

**OLYMPUS**

Your Vision, Our Future

# Management Policies for Fiscal 2018

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President and Representative Director  
Olympus Corporation  
May 2, 2017

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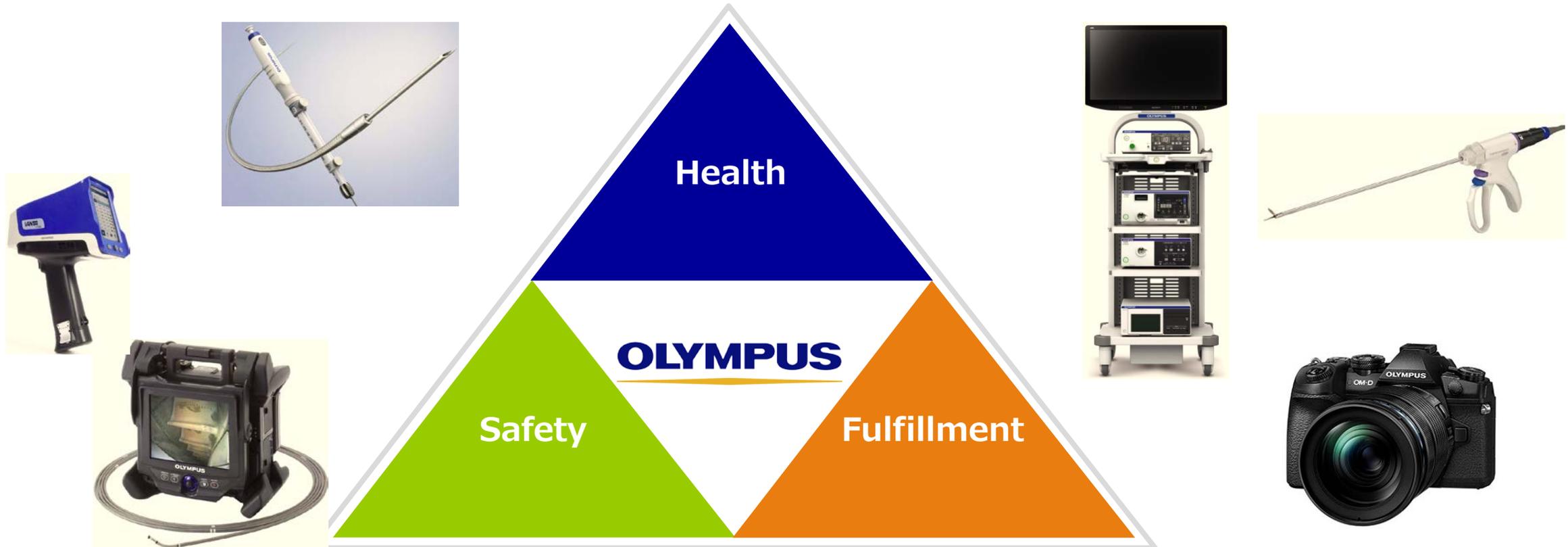
# Corporate Philosophy and Vision

Corporate  
Philosophy

“Social IN” : INtegrity, INnovation, INvolvement

Vision

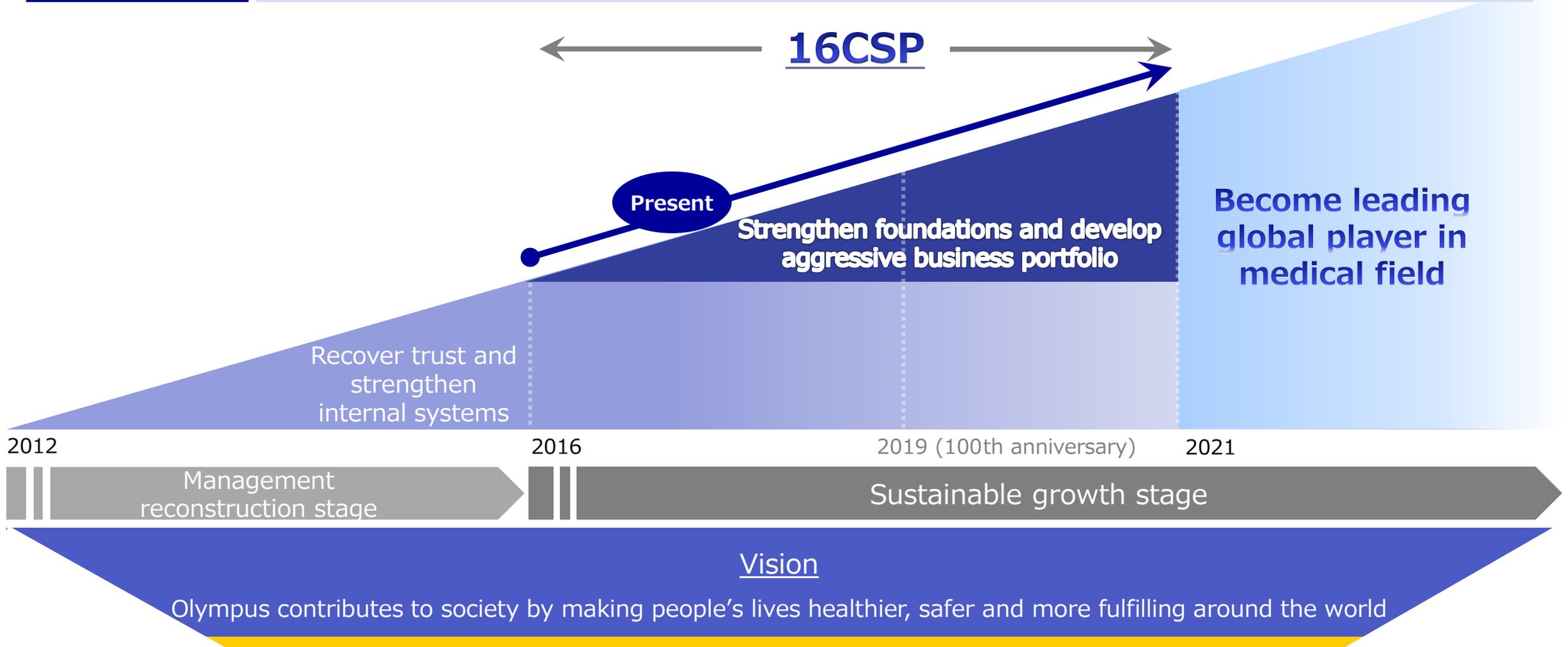
Olympus contributes to society by making people’s lives healthier, safer and more fulfilling around the world



# Positioning of 16CSP

16CSP

Strengthening foundations and developing an aggressive business portfolio for sustainable growth beyond the 100th anniversary (2019)



# Review of 1st Year of 16CSP—(1) Review of Operations

## Medical

- Ongoing trend of steady growth
- Continuation of double-digit sales growth in Asia and Oceania

Medical Business  
YoY Sales Growth Rate\*

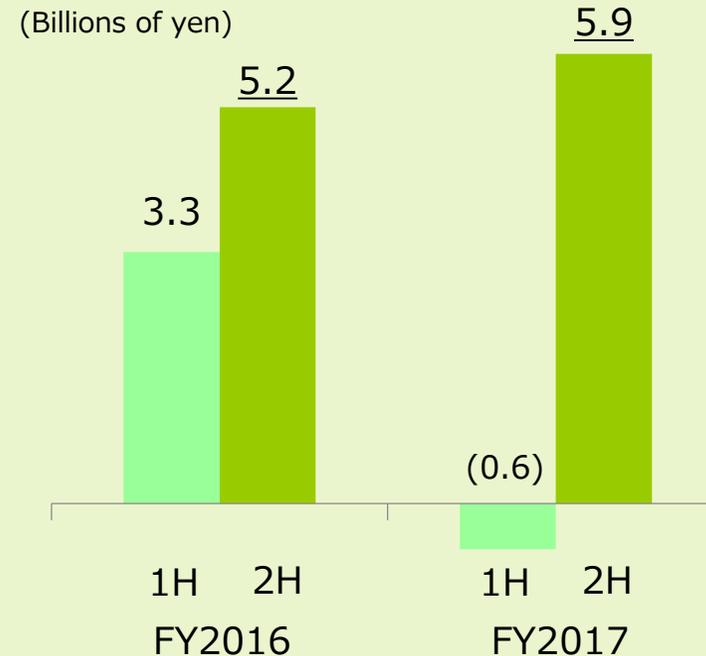
<b>World Wide</b>	<b>+4%</b>
<b>Asia / Oceania</b>	<b>+15%</b>

\* Constant currency basis

## Scientific Solutions

- Operating loss recorded in 1st half due to low resource prices, but YoY increase in 2nd-half operating income achieved after upturn

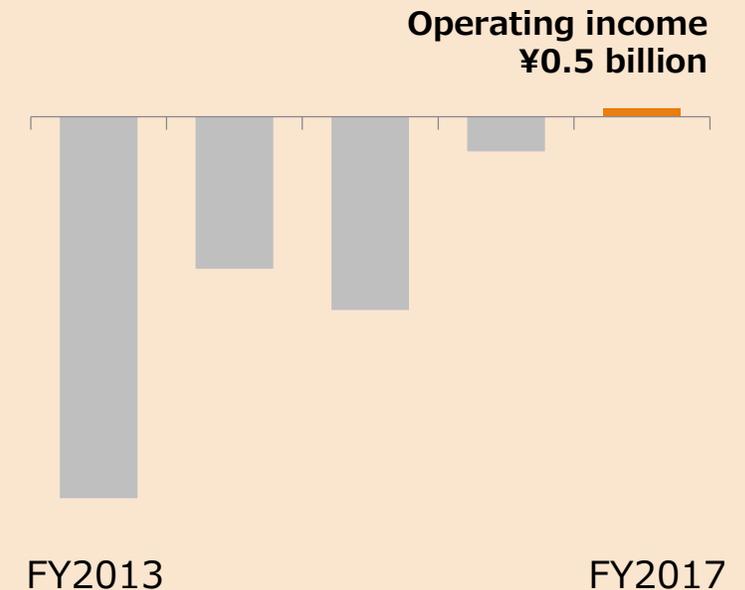
Scientific Solutions Business  
Operating Income (Loss)



## Imaging

- Full-year operating income achieved for 1st time in 7 years

Imaging Business  
Operating Income (Loss)



# Review of 1st Year of 16CSP—(2) Major Indicators

- **ROE rose to 19%** while achieving 5-point increase in equity ratio by practicing management emphasizing ROE as described in 16CSP

	FY2016 (Results)	FY2017 (Results)	16CSP Management Goals
Capital Efficiency ROE	17%	19%	15%
Profitability Operating Margin	13%	10% (Constant Currency Basis: 13%)	15%
Business Growth EBITDA	+9%	-16% (Constant Currency Basis: +6%)	Double-digit CAGR
Financial Soundness Equity Ratio	38%	43%	50%

# Review of 1st Year of 16CSP—(3) Priority Strategies

	Priority Strategies of 16CSP	Initiatives in Fiscal 2017
1	Take action to grow businesses	<ul style="list-style-type: none"> <li>Introduced new flagship products in the Medical, Scientific Solutions, and Imaging businesses, bolstered product lineups for future growth</li> </ul>
2	Acquire necessary management resources in a timely manner and fully leverage these resources	<ul style="list-style-type: none"> <li>Approved transfers of subsidiaries and otherwise focused on priority strategies to maximize management resources in growth areas</li> </ul>
3	Advance forward-looking preparation to realize continued growth	<ul style="list-style-type: none"> <li>Advanced initiatives to expand operations targeting emerging countries, including establishing endoscope training center for serving Southeast Asia</li> </ul>
4	Pursue further business efficiency improvements	<ul style="list-style-type: none"> <li>Commenced process reform project</li> </ul>
5	Enhance management on global and groupwide basis	<ul style="list-style-type: none"> <li>Further entrenched One Olympus mentality by appointing members of senior management at European and U.S. subsidiaries to the Company's executive management team</li> </ul>
6	Strengthen Quality/Regulatory Assurance functions and Internal control, promote strict compliance	<ul style="list-style-type: none"> <li>Maintained Board of Directors membership consisting of a majority of outside directors</li> <li>Implemented initiatives based on Basic Policy for Corporate Governance</li> </ul>

# Forecasts for Fiscal 2018

## Megatrends

- Great rebalancing : Growing presence of emerging countries in global market
- Declining birthrates and aging populations : Rising medical needs and growing pressure to limit medical costs
- ICT development and advances : ICT development and advances: ICT-driven industry structure changes (diversification)

## Outlook for Fiscal 2018

- No significant changes to operating environment megatrends, but persisting uncertainty in outlook for overall global economy due in part to political risks in Europe, instability in the Middle East and East Asia, and other geopolitical risks
- ⇒ Increase responsiveness to change while steadily advancing strategies based on policies of 16CSP
- Pursue ongoing growth through continuing investment in growth fields and improvement of productivity and efficiency through process reforms

# Fiscal 2018 Strategies by Business

## Medical

■ Pursue ongoing growth centered on early diagnosis and minimally invasive therapies

1. Medical BU policies

GIR: Secure strong market leader position in gastrointestinal market

Expand product lineup of endotherapy devices

GS: Grow business by leveraging new products introduced in the imaging and energy device fields during the previous fiscal year

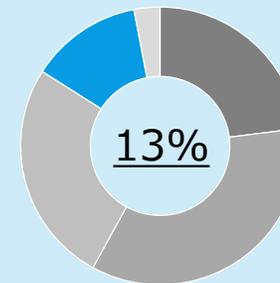
UG: Maintain dominating share of market for flexible endoscopes with products utilizing Olympus' technological prowess

ENT: Expand Endoscopic Sinus Surgery business by leveraging DIEGO ELITE portfolio

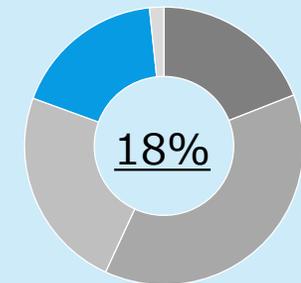
MS: Reinforce global service platforms

2. Regional conditions: Increasing ratio of sales to emerging countries  
Consistently strong growth even as influence on overall sales grows

<Ratio of Medical Business Sales Attributable to Asia / Oceania>



FY2012



FY2017

## Scientific Solutions

- Contribute to development of cutting-edge scientific technologies
- Expand portfolios of products for the industrial and inspection fields

## Imaging

- Remain profitable while addressing market changes and contraction
- Support operations as driver of technologies Companywide

# Management Resource Allocation

## Management Resources

After securing stable financial base, prioritize allocation of funds toward growth investments in Medical Business and use remainder of funds to provide shareholders with appropriate returns

	FY2017 (JGAAP)	FY2018 Forecasts (JGAAP)
I. Financial soundness	Equity Ratio 43%	Further improve equity ratio by reducing interest-bearing debt
II. Growth investments	Augment major domestic production sites in Medical Business	Reinforce manufacturing and repair service bases primarily in Medical Business
III. Shareholder returns	Cash dividends per share: ¥28 (planned) (Total Return Ratio: 12%)	Cash dividends per share: ¥28 (planned) (Total Return Ratio: 19%)

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# Consolidated Financial Results for Fiscal 2017 Full-Year Forecasts for Fiscal 2018

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Director, Vice President and CFO  
Olympus Corporation  
May 2, 2017

# Fiscal 2017 (1) Consolidated Financial Results

- 1 Sales and income down YoY due to foreign exchange influences, but sales and income up on a constant currency basis due largely to steady performance of mainstay Medical Business
- 2 Net income of ¥78.2 billion (breaking past records for 2nd consecutive year) due to extraordinary gains recorded following sale of shares of Terumo Corporation etc.

Full Year (Apr.-Mar.)

(Billions of yen)	FY2016	FY2017 Forecasts (Feb. 9)	FY2017	vs. forecasts		YoY(%)	Constant Currency
				YoY Change	(%)		
Net Sales	804.6	743.0	748.1	+5.1	+1%	<b>1</b> -7%	+2%
Gross profit (% of sales)	535.2 (66.5%)	495.0 (66.6%)	491.3 (65.7%)	-3.7	-1%	-8%	+3%
Operating income (% of sales)	104.5 (13.0%)	76.0 (10.2%)	76.5 (10.2%)	+0.5	+1%	-27%	+2%
Ordinary income (% of sales)	90.9 (11.3%)	63.0 (8.5%)	62.1 (8.3%)	-0.9	-1%	-32%	
Net income* (% of sales)	62.6 (7.8%)	77.0 (10.4%)	<b>2</b> 78.2 (10.5%)	+1.2	+2%	+25%	
EPS (Yen)	183	225	228				
¥/US\$	¥120	¥109	¥108				
¥/Euro	¥133	¥119	¥119				
Impact on net sales	-	-¥79.0 billion	-¥74.3 billion				
Impact on operating income	-	-¥29.0 billion	-¥30.1 billion				

# Fiscal 2017 (2) Results by Business Segment

- ① Medical Business: Sales and income up on a constant currency basis
- ② Scientific Solutions Business: Sales and income up on a constant currency basis as market conditions recovered in 2nd half of fiscal year and a stable supply of new products was maintained
- ③ Imaging Business: Full-year operating income achieved for 1st time in 7 years due to benefits of new products and exhaustive cost controlling

(Billions of yen)		4Q (Jan.-Mar.)				Full Year (Apr.-Mar.)			
		FY2016	FY2017	YoY (%)	Constant Currency	FY2016	FY2017	YoY (%)	Constant Currency
Medical	Net Sales	163.7	165.0	+1%	+5%	608.9	575.3	-6%	+4%
	Operating income	41.6	32.7	-21%	-10%	140.2	115.5	-18%	+1%
Scientific Solutions	Net Sales	28.1	29.9	+7%	+11%	101.6	93.2	-8%	+1%
	Operating income	2.9	4.0	+38%	+64%	8.5	5.3	-38%	+3%
Imaging	Net Sales	16.3	16.8	+3%	+5%	78.3	65.6	-16%	-10%
	Operating income	-2.2	-0.2	-	-	-2.1	0.5	-	-
Others	Net Sales	4.0	2.8	-29%	-28%	15.8	14.0	-11%	-9%
	Operating income	-1.0	-1.7	-	-	-5.8	-4.6	-	-
Elimination and corporate	Net Sales	-	-	-	-	-	-	-	-
	Operating income	-10.6	-13.0	-	-	-36.4	-40.2	-	-
Consolidated Total	Net Sales	212.0	214.5	+1%	+5%	804.6	748.1	-7%	+2%
	Operating income	30.8	21.7	-29%	-12%	104.5	76.5	-27%	+2%

# Consolidated Balance Sheet (End of March 2017)

- Investments and other assets: Down ¥27.4 billion following sales of shareholdings
- Net assets: Amounted to ¥430.9 billion due to recording of net income of ¥78.2 billion
- Equity ratio: Rose to 43.3% as a result of reduced interest-bearing debt and higher retained earnings

(Billions of yen)	End Mar. 2016	End Mar. 2017	Change		End Mar. 2016	End Mar. 2017	Change
Current assets	520.7	553.0	+32.3	Current liabilities	266.6	274.7	+8.1
Property, plant and equipment	166.1	171.4	+5.3	Non-current liabilities (Incl. bonds/long- term loans payable)	349.7 (264.5)	285.5 (217.5)	-64.3 (-47.0)
Intangible assets	150.8	131.1	-19.7	Net assets	384.3	430.9	+46.6
Investments and other assets	163.1	135.6	-27.4	(Equity ratio)	(38.2%)	(43.3%)	(+5.1pt)
Total assets	1,000.6	991.1	-9.6	Total liabilities and net assets	1,000.6	991.1	-9.6

Interest-bearing debt : ¥286.4 billion (-¥34.8 billion from March 31, 2016)

# Consolidated Cash Flows (April 2016 to March 2017)

- Free cash flow: Came to ¥81.9 billion as a result of steady business earnings and gains on sale of policy shareholdings including Terumo Corporation etc.

(Billions of yen)	FY2016	FY2017	Change
Net Sales	804.6	748.1	-56.5
Operating income	104.5	76.5	-28.0
(% of sales)	13.0%	10.2%	-2.8pt
CF from operating activities	48.6	90.2	+41.6
CF from investing activities	-52.9	-8.3	+44.6
CF from financing activities	-33.9	-44.2	-10.4
Cash flow	-38.1	37.6	+75.8
Free cash flow	-4.3	81.9	+86.2
Cash and cash equivalents at end of year	166.3	199.4	+33.1
Depreciation and amortization	39.9	44.7	+4.7
Amortization of goodwill	9.9	8.6	-1.2
Capital expenditures	64.4	49.3	-15.1

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# Forecasts for Fiscal 2018

# Forecasts for Fiscal 2018 (Full Year)

- Net sales to increase 3% largely due to steady performance of Medical Business
- Operating income to rise 3% despite investments for future growth

(Billions of yen)	FY2017 (JGAAP)	FY2018 (Forecasts) (JGAAP)	Change	YoY (%)
Net sales	748.1	770.0	+22.0	+3%
Operating income (% of net sales)	76.5 (10.2%)	79.0 (10.3%)	+2.5	+3%
Ordinary income (% of net sales)	62.1 (8.3%)	69.0 (9.0%)	+6.8	+11%
Net income* (% of net sales)	78.2 (10.5%)	51.0 (6.6%)	-27.2	-35%
EPS (Yen)	228	149	-79	
Dividends per share (Yen)	28	28	-	
Total Return Ratio	12%	19%	+7pt	
¥/US\$	¥108	¥110	+¥2	
¥/Euro	¥119	¥115	-¥4	

# Segment Forecasts for Fiscal 2018 (Full Year)

- Medical Business: Ongoing driver of consolidated performance
- Scientific Solutions Business: Higher sales and income to be achieved despite difficult operating environment
- Imaging Business: Profitability to be sustained, despite decrease in sales, through further business streamlining and exhaustive cost controlling

(Billions of yen)		FY2017 (JGAAP)	FY2018 (Forecasts)	Change	YoY (%)
			(JGAAP)		
Medical	Net sales	575.3	601.0	+25.7	+4%
	Operating income	115.5	119.0	+3.5	+3%
Scientific Solutions	Net sales	93.2	95.0	+1.8	+2%
	Operating income	5.3	5.5	+0.2	+4%
Imaging	Net sales	65.6	65.0	-0.6	-1%
	Operating income	0.5	1.0	+0.5	+101%
Others	Net sales	14.0	9.0	-5.0	-36%
	Operating income	-4.6	-5.0	-0.4	—
Elimination and corporate	Net sales	—	—	—	—
	Operating income	-40.2	-41.5	-1.3	—
Total	Net sales	748.1	770.0	+22.0	+3%
	Operating income	76.5	79.0	+2.5	+3%

# Forecasts for Fiscal 2018 (IFRS)

(Billions of yen)	FY2018 Forecasts	FY2018 Forecasts	Change	Major Reasons for Differences
	(JGAAP)	(IFRS)		
Revenue (IFRS) / Net sales (JGAAP)	770.0	766.0	-4.0	① Deduction of certain promotion expenses: -¥3 billion
Operating Profit (IFRS) / Operating income (JGAAP)	79.0	79.0	-	② Reclassification of line items : -¥4 ③ Stop on amortization of goodwill : +¥8 ④ Increase in amortization of R&D expenditures : -¥3 ⑤ Change in method of calculating retirement benefits : -¥2
Profit before tax (IFRS) / Income before provision for income taxes (JGAAP)	69.0	72.0	+3.0	Impacts of ③, ④ and ⑤ above
Profit attributable to owners of parent (IFRS) / Net income attributable to owners of the parent (JGAAP)	51.0	55.0	+4.0	Impacts of ③, ④ and ⑤ above and tax expense adjustments related to differences from JGAAP
Total Return Ratio	19%	17%		

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# 【Supplementary Materials】 Schedule for Transition to IFRS

	<u>JGAAP</u>	<u>IFRS</u>
May 2, 2017	Consolidated Financial Results for the Fiscal Year Ended March 31, 2017* <sup>1</sup>	—
August 2017 (planned)	Annual Report for fiscal 2017	—
August 2017	—	Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2018* <sup>2</sup>

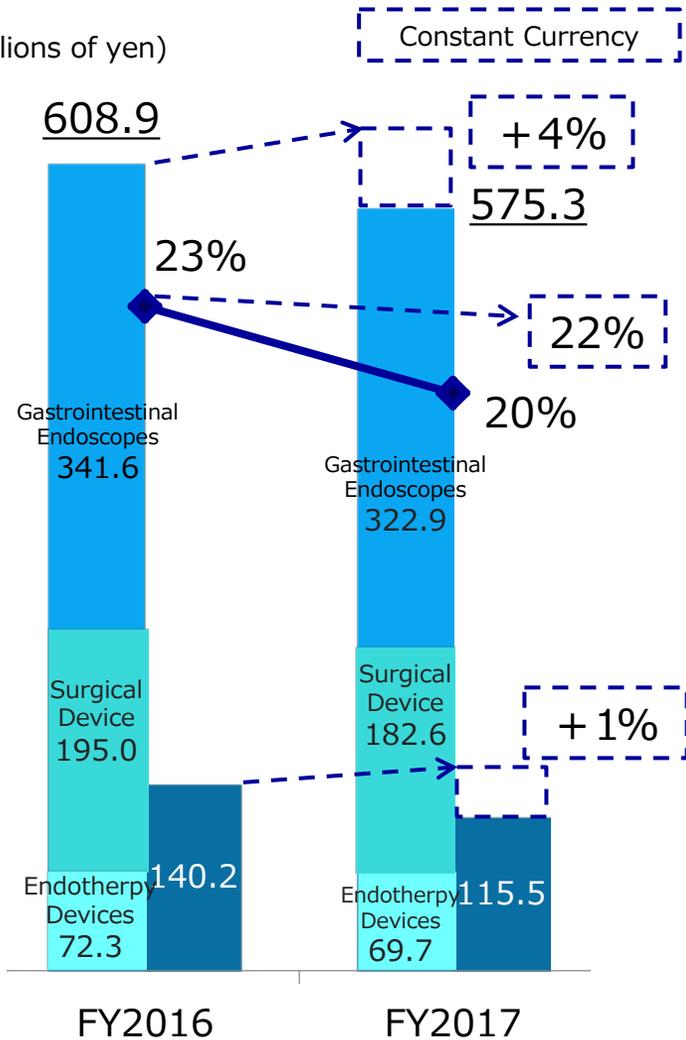
\*1. Forecasts for fiscal 2018, disclosed based on both JGAAP and IFRS.

\*2. IFRS performance figures for fiscal 2017 will be disclosed when announcing financial results for the first quarter (the first Three Months) of fiscal 2018 in August 2017.

# 【Supplementary Materials】 FY2017 Results (Medical)

Net sales Operating income Operating margin

(Billions of yen)



Results

(Billions of yen)	4Q (Jan.-Mar.)				Full Year			
	FY2016	FY2017	YoY	Constant Currency	FY2016	FY2017	YoY	Constant Currency
Net sales	163.7	165.0	+1%	+5%	608.9	575.3	-6%	+4%
Gastrointestinal Endoscopes	93.3	93.7	+0%	+5%	341.6	322.9	-5%	+4%
Surgical Device	52.2	53.1	+2%	+6%	195.0	182.6	-6%	+4%
Endotherapy Devices	18.3	18.2	-0%	+2%	72.3	69.7	-4%	+4%
Operating income	41.6	32.7	-21%	-10%	140.2	115.5	-18%	+1%
Operating margin	25%	20%	-	22%	23%	20%	-	22%

- Sales and income up in all businesses on a constant currency basis despite steady, forward-looking investments conducted in R&D and other areas

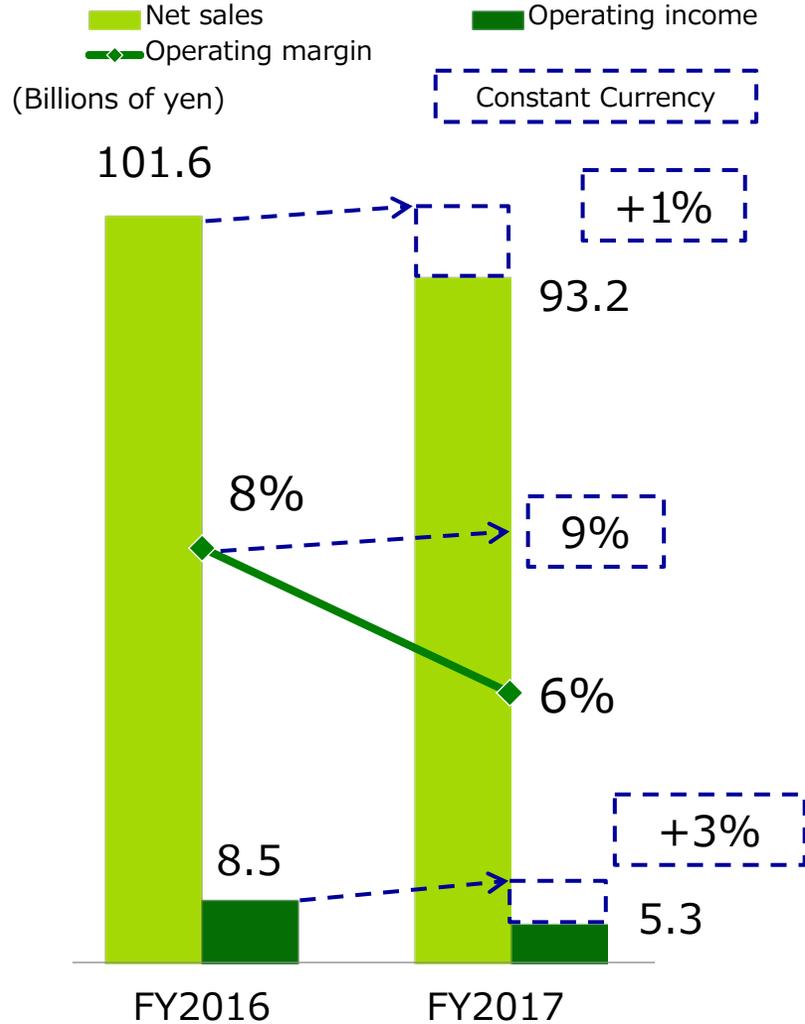
Gastrointestinal Endoscopes
Surgical Device
Endotherapy Devices

Continuation of double-digit sales growth in Asia and Oceania

Strong performance for THUNDERBEAT energy device with double-digit sales growth in principal regions

Smooth sales growth in Japan, Europe, and the United States thanks to strengthened sales forces and expanded lineups

# 【Supplementary Materials】 FY2017 Results (Scientific Solutions)



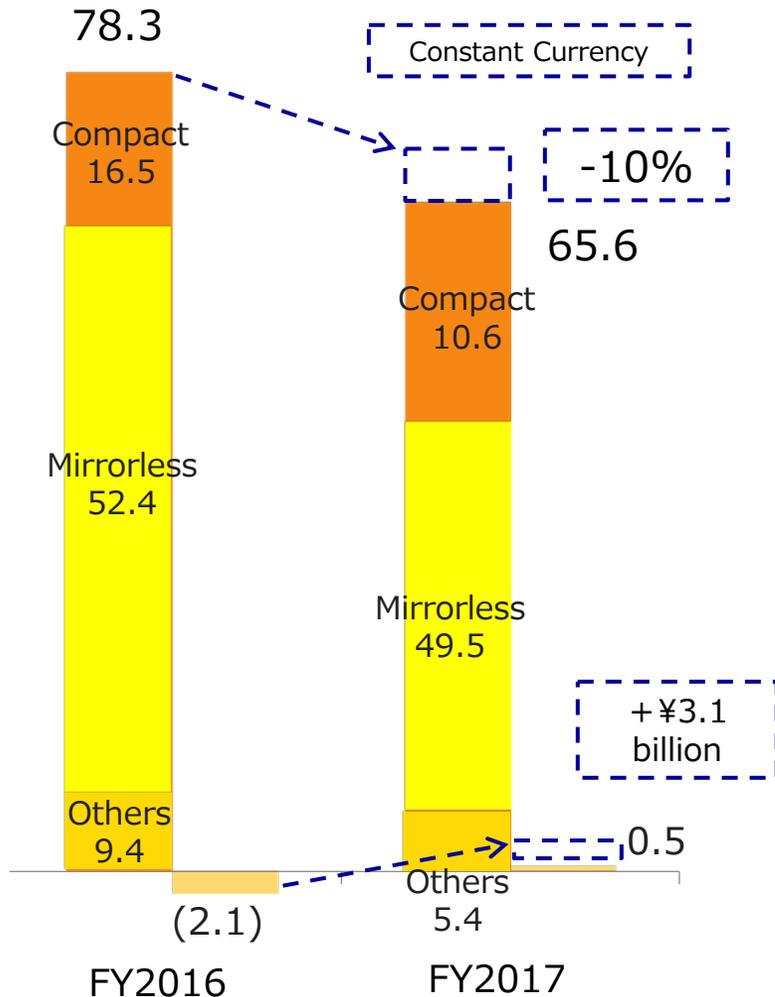
(Billions of yen)	Results				Results			
	4Q (Jan.-Mar.)				Full Year			
	FY2016	FY2017	YoY	Constant Currency	FY2016	FY2017	YoY	Constant Currency
Net sales	28.1	29.9	+7%	+11%	101.6	93.2	-8%	+1%
Operating income	2.9	4.0	+38%	+64%	8.5	5.3	-38%	+3%
Operating margin	10%	13%	-	15%	8%	6%	-	9%

- YoY growth in 4Q sales and income achieved due to ability to stably supply new products as well as operating environment improvements, including increased investment in certain resource and manufacturing markets
- YoY growth in full-year net sales and operating income on a constant currency basis

# 【Supplementary Materials】 FY2017 Results (Imaging)

■ Net sales ■ Operating income (loss)

(Billions of yen)



Results

(Billions of yen)	4Q (Jan.-Mar.)				Full Year			
	FY2016	FY2017	YoY	Constant Currency	FY2016	FY2017	YoY	Constant Currency
Net sales	16.3	16.8	+3%	+5%	78.3	65.6	-16%	-10%
Compact	3.0	1.7	-44%	-45%	16.5	10.6	-36%	-31%
Mirrorless	11.4	13.9	+22%	+25%	52.4	49.5	-5%	+2%
Others	2.0	1.2	-38%	-36%	9.4	5.4	-43%	-37%
Operating income (loss)	-2.2	-0.2	+1.9	+2.0	-2.1	0.5	+2.6	+3.1

- Full-year operating income achieved for 1st time in 7 years due to the benefits of our introducing new flagship models as well as our maintaining the selling prices of existing mirrorless cameras and exhaustively controlling costs
- Measures for appropriately controlling inventories and costs to be continued

# 【Supplementary Materials】 Forecasts for FY2018 (1H and 2H)

(Billions of yen)	FY2017 JGAAP		FY2018 (Forecast) JGAAP		YoY (%)	
	1H	2H	1H	2H	1H	2H
	Net Sales	350.0	398.1	368.0	402.0	+5%
Operating income (% of net sales)	34.4 (9.8%)	42.1 (10.6%)	34.0 (9.2%)	45.0 (11.2%)	-1%	+7%
Ordinary income (% of net sales)	28.8 (8.2%)	33.3 (8.4%)	30.0 (8.2%)	39.0 (9.7%)	+4%	+17%
Net income* (% of net sales)	22.2 (6.3%)	56.0 (14.1%)	23.0 (6.3%)	28.0 (7.0%)	+4%	-50%

# [Supplementary Materials] Segment Forecasts for FY2018 (1H and 2H)

(Billions of yen)		FY2017 (Results)		FY2017 (Forecast)		YoY (%)	
		JGAAP		JGAAP			
		1H	2H	1H	2H	1H	2H
Medical	Net sales	271.8	303.5	285.0	316.0	+5%	+4%
	Operating income	56.6	58.9	54.0	65.0	-5%	+10%
Scientific Solutions	Net sales	40.2	53.0	46.0	49.0	+14%	-8%
	Operating income	-0.6	5.9	2.0	3.5	-	-41%
Imaging	Net sales	29.8	35.8	32.0	33.0	+7%	-8%
	Operating income	-1.4	1.9	1.0	0	-	-
Others (New Business)	Net sales	8.2	5.8	5.0	4.0	-39%	-31%
	Operating income	-2.0	-2.6	-3.0	-2.0	-	-
Elimination and corporate	Net sales	-	-	-	-	-	-
	Operating income	-18.2	-22.0	-20.0	-21.5	-	-
Consolidated Total	Net sales	350.0	398.1	368.0	402.0	+5%	+1%
	Operating income	34.4	42.1	34.0	45.0	-1%	+7%

# 【Supplementary Materials】 CAGR Targets by Medical Business BU (16CSP)

BU		Market Scale (Billions of yen)	CAGR	
			Market	Olympus
GIRBU	Endoscope Field	350~370	4~6%	7%
	Endotherapy Field	370~390	4~6%	
GSBU	Surgical Imaging	260~290	2~4%	11%
	Surgical Energy Devices	160~180	3~5%	
UGBU	Urology	170~190	2~4%	8%
	Gynecology	20~30	2~4%	
ENTBU	Laryngology	15~17	4~5%	13%
	Rhinology	22~24	4~5%	
	Otology	5~7	Less than 1%	
MSBU	Medical Service	—	—	5%
Total	—	—	—	8%