

OLYMPUS

Your Vision, Our Future

Imaging Business Strategy

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1. Business Overview

2. Recognition of Current Conditions

3. Market Trends

4. Business Strategies

5. Targets and Indicators

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Positioning of Imaging Business



Award-winning submissions in Olympus Global Open Photo Contest 2015

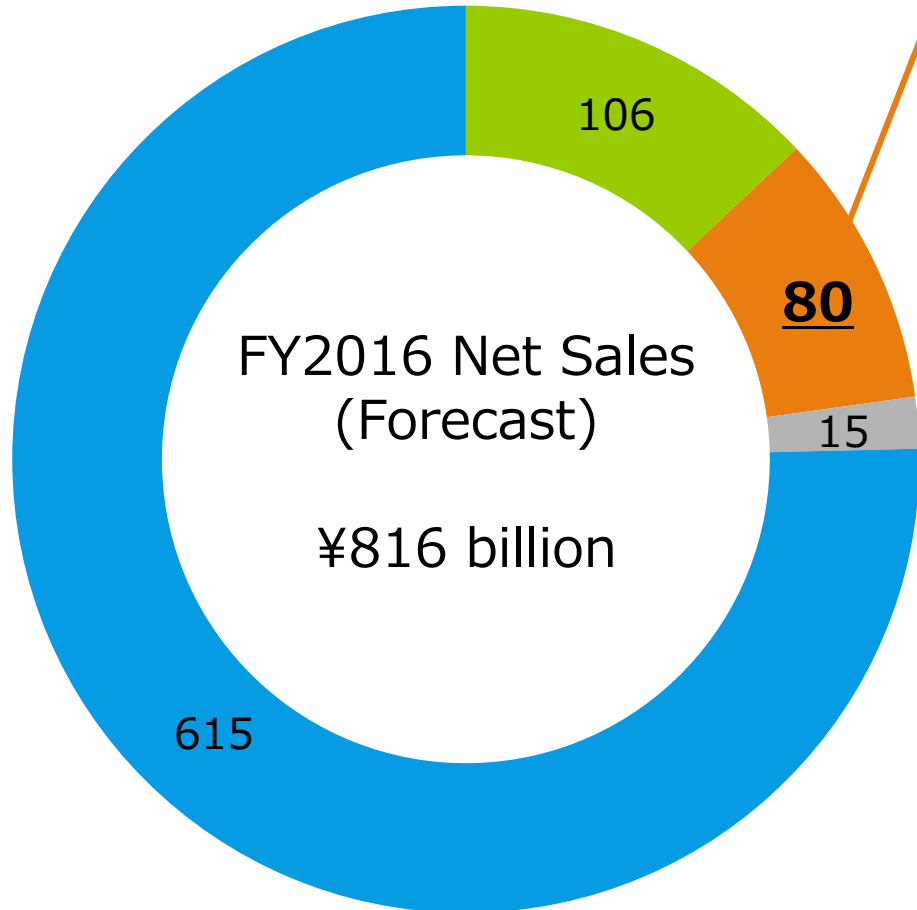
We will build a reputation as a unique brand from which customers seek value.

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



Distribution of Sales and Positioning

FY2016 Net Sales (Forecast)



Imaging Business

Mirrorless cameras



「OM-D E-M1」



「OM-D E-M5mark II」



「PEN-F」

Interchangeable lenses



Others

Compact cameras: Tough series
IC recorders, binoculars

Business Strengths (SWOT Analysis)

- 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)

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

- Sales structure for high-priced mirrorless camera products (transition under way)
- Small shares of massive U.S. and Chinese markets

- Intensified competition in mirrorless camera market
- Rising presence of smartphones, tablets, etc.

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Recognition of Current Conditions

■ Review of Medium-Term Vision Period (FY2013~)

(Billions of yen)	FY2013		FY2015*1		FY2016
	Target	Actual	Target*2	Actual	Forecast
Net sales	149.0	107.6	152.8	79.4	80.0
Operating income	1.0	(23.1)	6.8	(11.7)	0
Operating margin	1%	—	4%	—	0%

Measure	Evaluation (FY2016)
Minimize risks in compact camera operations	◎ Large reduction made in number of models and scope narrowed to focus on models that can be differentiated
Focus resources on high-margin mirrorless cameras	○ Progress made in increasing ratio of sales through channels featuring strong demand for high-value-added mirrorless cameras
Improve responsiveness to market changes	△ In process of constructing systems that allow inventory risks to be minimized and expenses to be maintained at appropriate level
Establish cost structure appropriate for business scale	△ In process of lowering cost of sales ratio by consolidating manufacturing bases and decreasing R&D expenditures and staff size in conjunction with reduction of model numbers centered on compact cameras, reorganizing sales structures, and shifting toward mirrorless cameras

*1 The new business previously included under the Imaging Business is now included in Others. Figures for FY2015 have been restated to reflect this change.

*2 Targets are figures set when announcing the medium-term vision in June 2012.

Recognition of Current Conditions

Tasks

- Promoting further selection and concentration and reducing expenses to construct systems that generate stable earnings amid ongoing market contraction
- Securing earnings by redefining specific customer groups that resonate with Olympus' unique characteristics and improve brand value through the ongoing provision of products and services that earn high levels of customer satisfaction

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Market Trends

Field	Market Trends (Operating Environment)	Market Scale* ¹ (Growth Forecasts)	Competitors
<u>Digital ILCs (including SLRs and mirrorless cameras)</u>	<ul style="list-style-type: none">■ Ongoing contraction of SLR market, mirrorless camera market scale unchanged■ Increased sales ratios for mirrorless cameras■ Rising sales ratios for high-priced models■ No new market participants	FY2021: 10 million units ~13 million units (CAGR* ² : - 6.0%~0.0%)	<ul style="list-style-type: none">■ Canon■ Nikon■ Sony■ Fujifilm■ Panasonic, etc.

*1 Source:Olympus Corporation

*2 From 2016 to 2020

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1

■ **Select and concentrate and prepare for market contraction:**

- Advance business structure reforms to construct systems capable of generating stable income
- Prepare for market changes through timely sales structure reforms (reduce scope of operations)
- Continue to minimize inventory risks

2

■ **Clarify and entrench Olympus' unique characteristics:**

- Focus business on providing unique value to specific customer groups (specialists) and maintain strong market position (**advance “Business to Specialist” strategies for Imaging Business**)
- Fulfill role as technology driver for entire Olympus Group by developing advanced digital and network technologies

Select and concentrate and prepare for market contraction

1 Advance ongoing business structure reforms

- Focus on development of high-value-added mirrorless cameras (primarily OM-D series) and interchangeable lenses (PRO series)
- Consolidate manufacturing functions to limit increases in manufacturing costs and improve efficiency of new product manufacturing startups
- Create systems and cost structures that generate stable income

2 Improve responsiveness to market changes

- Prepare multiple scenarios based on potential market and Company share changes and monitor market scale and Company share to transition to different scenarios in timely manner in response to changing conditions, thereby improving sales function efficiency and advance market selection and concentration

3 Minimize inventory risks

- Improve SCM processes to reduce product supply lead times and lower risks associated with overdependence on certain regions and consequently shorten inventory turnover periods

Clarify and Establish Olympus' Unique Characteristics (Advance "Business to Specialist" Strategies)

Providing unique value to specific customer groups



OM-D E-M1



M.ZUIKO DIGITAL
ED 300mm F4.0 IS PRO



OM-D

Offering mirrorless cameras that surpass SLRs and provide high-levels of flexibility and resolution capable of satisfying specialists



Before merging (**narrow** focus range) After merging several photos (**wide** focus range)

Characteristics

- ① Dual FAST AF and pleasing high-speed performance realized through inclusion of contrast AF and on-chip phase detection AF
- ② Focus Stacking mode allowing for macro shooting (flowers, insects, products, etc.) with entire scene in focus from foreground to background
- ③ Resilience (dustproof, splashproof, and low-temperature resistant) allowing for peace of mind

M.ZUIKO DIGITAL ED 300mm F4.0 IS PRO

Realizing previously difficult handheld shooting (no need for use of tripod) at ultra-long distances



Superior flexibility
granted by compact,
lightweight design

Olympus systems substantially more compact and lightweight than competitors' 35mm, full-sized, sensor-equipped digital camera systems

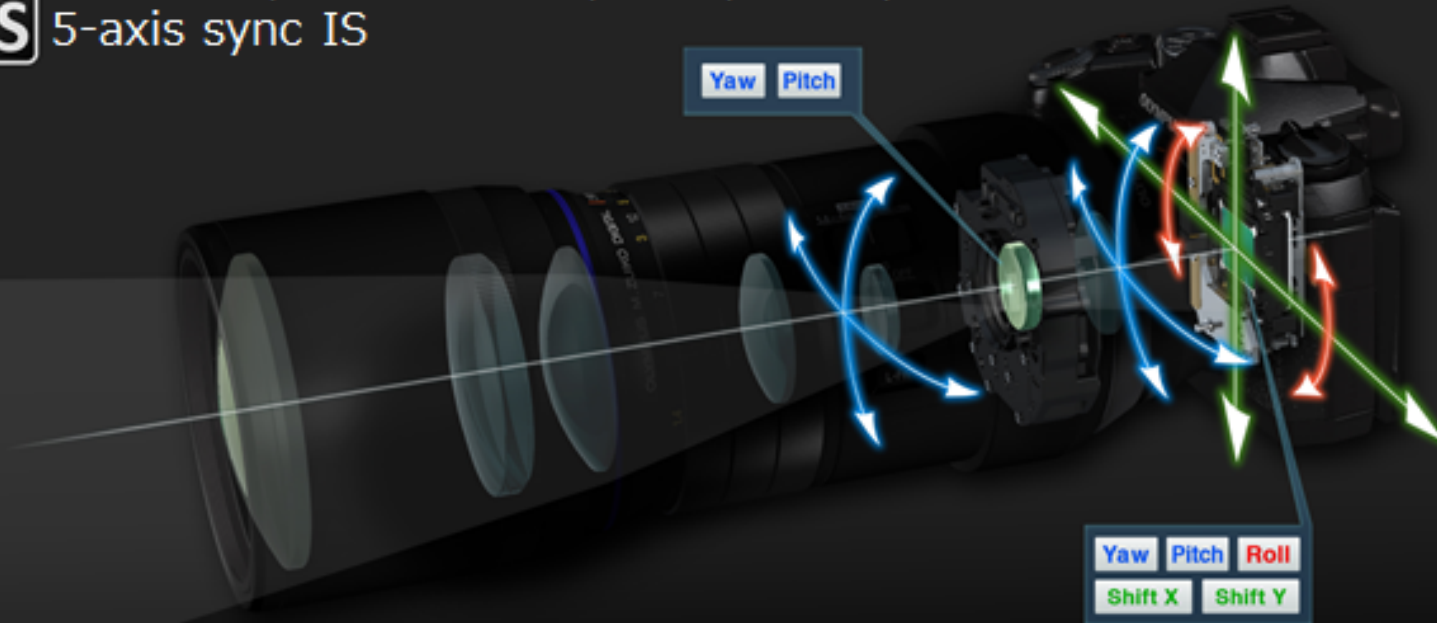
M.ZUIKO DIGITAL ED 300mm F4.0 IS PRO

Realizing previously difficult handheld shooting (no need for use of tripod) at ultra-long distances

5-axis sync IS technology

5 axis
Sync IS

World's most powerful 6 shutter speed steps of compensation*1
5-axis sync IS



*1 As of December 2015 CIPA standards
compliant at 2 axis excitation (Pitch/ Yaw), halfway release image stabilization: off
Body: OM-D E-M1 FW Ver4.0 / E-M5 Mark II FW Ver2.0

Unparalleled 6-axis image stabilization realized by combining lens stabilization system with camera's in-body 5-axis image stabilization system

NEW

World's most powerful 6 steps*1 of compensation achieved
at a super-telephoto 600mm*2

*2 35mm equivalent

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Targets and Indicators (FY2021)

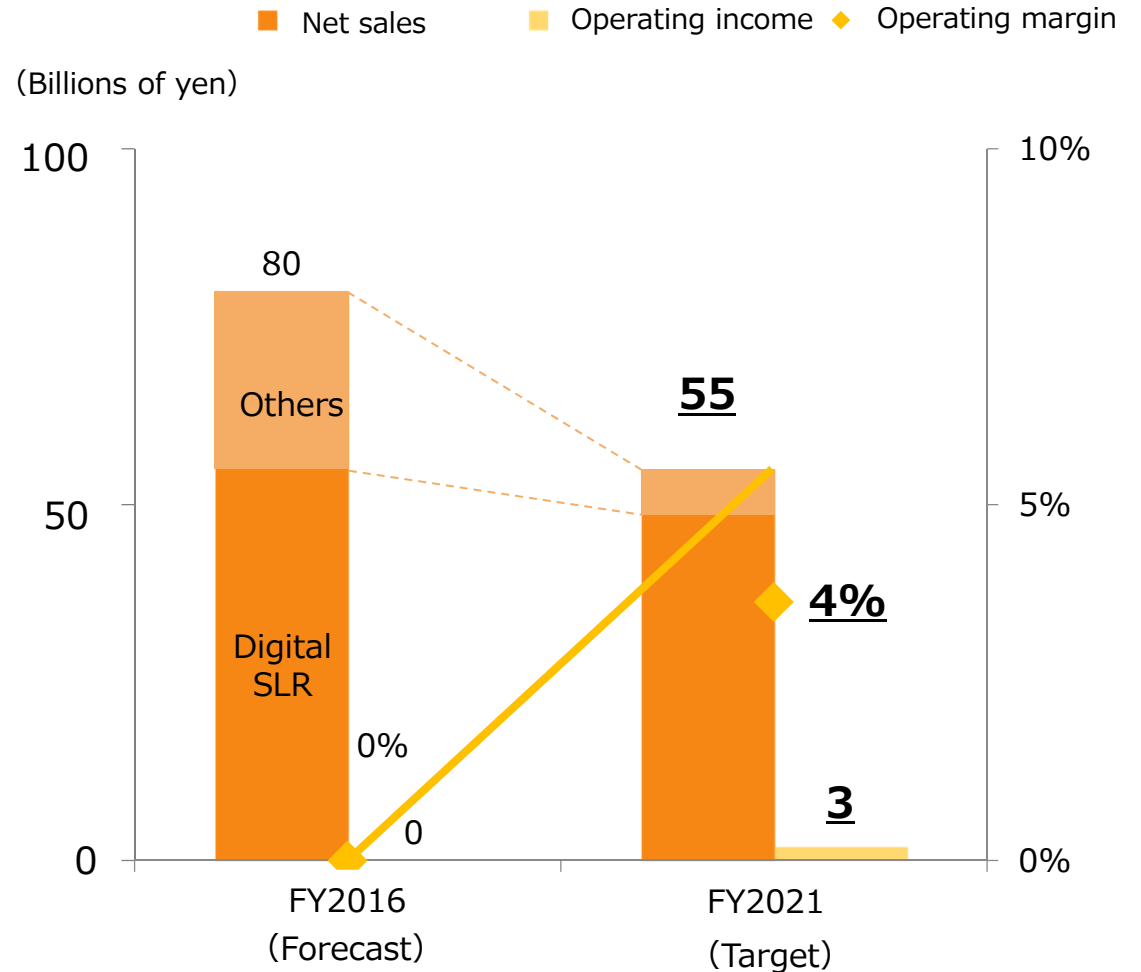
Create business structure capable of securing operating margin of 4.0% even if net sales decrease by as much as 7% each year after FY2016 due primarily to compact camera market contraction

1

Net sales: ¥55.0 billion

2

**Operating income: ¥2.0 billion
(Operating margin: 4.0%)**



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