



Corporate Strategy



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01

About Olympus

Snapshot of Olympus

634.3

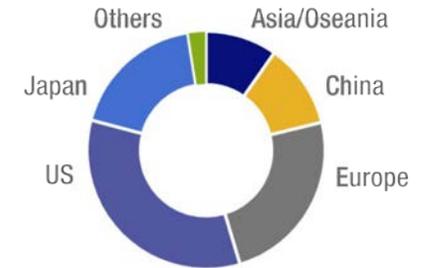
Billion yen
Total Medical
revenue FY2019

70%

Global market share
in gastrointestinal
endoscopic equipment

20,000

Patents
across our
product portfolio



Medical revenue
by region

~3%

CAGR
FY2017-FY2019
Growth in
endoscopy

~8%

CAGR
FY2017-FY2019
Growth in
therapeutics



39

A global footprint
with a mix of upstream
and downstream
operations across
39 countries

OUR PURPOSE

**Making people's lives healthier,
safer and more fulfilling**

In line with our Corporate Philosophy, we are evolving our corporate culture to be competitive and **performance-driven** and **focusing on creating value to our customers**



For a sustainable society and company development

In line with our Corporate Philosophy, Olympus strives to uphold and expand our responsibility to a wide array of stakeholders, enabled by active engagement in ESG issues



We will actively engage on six ESG areas:

Corporate governance 	Economic sustainability 	Product sustainability 
Environment 	People 	Society 



Olympus will focus on improving:

- Healthcare access and outcomes
- Compliance, product quality and safety
- Responsible procurement
- Employee diversity and inclusion

Our business throughout the globe

Olympus provides society with innovative products and services in the Medical, Scientific Solutions and Imaging fields to realize our Corporate Philosophy



Medical
Endoscopic Solutions Division (ESD)
Therapeutic Solutions Division (TSD)



Scientific Solutions Division



Imaging Division

Our strategic aspiration and performance metrics



Our aspiration is to **become a globally-leading medtech company** contributing to people's lives by delivering innovative solutions that **benefit patients, healthcare professionals, payors and providers**



Sustain **5-6%** growth annually



Deliver **>20%** consolidated corporate operating margin¹



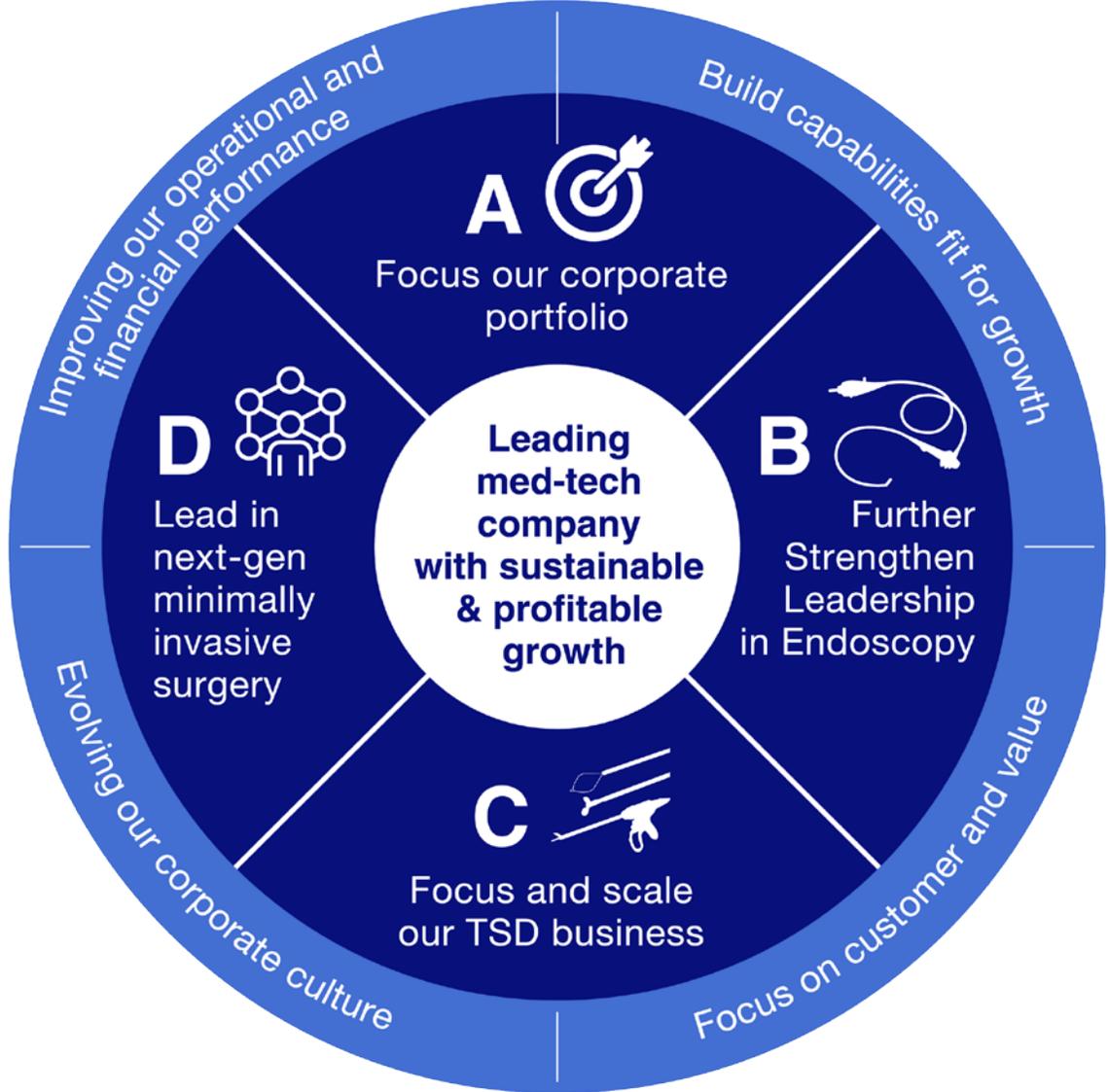
Become **leaders** in the therapeutic areas where we compete (GI, urology and respiratory)

¹ Adjusted for extraordinary items

02

Our Corporate Strategy

Our corporate strategy



A

Focus the corporate portfolio, centering on Medical

B

Maintain leadership in reusable endoscopy
Complement our portfolio with single-use endoscopes to accelerate growth and address unmet needs
Evolve the endoscopy commercial model – shift towards service-based offerings and procedure-based business models

C

Focus and scale prioritized therapeutic areas (GI-ET, urology and respiratory)

D

Develop a leading position in next-generation minimally invasive surgery by **delivering integrated technologies designed to improve clinical and economic outcomes**

A Our corporate portfolio



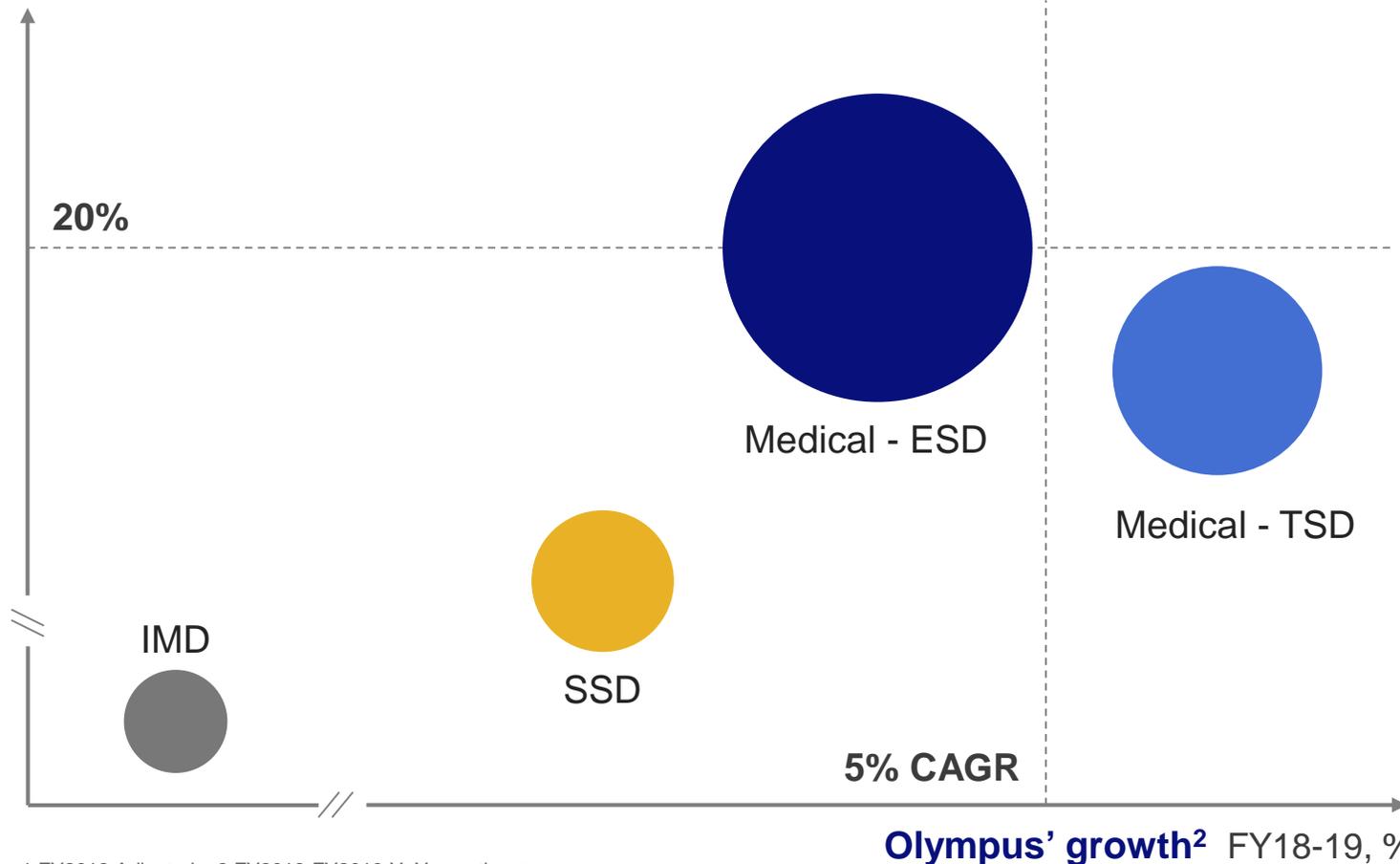
Our corporate portfolio



Increasing our focus

Operating margin¹ %

○ Size of bubble = FY2018 revenue



We will **regularly assess our portfolio** for fit with our corporate aspiration and **focus our growth investments in Medical**

¹ FY2018 Adjusted ² FY2018-FY2019 YoY growth rate

Olympus' growth² FY18-19, %

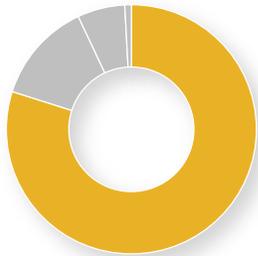
A Focusing our investment on growth in Medical



Why Medical?

Medical is our core business

Medical is supported by positive market forces



~80%
of revenue



~95%
of profit



5-6%
p.a. market growth



~20%
average operating
margin¹

The value of “early diagnosis” and “minimally invasive” therapy that Medical brings will be key to us realizing our Corporate Philosophy

¹ Average operating margin of top-20 medtech companies by revenue,

B Further strengthen leadership in endoscopy



To enhance the value we bring in early diagnosis, we aim to have the most comprehensive endoscopy portfolio on the market, supported by evolution of the commercial model

Complement our portfolio with single-use endoscopes to provide a comprehensive set of product offerings



Maintain leadership in endoscopy



Maintain leadership in reusable endoscopy

through continued innovation and commercial excellence



Evolve the commercial model

towards service-based and procedure-based offerings

B Further strengthen leadership in endoscopy



Our endoscopy strategy

 Maintain leadership in reusable endoscopy	 Complement our portfolio with single-use endoscopes	 Evolve the commercial model
Headroom to grow in reusable endoscope	Significant upside in single-use endoscope	Value is shifting to new commercial models
 <p>High growth in underpenetrated markets China: Number of endoscopic procedures expected to double by 2022¹, providing an ongoing source of growth and value India: Only 6 endoscopists per million people compared to 254 in Japan, indicating significant room for market penetration</p>	 <p>Market with significant growth Single-use is expected to grow ~20-40% p.a. over the next 5 years</p>	 <p>Shift towards value-based payment Value-based payments as percentage of healthcare spending in the US has grown from 23% to 34% between 2015 and 2017</p>
 <p>Leverage leadership position We have 70% global market share in gastrointestinal endoscopy, giving us a unique position to shape the market and capture value</p>	 <p>Addressing unmet needs Single-use endoscopes are at times the preferred choice in cases of needs of urgent and convenient preparation, and where high-level infection control is required.</p>	 <p>Cost pressure on providers Continued cost pressure incentivizes providers to avoid exposure to significant capital equipment cost, creating demand for procedure-based commercial models</p>
	 <p>Completing our portfolio Together with our extensive reusable portfolio, we are positioned to be the only company to provide a complete offering for every situation</p>	 <p>Value of service-based business models Other leading medtech companies are rapidly expanding into service-based businesses</p>

1. Compared to 2012 Source : Independent research

B Further strengthen leadership in endoscopy



Where single-use endoscopes create differentiated value

✓ Infection control requirements

Single-use endoscopes may eliminate the need for reprocessing and maintenance, which can be beneficial where a higher-level of infection control is required e.g., high risk patients, focusing on / depending on patients' needs

✓ Durability requirements

In cases of repeated procedures that quickly erode the durability of reusables, or in areas where smaller diameter are required, single-use endoscopes may provide our customers with a valuable option, e.g., ureteroscopy, cholangioscopy

✓ Procedure-specific requirements

As reusables are not typically procedure-specific, single-use endoscopes provide a more specialized option that can be tailored to more specific needs/procedures e.g., bronchoscopy in the ER (sterile, ready-to-use and highly mobile)

B Further Strengthen leadership in endoscopy



Setting a new standard for endoscopic diagnosis and therapy with our new endoscopy system

New endoscopy system aims to introduce technologies that set a new standard for detection, characterization, staging and treatment



1. CADe – Computer-aided detection 2. CADx – Computer-aided diagnosis

Detection



CADe¹

- Leverage AI-enabled software to improve lesion detection

Characterization



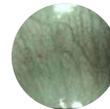
Super wide depth of view

- Wider depth of view makes it easier to use the magnification function on the endoscope

CADx²

- Real-time diagnosis of lesions using AI-enabled software

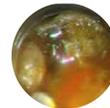
Staging



Magnification technology

- High definition magnified image allows for more accurate staging

Treatment



Vessel visualizing technology

- Visualization of vessels can improve efficiency and error rate of endoscopic treatment



3D imaging

- 3D imaging improves efficiency and shortens the learning curve of endoscopic treatment

B China is a key region that will support growth in endoscopy

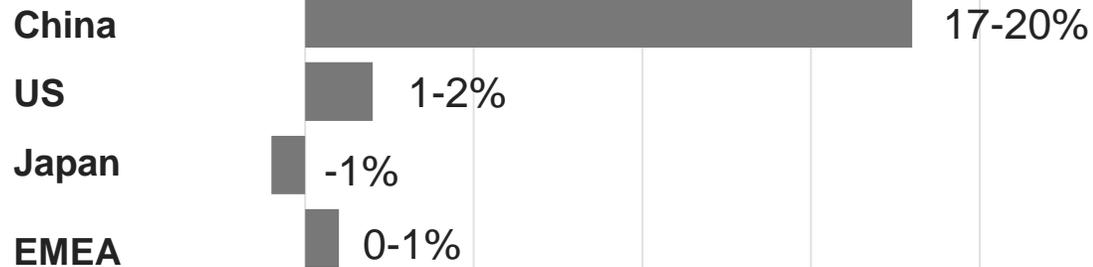


China is our fastest-growing market



We will make investment to capture more value in China

ESD revenue growth p.a., 2016-18



*Emerging Market total : 20%

\$0.6-0.7B

Endoscopy*
market in 2019

70%

market share in
endoscopy*

+12% p.a.

growth in
healthcare
spending¹

2x number of

endoscopic*
procedures
2012-2022

20,000
physicians

participated in our training programs in China over the last 5 years

- **Continue to grow the pool of qualified healthcare professionals and conduct technical research to better understand customers' needs** e.g., through physician training programs
- **Promote national policies** to enhance local stakeholder relationships
- **Further strengthen the commercial platform** especially to cover Tier 2 hospitals and below
- **Proactively pursue local innovation activities** to accelerate the introduction of China-specific products e.g., collaborate with local hospitals/academia, acquire start-ups
- **Engage with governing bodies** to jointly shape the local healthcare landscape

SOURCE: Global Data, 1 Historical growth in last 10 years, expected to maintain *Gastrointestinal area

B Further strengthen leadership in endoscopy



We have initiatives in place over the next 3 years to help realize our long-term strategy in endoscopy

 <p>Maintain leadership in reusable endoscopy</p>	<p>Product innovation</p> <ul style="list-style-type: none"> Contribute to improving quality of endoscopic procedure by supporting healthcare professionals (HCPs) in the detection, characterization, staging and treatment of irregular lesions Introduce AI-enabled CAD (computer-aided diagnosis) to new endoscopy system
	<p>Commercial excellence</p> <ul style="list-style-type: none"> Build clinical evidence to demonstrate the positive impact of new Olympus product features on the quality of endoscopic diagnosis
	<p>Regional growth</p> <ul style="list-style-type: none"> Continue to grow the pool of qualified HCPs in underpenetrated high-growth markets
 <p>Complement portfolio with single-use</p>	<p>Prioritizing focus areas</p> <ul style="list-style-type: none"> Target scopes for duodenum, biliary duct and urinary duct
	<p>Strengthening R&D and manufacturing</p> <ul style="list-style-type: none"> Strategic investment in R&D and manufacturing for single-use endoscopes
<p>Evolve the commercial model</p>	<ul style="list-style-type: none"> Initiate trials of evidence or procedure-based payment models for targeted products and regions Scale up pilot programs of wrap-around services



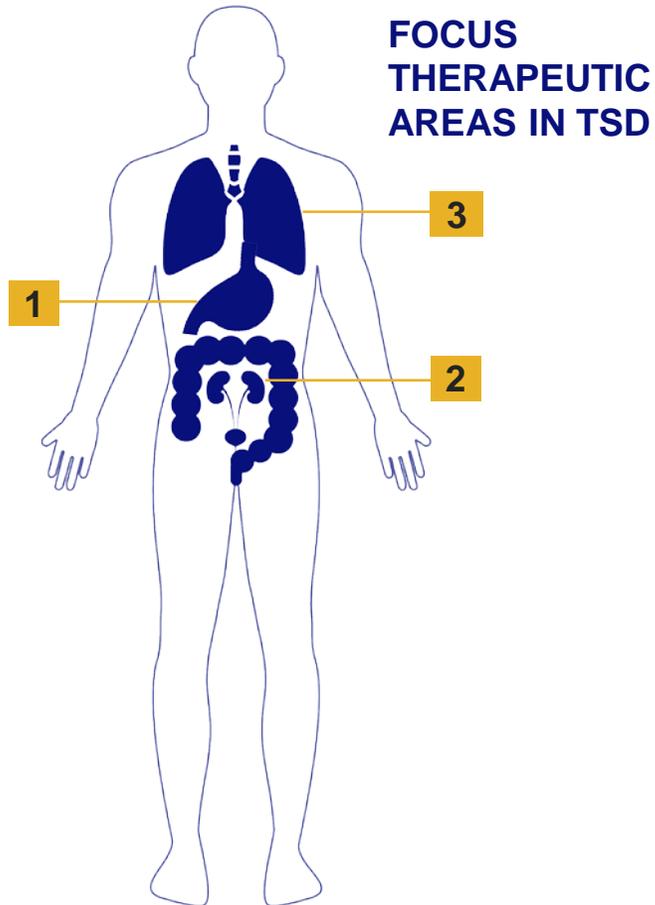
~6%

revenue growth CAGR in ESD
In the next 3 years

C Focus and scale our TSD business



To accelerate growth in TSD and enhance our value in minimally invasive therapy, we will focus on category leadership across three therapeutic areas



1 Bronchoscopic Lung Volume Reduction

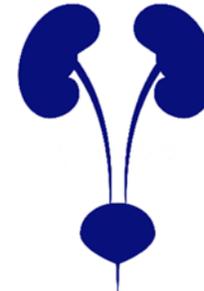


1 GI-ENDOTHERAPY

~\$4.4B

market #3 position

Expand and accelerate portfolio in existing product categories and explore growth opportunities in adjacent areas



2 UROLOGY

~\$1.8B

market #2 position

Establish leadership in BPH and enhance position in stone management through portfolio expansion



3 RESPIRATORY-ENDOTHERAPY

~\$0.3B

market #1 position

Strengthen leadership by capturing the BLVR¹ market and expand opportunities in early diagnosis and treatment of lung cancer

C Focus and scale our TSD business



Globally managed from the US to strengthen our ability to compete, grow and lead in our largest market



Enhance and develop the Business Development function to complete and grow the product portfolio through external partnerships, licensing and M&A

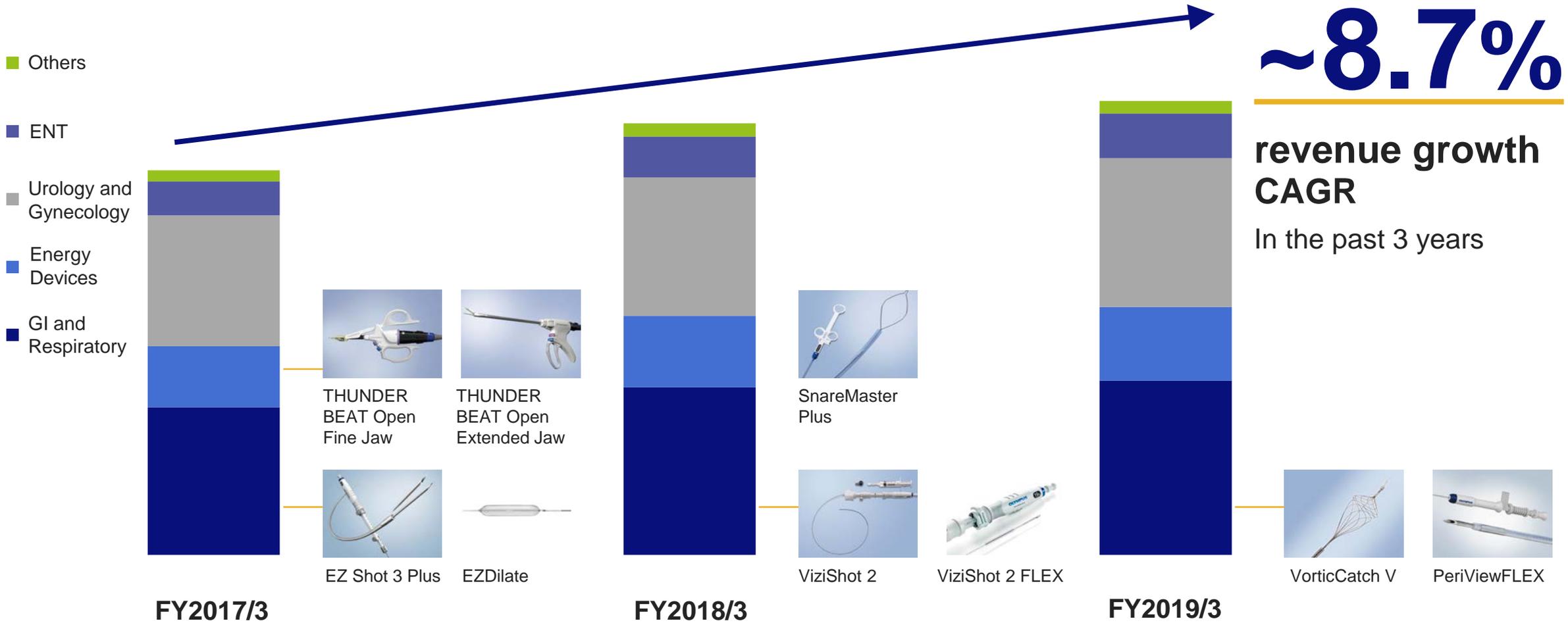


Establish best in class regulatory affairs, clinical affairs and pursue a real value proposition based approach for each product and procedure

C Focus and scale our TSD business



We have realized growth of over 8.0% CAGR in TSD business by introducing new products



C Focus and scale our TSD business



We have initiatives in place to drive growth in TSD in the next 3 years

GI-Endotherapy



- Expand clinically differentiated product offerings across all key categories, including ERCP, GI stent and hemostasis devices through both internal initiatives and M&A

Urology



- Expand presence of our BPH offerings in the urology suite and office
- Enhance product portfolio in stone management with launch of new fiber laser technology and other endo-urology devices

Respiratory-Endotherapy



- Drive growth through adoption of intrabronchial valve system
- Expand EBUS indications and advance strong pipeline of EBUS needles

Other therapeutic areas

- Expand energy solutions offering with launch of advanced energy device, introducing next-gen innovation in precision resection and reliable vessel sealing

Commercial excellence

- Strengthen sales and market development teams across therapeutic areas
- Invest in additional clinical data and reimbursement efforts

~8%

**revenue
growth
CAGR in TSD**

In the next 3 years

D Lead in next generation MIS



There are many unmet needs in the Minimally Invasive Surgery (MIS) market today...



... which will drive three key value pools in MIS in the future

High and growing costs



- Healthcare costs are increasing at 4% p.a. in the US
- Room for continued shift from open surgery to MIS¹
- Robotic MIS costs 3-4x more than traditional surgery

Variable health outcomes



- Preventable medical errors account for \$1.5bn total costs²

Performance limitations



- Today's MIS instruments cannot provide the same level of intuitiveness for visualization or control as open surgery
- Need for significant training for specialized and complex procedures



Procedure innovation

Innovation that reduces procedure complexity or invasiveness
By 2030, ~10% of total surgeries expected to be done endoluminally



Enhanced instruments

Enhanced visualization and operating instruments that strengthen surgeons' visibility and dexterity, such as Information Assisted Endoscopic Surgery System



Less invasive endoluminal manipulator

Less invasive endoluminal manipulator systems that allow to use in office-based facilities as well as in ORs

¹ 36% of common GS/urologic procedures are still done openly in the US , ² From lost income, lost household production, disability, and health care in the US alone

D Lead in next generation MIS



We will pursue initiatives to position ourselves for the future

Olympus is innovating to create solutions across all parts of the MIS workflow along with partners

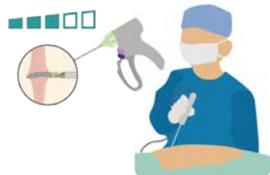
Image Navigation



Autonomous View Control



Active Device Control



Form partnerships in innovation with hospitals and academia



Make targeted acquisitions to build technology strength

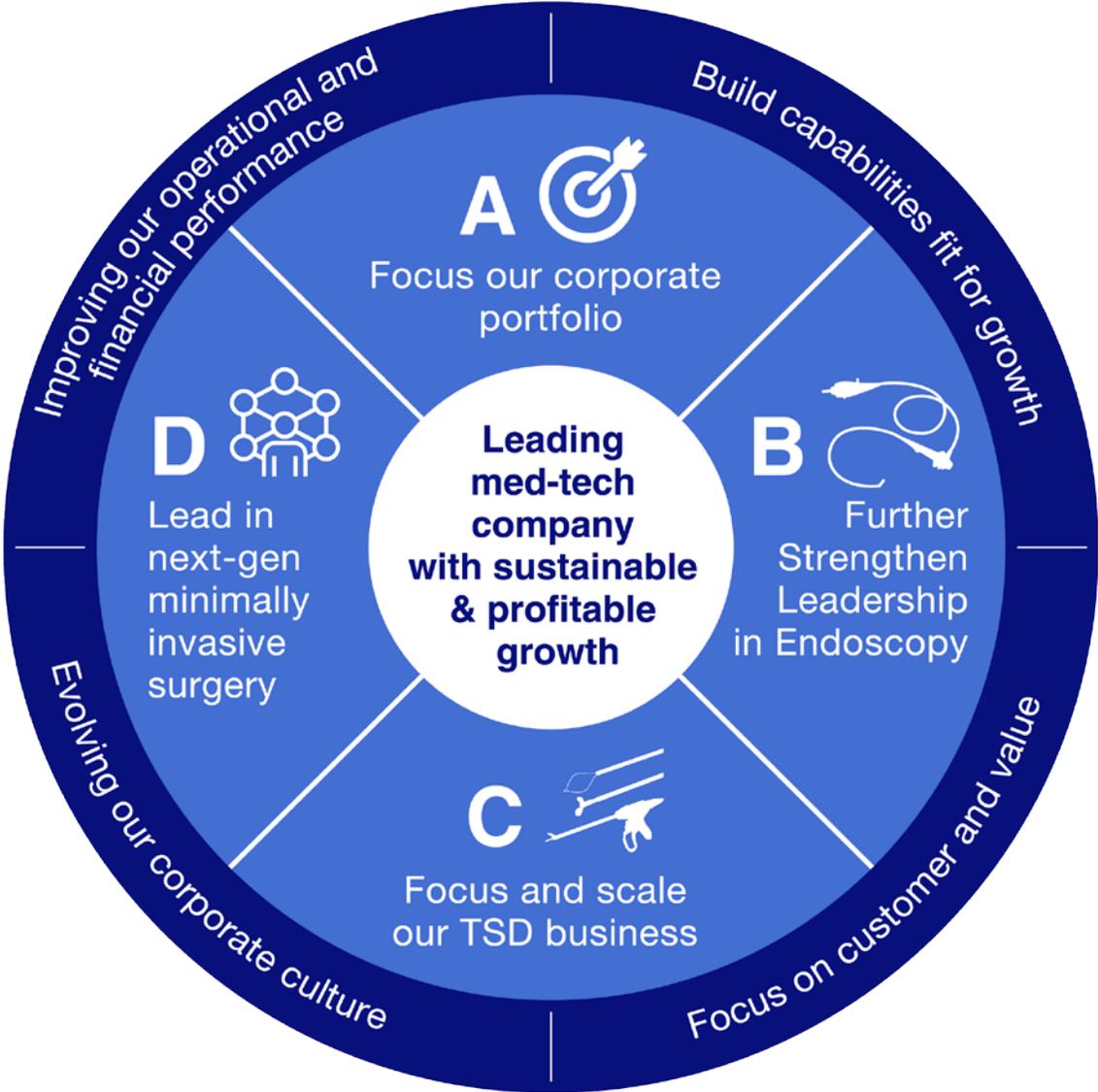


Ramp up internal capabilities to build sustainable platforms



Assess and develop opportunities in less invasive devices and endoluminal manipulator platform

Our corporate strategy



Improving our operating and financial performance through a major transformational program across the whole business over the next 3 years



Building capabilities fit for growth including strengthening our QA/RA function and driving efficiency in our R&D operations



Evolving our corporate culture focusing on building a competitive and performance-oriented culture with customer and stakeholder centricity



A focus on customer and value will underpin all activities in our business to ensure we address our customers' unmet needs and clearly communicate with them the value of our products

We will drive efficiency in our operational and financial performance



We have embarked on a major efficiency improvement program, Transform Olympus, across the company

Planning process	Targeted areas	Example initiatives
<ul style="list-style-type: none">▪ Detailed benchmarking vs. global peers▪ Advice from outside subject matter experts▪ Top down targets set▪ Bottom up development of Transform initiatives▪ 1,000+ Transform initiatives, each with an “owner” and a timeline for accountability tracking▪ Transform initiatives to be included in P&L budgets	Research & Development	<ul style="list-style-type: none">▪ Discontinue projects with low ROI▪ Simplify project specifications to focus on core value-add
	SCM & Manufacturing	<ul style="list-style-type: none">▪ Move to monthly review of supply / demand match▪ Centralized sourcing initiatives
	Sales	<ul style="list-style-type: none">▪ Establish global pricing governance council to improve ASPs▪ Optimize salesforce effectiveness in targeted regions
	Indirect expenses	<ul style="list-style-type: none">▪ Implement global integrated facilities management service program▪ Global travel policy to define clear rules
	Human Resources	<ul style="list-style-type: none">▪ Introduce regular performance review system▪ Targeted structural reforms to align organization with strategic priorities

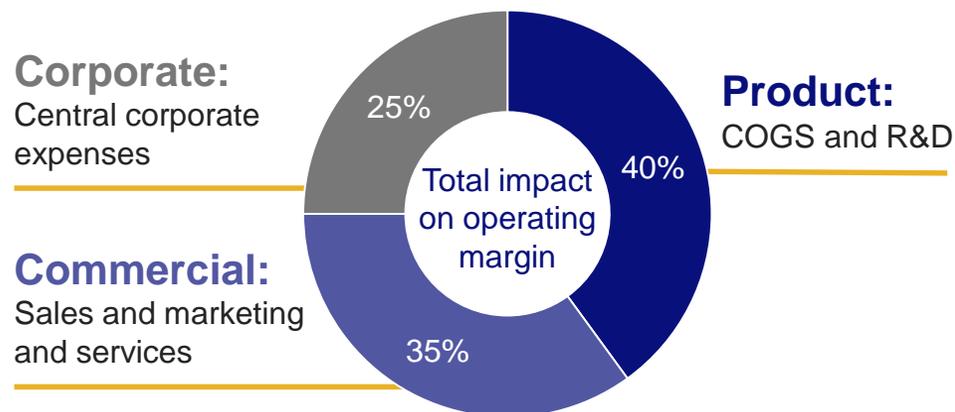
Transform Olympus will position us for long term growth



The outcome of Transform Olympus will be seen in three areas within 3-4 years

Higher Profit

Identified Profit Improvement Opportunity:



>20%

consolidated corporate operating margin¹

High Performance Culture

- Employees trained in continuous improvement and execution
- Clear definition of roles and accountability
- Performance management through appraisal and rewards system
- Cross functional collaborative teams
- Allocation of talent globally based on skills
- Agile decision making

Higher Long-term Growth Capacity

- Greater ability to target areas of high unmet clinical / economic need for product development
- More frequent new product launches with excellent quality / regulatory outcomes
- Higher long-term organic growth rates
- Capability to execute and integrate both tuck-in and transformative acquisitions

¹ Adjusted for extraordinary items

Building strong capabilities will enable us to achieve our targets



Capabilities related to aspirations of becoming a global medtech

Develop medical affairs and QA/RA

Build effective relationships with HCPs, payors and regulators; develop quality and regulatory assurance (QA/RA), health economics and outcomes research (HEOR) capabilities

Customer-centric innovation model

Establish innovation practices that are driven by customer needs with more adaptive R&D, regulatory and general management practices

Data and Analytics (DnA) capabilities

Leverage data monitoring and analysis to demonstrate positive outcomes, product differentiation and to optimize commercial model



Foundational capabilities

Global HR/Talent capabilities

Attract and retain talent through active leadership engagement and effective performance evaluation processes

Strong IT backbone

Build a strong foundation of IT support that allow for global access to standardized information

Standardized resource allocation and review mechanism

Establish effective mechanism and processes for making decisions on resource allocation

Business development capabilities

Establish governance and guidelines for deal sourcing and execution while strengthening integration capabilities

Innovating R&D will be critical to delivering on our ambition



We are evolving our approach to R&D with 3 key initiatives



Allocate more resources to strengthen QA/RA

- Transition from a strong focus on engineering to developing an equally strong QA/RA function by reallocation of resources
- Ensure timely delivery of products of the highest quality and safety standards



Redesign product development governance

- Strengthen R&D portfolio prioritization governance to focus resources on the highest impact projects
- Strengthening oversight to ensure we meet our product development deadlines



Streamline imaging platform to drive efficiency

- Streamline our imaging platform in endoscopy, improving ease of use for customers and ensuring clinical standardization and freeing up R&D resources for other value-added projects

We have initiatives in place to strengthen our compliance and regulatory practices



- **Harmonize global complaint handling standard and governance** to ensure global consistency and monitor effectiveness of future complaint management process

- **Upgrade and connect quality IT systems** to enable robust trend and issue monitoring

- **Retrain company** on complaint awareness & reporting, and complaint management process; **enhance training for regulatory affairs** employees

- **Establish new regulatory approval process and remediate recent regulatory issues**

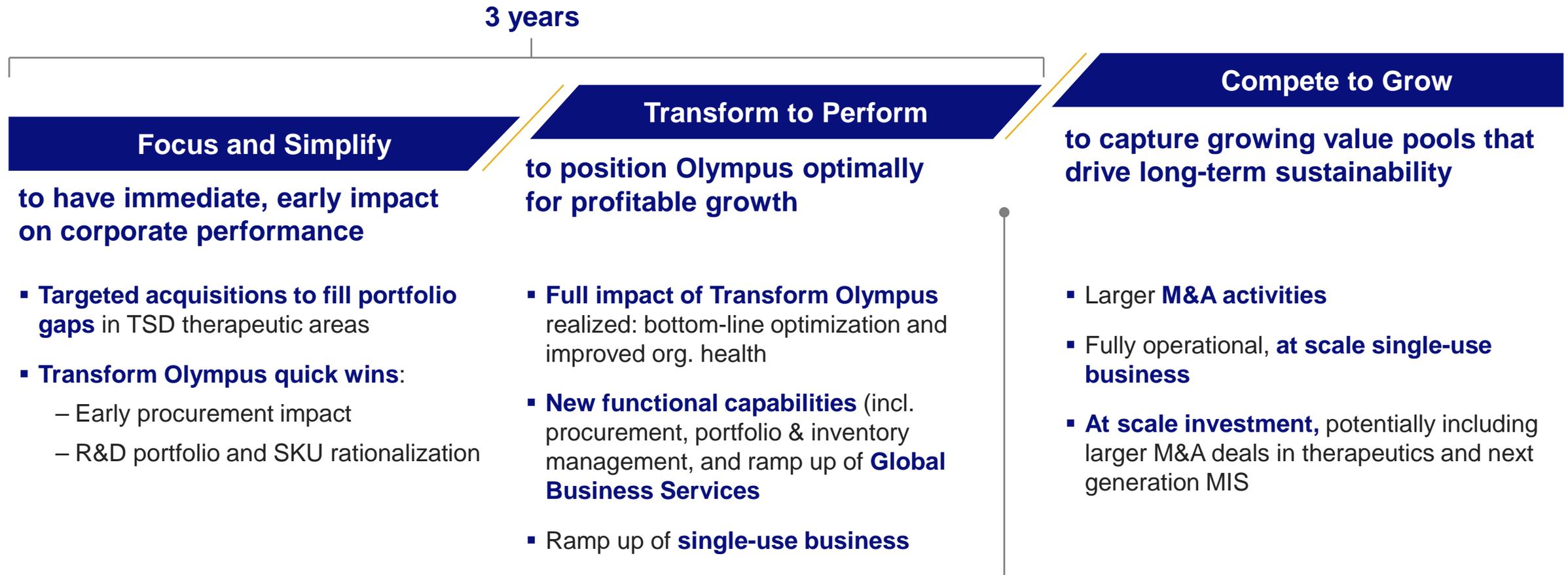
- **Move US regulatory submissions center from Tokyo to US**

- **Re-organize and prepare to become compliant with new EU-MDR regulations**

03

Our Growth and Performance Impact

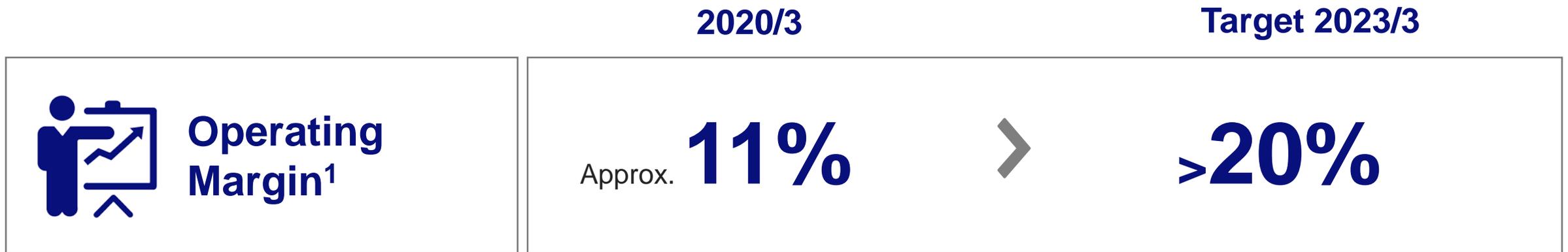
Sequencing of our growth and transformation initiatives



Performance impact in 3 years
> 20% operating margin¹

¹ Adjusted for extraordinary items

2023/3 Financial guidance



¹ Adjusted for extraordinary items

2023/3 Supporting financial indicators

	2020/3	Target 2023/3
 Free cash flow growth ¹	¥50 Billion	>20% CAGR from FY2020/3
 ROIC ¹	Approx. 10%	>20%
 EPS Growth ¹	¥47	>25% CAGR from FY2020/3

¹ Adjusted for extraordinary items

Cash allocation

Business investment

- Prioritize allocation of funds toward growth investments as well as quality enhancement
- Strategic consideration of M&A based on business strategy

Shareholders' return

- Maintain current policy to achieve 30% total shareholders return by FY 2021 as stated in 16CSP
(Olympus will achieve its 16CSP target of a 30% total return ratio in FY2020/3)
- Maintain the proactive shareholder return policy considering corporate priorities and shareholders' values

OLYMPUS

A thick, yellow, brushstroke-style underline that tapers at both ends, positioned directly beneath the word "OLYMPUS".