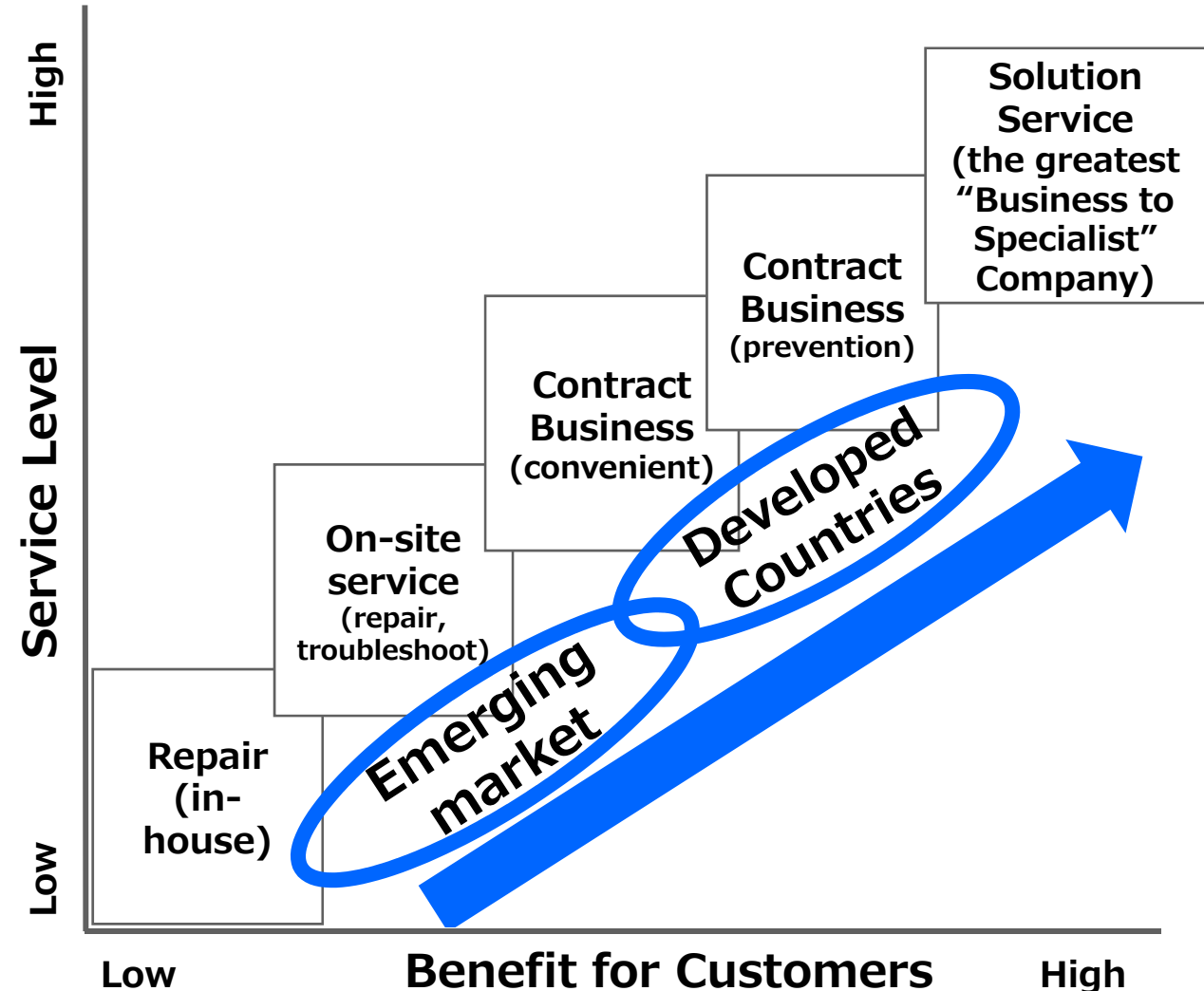
(Japan, U.S., and Europe)

- Repair and field service systems established, allowing for provision of high-quality services
- Ratio of service contracts to net sales at high level of approx. 60%
- Approach to surgical field insufficient

Emerging Markets

(Asia, Latin America, Middle East and Africa)

- Ongoing strengthening of repair service systems (including agents)
- Lacking ability to provide field services



Recognition of Current Conditions (Operating Environment)

- Extended usage period for medical equipment due to cost reductions by medical institutions
- Increasing number of procedures due to the aging population, subsequent demand for environment in which medical equipment is always available for use
- Shift from single-year to multi-year contracts, trend toward medical institutions seeking to avoid fluctuations in expense amounts
- Always-on-site services provided by competitor surgical manufacturers
- Repair services and used products sales provided by 3rd parties in Europe, U.S. and Asia

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Business Strategies

- 1 Introduce service contracts that realize high levels of customer satisfaction, increase number of such contracts, and improve profitability**
- 2 Expand service operations on surgical products**
- 3 Provide services that improve medical institution efficiency**

Priority Measures

	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 reduce repair costs

P.M.1. Increase service contracts

- Offer attractive service contracts
 - Realize reliable equipment operation with preventative maintenance
-

Value Currently Provided

- Impeccable repair quality realized through coordination with Manufacturing Group
- Short repair turnaround times
- Customer service through field services utilizing wealth of knowledge and experience
- Speedy provision of loaners

Value to Be Provided Going Forward

- *Services optimized for each customer*
 - ✓ *Training based on failure cause*
 - ✓ *Contract fees determined by procedure numbers*
- *Always-on-site services*

P.M.2. Strengthen surgical service operations

- Provide training to allow customers to conduct inspections themselves
- Offer always-on-site services

Customer Needs

- Zero malfunctions during surgery
 - ✓ Pre-surgery equipment setup
 - ✓ Post-surgery equipment inspection
 - ✓ Malfunction duration reduction

Value to Be Provided Going Forward

- *Provision of training, manuals, and inspection equipment to allow customers to conduct inspections themselves*
- *Always-on-site services*
- *Speedy provision of loaners or replacements*

P.M.3. Efficiently deploy repair services and improve productivity

- Re-establish repair service infrastructures in all regions (reorganize existing bases, establish new bases, etc.)
- Step up coordination efforts with Manufacturing Group for improving productivity and reducing repair costs

Repair Service Infrastructure Enhancement

- Establishment of 2-domestic-repair-base (completed in Dec. 2013)
- Strengthening of 2 intensive repair bases in North America (scheduled to commence in 2017)
- Reconstruction of European repair infrastructures
- Reinforcement of Middle East, Africa and Latin American repair bases

Productivity Improvement

- *Improvement of productivity through coordination with Manufacturing Group*
 - ✓ *Further utilization of factory consulting and kaizen activities*
 - ✓ *Ongoing repair cost reduction*
 - ✓ *Repair period shortening through process reforms*
- *Efficiency gains via repair base concentration*

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MSBU Net Sales: CAGR of 5%

- **Services: CAGR of 6% / General Repairs: CAGR of 0.5%**
- **Further increase sales**
 - ✓ **Increase number of high-value-added service contracts**
 - ✓ **Expand operations in emerging markets**
 - ✓ **Grow markets by increasing product sales**
 - ✓ **Expand service operations on surgical products**

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