

**OLYMPUS**

Your Vision, Our Future

# Gastrointestinal and Respiratory Business Unit (GIRBU) Strategy

Katsuyuki Saito  
Head of GI Business Unit  
Olympus Corporation  
March 30, 2016

*16CSP*

**1. Business Overview**

**2. Recognition of Current Conditions**

**3. Market Trends**

**4. Business Strategies**

**5. Targets and Indicators**

## **1. Business Overview**

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# 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.**

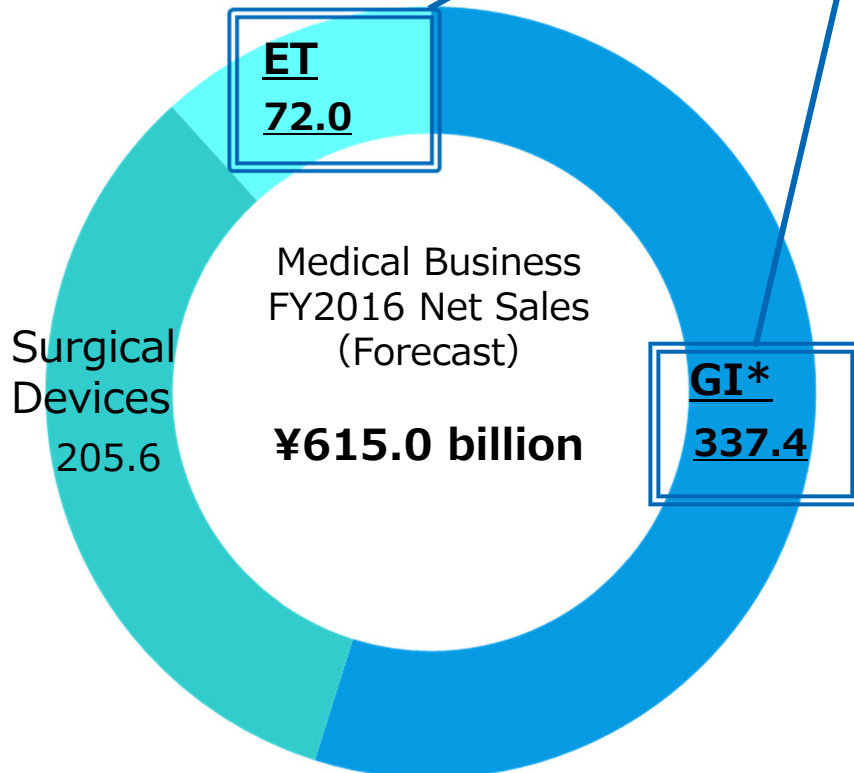
\* Endotherapy devices

# Sales Distribution and Product Portfolio

## FY2016 Net Sales (Forecast)

(Billions of yen)

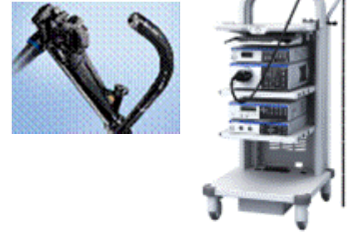
GI: Gastrointestinal endoscopes  
ET: Endotherapy devices



## Gastrointestinal and Respiratory Business Unit (GIRBU)

Endoscope field

Gastrointestinal endoscopes



EVIS EXERA III  
EVIS LUCERA  
ELITE

Ultrasound endoscopes



Bronchoscopes



Cleaning, disinfection and sterilization



Capsule endoscopes\*\*



ET field



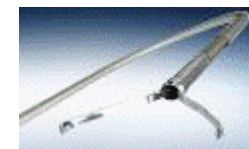
Endoscopic retrograde cholangiopancreatography (ERCP)



Endoscopic mucosal resection (EMR) and endoscopic submucosal dissection (ESD)



Biopsy



Hemostasis

\* The figure for GI net sales (¥337.4 billion) includes a portion of net sales from the Medical Service Business Unit (MSBU).

\*\* Capsule endoscopes do not feature the Olympus logo.

# Major Products: (1) Endoscope Field

Products

## Gastrointestinal Endoscopes

Gastrosopes, Colonoscopes,  
Duodenoscopes, Enteroscopes  
"EVIS EXERA III" "EVIS LUCERA ELITE"



## Bronchoscopes

Bronchoscopes  
Ultrasound bronchoscopes



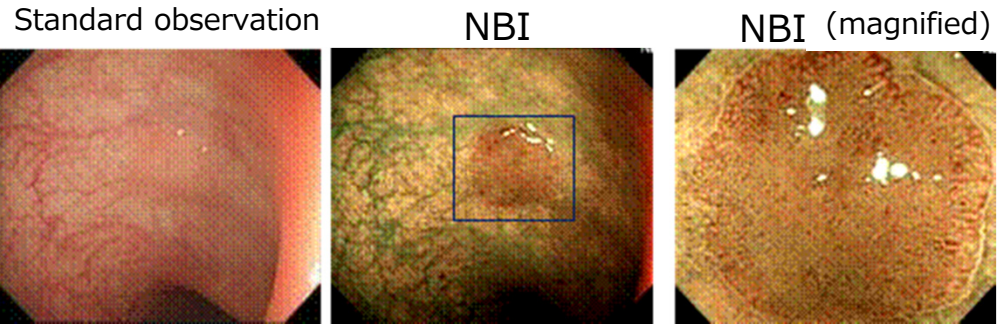
## Cleaning, disinfection, and sterilization

Endoscope reprocessors  
(Disinfectants and cleaning-related consumables)



Characteristics

- Used for gastrointestinal diagnoses, biopsies, and treatments.
- They contribute to early diagnosis by highlighting minute details of mucous membrane structures with HD technologies, Opt-Digital Technology (NBI; narrow band imaging) and easy-to-use magnified observation features.



Images provided by National Cancer Center Hospital East

- Used for diagnosis, biopsy and treatment of the lung.
- HD image quality and insertion tube rotation function of video bronchoscopes support enhanced diagnostic and insertion capabilities.
- Ultrasound bronchoscope allows needle biopsy of mediastinal and hilar lymph nodes for lung cancer staging under real-time ultrasound image guidance.

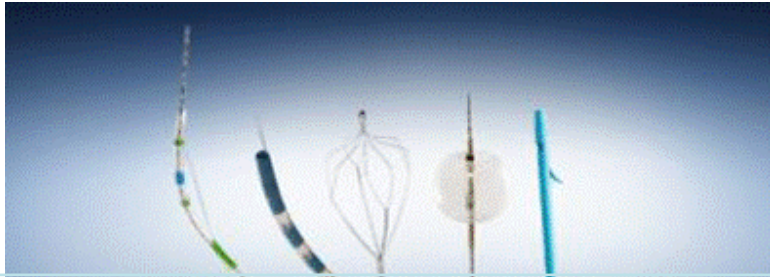
- Used for cleaning and high-level disinfection of endoscopes after examinations.
- The reprocessors automatically clean and disinfect 1 or 2 scopes and the compact body saves space in reprocessing rooms.
- Olympus products employ person- and eco-friendly peroxyacetic acid.

# Major Products: (2) ET Field

Products

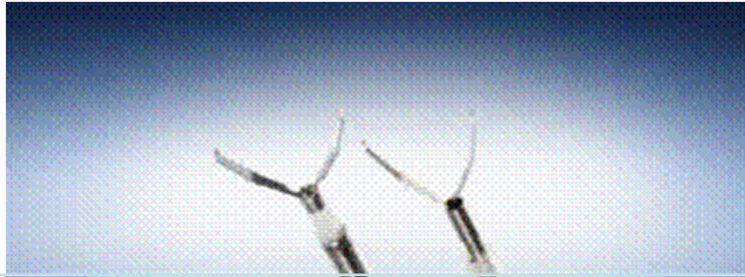
## ECRP Products

Guidewires, Papillitomes, Basket forceps, etc.



## Hemostasis Products

Clips, etc.



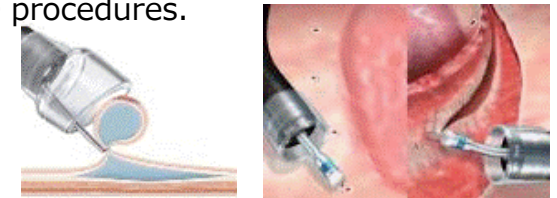
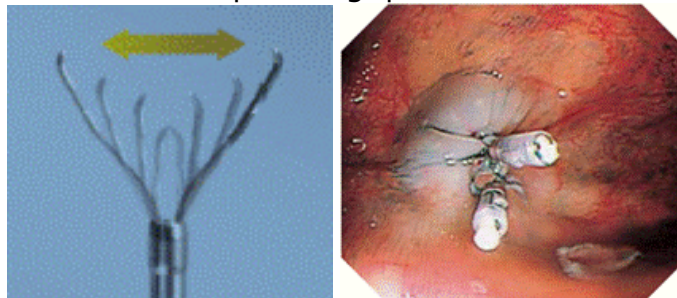
## EMR and ESD Products

Knives and hemostatic forceps



Characteristics

- These items are used with endoscopes for gastrointestinal and bronchial diagnoses, biopsies and treatments.
- Our products reduce the burden on HCPs and patients by using precision processing and assembly technologies along with designs that emphasize safety, reliability and efficiency.
- ERCP is performed by inserting ET devices into bile ducts via the duodenum to remove gallstones and detect and treat bile duct functional abnormalities.
- Our ET lineup includes insertion support devices (Guidewires) that help ensure safe and efficient catheter insertion into and passage through bile duct strictures, incision knives for papilla (Papillotomes), and devices for accurately and efficiently removing gallstones (basket forceps).
- Hemostasis is performed to stop bleeding after hemorrhagic ulcer or endoscopic treatments (EMR and ESD).
- Olympus boasts a lineup of clips that can stop bleeding more easily and assuredly due to their rotation and re-clamping features as well as their improved grip.
- EMR and ESD entail the resection and removal of early-stage gastrointestinal cancer lesions using endoscopes.
- ESD is a minimally invasive therapy that enables the resection of larger lesions by utilizing specialized ET devices.
- We have a wide lineup of specialized ET devices (knives) that can be used for various ESD procedures.



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# Review of Medium-Term Vision Period (From FY2013) (1)

## (1) Endoscope field : Implemented all strategic measures set forth in medium-term vision and achieved targets

Strategies	Measures and Evaluation
<b>■ Reinforce foundations in GI business (CAGR of 9%)</b>	<ul style="list-style-type: none"><li>✓ Achieved growth substantially higher than expected (CAGR of 15%)</li><li>✓ Launched new mainstay products (EVIS EXERA III and EVIS LUCERA ELITE) and realized early-stage replacement after launch</li><li>◎ ✓ Solicited clinical benefits of magnified and NBI observation and expanded range of endoscopic early diagnosis procedures</li><li>✓ Conducted effective and efficient cross-selling initiatives employing peripheral equipment for ultrasound endoscopes and bronchoscopes</li></ul>
<b>■ Expand business in emerging markets</b>	<ul style="list-style-type: none"><li>✓ Realized full-fledged spread of gastrointestinal endoscopes in emerging countries</li><li>◎ ✓ Achieved CAGR of 23% in Asia</li><li>✓ Strengthened training and service systems in China and other parts of Asia</li></ul>

# Review of Medium-Term Vision Period (From FY2013) (2)

## (2) ET field : Achieved progress generally in line with targets in all regions

Strategies	Measures and Evaluation
<b>■ Expand product lineups</b>	✓ Introduced strategic products (Disposable clips “QuickClip Pro”, Esophageal dilation balloons “EZDilate” etc.) on global basis and drove business growth with these products ◎
<b>■ Increase market share in North America</b>	✓ Achieved share growth in North America by strengthening sales force and launching differentiated products (CAGR of 20%) ◎
<b>■ Expand EMR and ESD procedures</b>	✓ Improved procedure efficiency through continual introduction of new products ○ ✓ Contributed to activities for spreading procedure usage in European, U.S. and Asian markets

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# Market Trends

Field	Market Trends (Operating Environment)	Products	Market Scale* (Growth Forecasts)	Global Share*	Competitors
GI	<p>[Developed countries]</p> <ul style="list-style-type: none"> <li>■ Increasing number of endoscopic examinations due to aging population</li> <li>■ Rise in number of endoscopic examinations due to endorsement of gastric cancer screening (Japan)</li> <li>■ Demands for improved medical care quality, cost efficiency and patient satisfaction</li> <li>■ Further growth in minimally invasive endoscopic therapy procedures</li> <li>■ Rising concern over cleaning, disinfection and sterilization, and higher quality expectations</li> </ul>	Endoscopes	¥350 billion~ ¥370 billion (CAGR : 4~6%)	More than 70%	<ul style="list-style-type: none"> <li>■ Fujifilm</li> <li>■ HOYA</li> </ul>
	<p>[Emerging countries]</p> <ul style="list-style-type: none"> <li>■ Spread of endoscopic expectations and rise in expectation numbers due to population growth and economic development</li> <li>■ Institution of more rigorous regulations</li> </ul>	ET devices	¥370 billion~ ¥390 billion (CAGR : 4~6%)	Approx. 20%	<ul style="list-style-type: none"> <li>■ Boston Scientific</li> <li>■ Cook Medical</li> </ul>
Respiratory	<ul style="list-style-type: none"> <li>■ Increase in number of lung cancer incidence</li> <li>■ Rise in lung cancer definitive diagnosis procedures due to spread of CT screening</li> <li>■ Growing need for local biopsies to determine compatibility with molecular target drugs</li> <li>■ Research on endoscopic treatments for non-cancerous diseases</li> </ul>				

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# Business Strategies

Endoscopes	1	Secure strong market leader position in GI business and improve profitability through selection and concentration
	2	Expand business in following fields; respiratory, CDS (Cleaning, Disinfection and Sterilization), Endoscopic Ultrasound (EUS) , capsule endoscopy, and IT
	3	Realize business growth in emerging markets
ET devices	4	Continually grow share in the U.S. market
	5	Strengthen business excellence in disposable device business field
	6	Execute growth strategies utilizing strength in endoscope business field

# Priority Measure ( Endoscope field )

	Measure	Details
1	Realize sustainable sales growth through launch of high-value-added products	<ul style="list-style-type: none"> <li>① Sustain sales growth through launch of strategic products specially designed for specific procedures</li> <li>② Accelerate sales growth in principal regions through introduction of next-generation systems</li> </ul>
2	Increase earnings capacity by boosting efficiency of R&D, manufacturing and sales functions	<ul style="list-style-type: none"> <li>① Reduce manufacturing expenses</li> <li>② Improve efficiency with regard to operating expenses</li> </ul>
3	Strengthen respiratory field initiatives	<ul style="list-style-type: none"> <li>① Continue to promote spread and increase of EBUS-TBNA procedures</li> <li>② Expand biopsy needle product lineup</li> </ul>
4	Accelerate strategic initiatives in cleaning, disinfection and sterilization field	<ul style="list-style-type: none"> <li>① Maximize sales and profit from further penetration of endoscope reprocessing machines followed by larger opportunities in disinfectant chemicals</li> <li>② Continually and proactively respond to changing market needs</li> </ul>
5	Execute strategic initiatives in IT field	<ul style="list-style-type: none"> <li>① Respond to increasing trend toward network integration in hospital environments</li> <li>② Investigate and develop high-value-added services aligned with coming ICT and IoT era</li> </ul>
6	Strengthen business foundations and expand business in emerging countries	<ul style="list-style-type: none"> <li>① Reinforce business foundations in China, other parts of Asia and the Middle East</li> </ul>

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<p><b>3 Strengthen respiratory field initiatives</b></p>	<ul style="list-style-type: none"> <li>① Continue to promote spread and increase of EBUS-TBNA procedures</li> <li>② Expand biopsy needle product lineup</li> </ul>
<p>4 Accelerate strategic initiatives in cleaning, disinfection, and sterilization field</p>	<ul style="list-style-type: none"> <li>① Maximize sales and profit from further penetration of endoscope reprocessing machines followed by larger opportunities in disinfectant chemicals</li> <li>② Continually and proactively respond to changing market needs</li> </ul>
<p>5 Execute strategic initiatives in IT field</p>	<ul style="list-style-type: none"> <li>① Respond to increasing trend toward network integration in hospital environments</li> <li>② Investigate and develop high-value-added services aligned with coming ICT and IoT era</li> </ul>
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# Priority Measure 3. Strengthen Respiratory Field Initiatives

## Expansion of Endobronchial Ultrasound guided Transbronchial Needle Aspirations (EBUS-TBNA)\* procedure

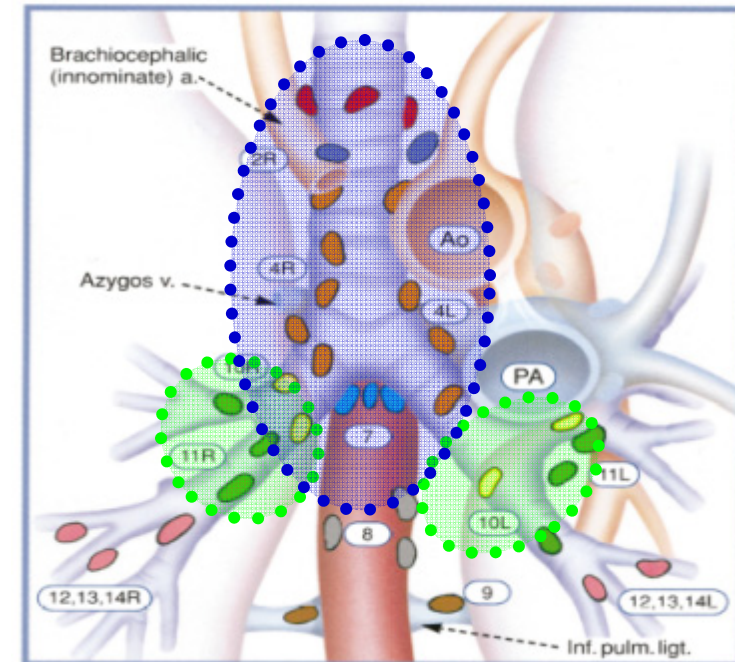
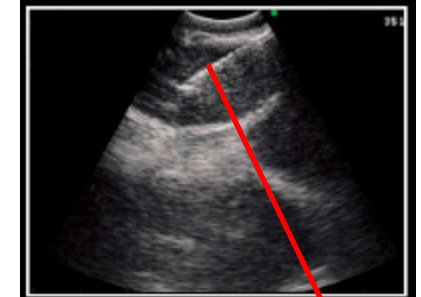
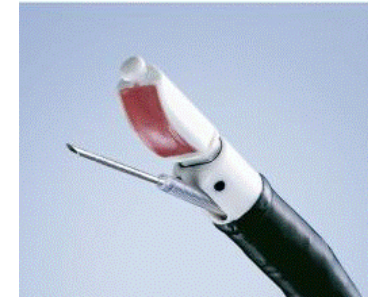
\*EBUS-TBNA is a procedure performed mainly for lung cancer diagnosis and staging by sampling tissues from mediastinal and hilar lymph nodes

### [Business Opportunity]

- Increase in patients suspected of having lung cancer due to spread of lung CT screening
- Growing need for specimen material to determine molecular targeted drug therapy

### [Initiatives]

1. Introduction of new ultrasound bronchoscope
  - Thinner distal end design for wider range of access and improved access to peripheral bronchial tube.
2. Introduction of new needles
  - Larger gauge size needle
  - Improved operation and puncture performance



# Priority Measure ( Endoscope field )

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<p>5 Execute strategic initiatives in IT field</p>	<ul style="list-style-type: none"> <li>① Respond to increasing trend toward network integration in hospital environments</li> <li>② Investigate and develop high-value-added services aligned with coming ICT and IoT era</li> </ul>
<p>6 Strengthen business foundations and expand business in emerging countries</p>	<ul style="list-style-type: none"> <li>① Reinforce business foundations in China, other parts of Asia, and Middle East</li> </ul>

# Priority Measure 4. Accelerate Strategic Initiatives in CDS Field

## 1. Maximize sales and profit from further penetration of endoscope reprocessing machines followed by larger opportunities in disinfectant chemicals

- Sustain and expand business foundations in Japanese and European markets
- Realize drastic sales growth in U.S. and Chinese markets
- Expand markets into emerging countries in Asia, Latin America and other regions



## 2. Continually and proactively respond to changing market needs

- Keep accurately capturing changing market needs and promptly adapting Olympus' capability to increase demand for better quality cleaning, disinfection and sterilization
- Provide equipment and services for supporting workflow of cleaning, disinfection and sterilization in medical institutions
- Reinforce activities for exploring and acquiring next-generation technologies



# Priority Measure ( Endoscope field )

Measure	Details
<p>1 Realize sustainable sales growth through launch of high-value-added products</p>	<ul style="list-style-type: none"> <li>① Sustain sales growth through launch of strategic products specially designed for specific procedures</li> <li>② Accelerate sales growth in principal regions through introduction of next-generation systems</li> </ul>
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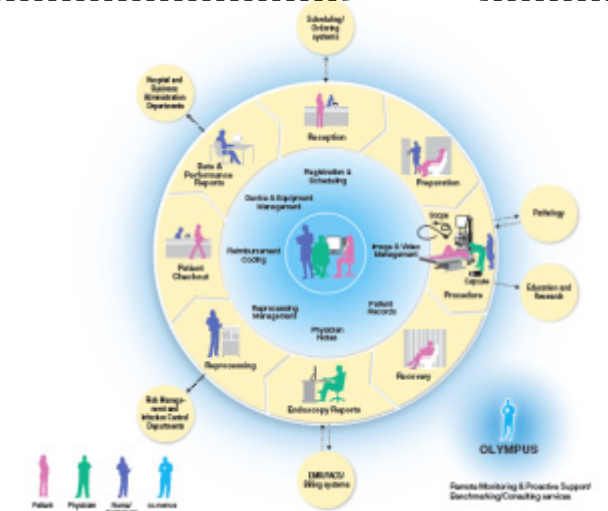
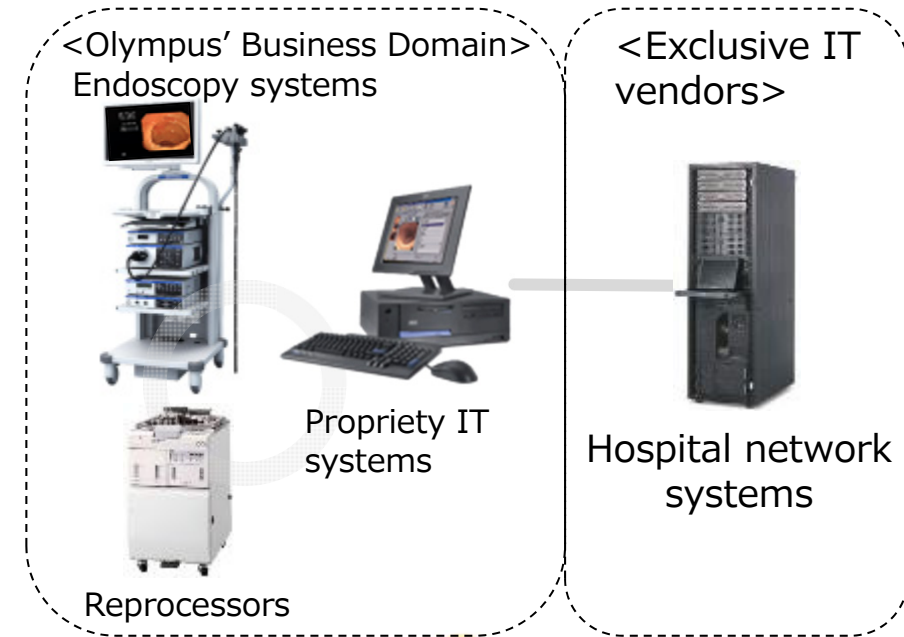
# Priority Measure 5. Execute Strategic Initiatives in IT Field

## 1. Respond to increasing trend toward network integration in hospital environments

- Provide seamless interfaces for connecting endoscope systems to hospital network systems (HISs and PACSs)  
⇒ Utilize strategic alliance with medical IT vendors to focus Olympus' R&D resources on fields where our competencies are maximized
- Reinforce sales and service infrastructure suitable for network era

## 2. Investigate and develop high-value-added services aligned with coming ICT and IoT era

- Create secondary uses for equipment data collected from Olympus' full range of high-share products that cover entire workflow in endoscopy rooms  
⇒ Develop and provide high-value-added services that only Olympus can offer



# Priority Measure ( ET field)

	Measure	Details
7	Expand product lineup	<ul style="list-style-type: none"> <li>① Focus on expanding product portfolio in ERCP field</li> <li>② Efficiently expand product lineup by collaborating with other companies and utilizing external procurement</li> </ul>
8-1	Strengthen sales and marketing functions	<ul style="list-style-type: none"> <li>① Enhance sales excellence (improve sales representative knowledge and skills)</li> <li>② Improve account management</li> </ul>
8-2	Reinforce R&D functions	<ul style="list-style-type: none"> <li>① Reinforce activities for collecting information on market needs</li> <li>② Improve development speed and continually launch new products</li> </ul>
8-3	Strengthen manufacturing functions	<ul style="list-style-type: none"> <li>① Utilize overseas production bases to maintain cost competitiveness</li> <li>② Acquire manufacturing functions capable of responding to demand fluctuations</li> </ul>
9	Develop "See & Treat" procedures	<ul style="list-style-type: none"> <li>① Continue generating early diagnosis and minimally invasive therapy innovation</li> </ul>
10	Accumulate GPO and IDN contract negotiation expertise	<ul style="list-style-type: none"> <li>① Utilize strengths in endoscope business field to propose comprehensive solutions as "One Olympus"</li> </ul>

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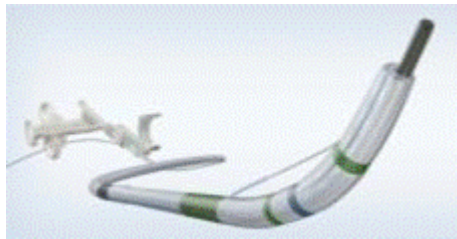
# Priority Measure 7. Expand Product Lineup

- Create Industry's No. 1 Product Lineup

## ERCP



Guidewires

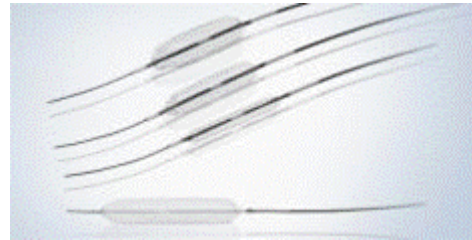


Papillotomes

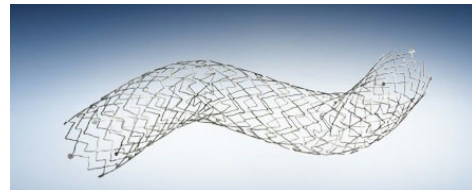


Stone retrievers

## Stricture Treatment



Gastrointestinal dilation balloons



Metallic stents

## EMR/ESD



Hemostatic forceps

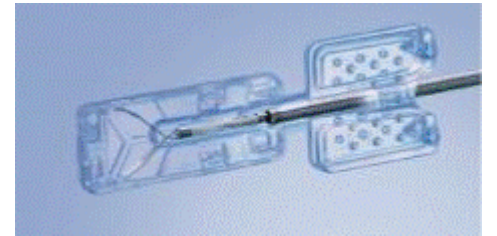


ESD knives

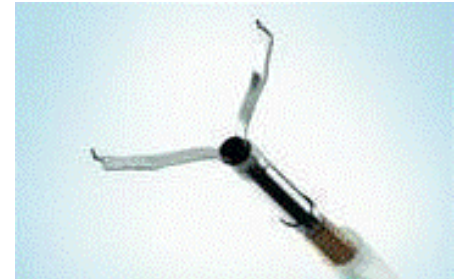


Injection needles

## Clips



Rotatable clip fixation devices



Rotatable clip fixation devices


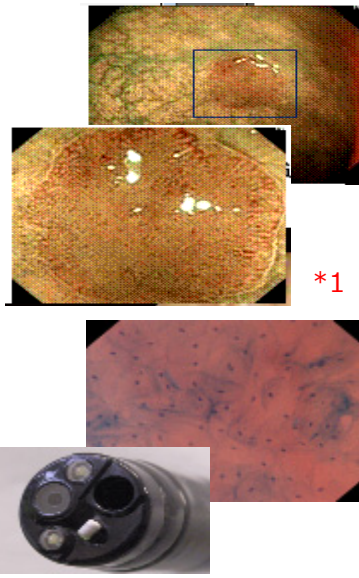
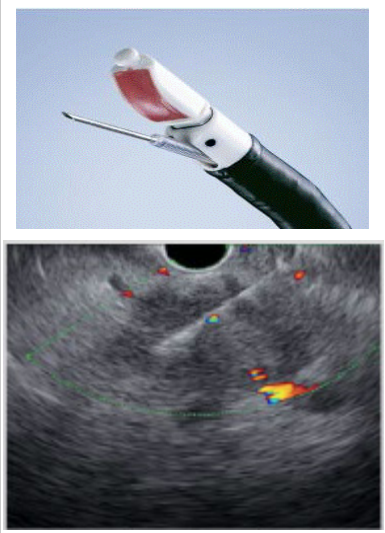
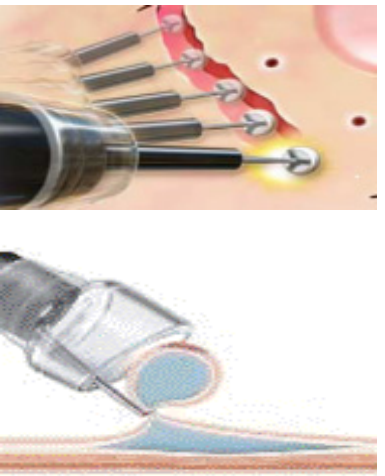




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10	Accumulate GPO and IDN contract negotiation expertise	<ul style="list-style-type: none"> <li>① Utilize strengths in endoscope business field to propose comprehensive solutions as One Olympus</li> </ul>

# Priority Measure 9. Develop “See & Treat” Procedures

Innovations in early diagnosis and minimally invasive therapy  
Offer solutions for all areas, from diagnosis to endoscopic therapy and general surgery

Detection	Diagnosis	Biopsy / Collection	Endoscopic therapy	Endoscopic surgery	General surgery
					
<ul style="list-style-type: none"> <li>• Electronic endoscopy systems</li> </ul>	<ul style="list-style-type: none"> <li>• Magnifying endoscopes</li> <li>• Ultrasound endoscopes</li> </ul>	<ul style="list-style-type: none"> <li>• Biopsy forceps and needles</li> <li>• Cytology brushes</li> </ul>	<ul style="list-style-type: none"> <li>• Endotherapy devices</li> </ul>	<ul style="list-style-type: none"> <li>• Surgical endoscopy systems</li> </ul>	<ul style="list-style-type: none"> <li>• Therapeutic energy devices</li> </ul>

\*1: Images provided by National Cancer Center Hospital East

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## **GIRBU Net Sales: CAGR of 7%**

### **■ Endoscope field: CAGR of 6%**

- ✓ Achieve sales growth that exceeds market growth rates by expanding endoscope peripheral business and growth in emerging markets

### **■ ET field: CAGR of 9%**

- ✓ Realize sales growth that greatly exceeds market growth rates by taking advantage of higher disposable device demand accompanying rising case numbers and expanding share in the U.S. market

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