

**OLYMPUS**

Your Vision, Our Future

# General Surgery Business Unit (GSBU) Strategy

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*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 GS Business within Olympus

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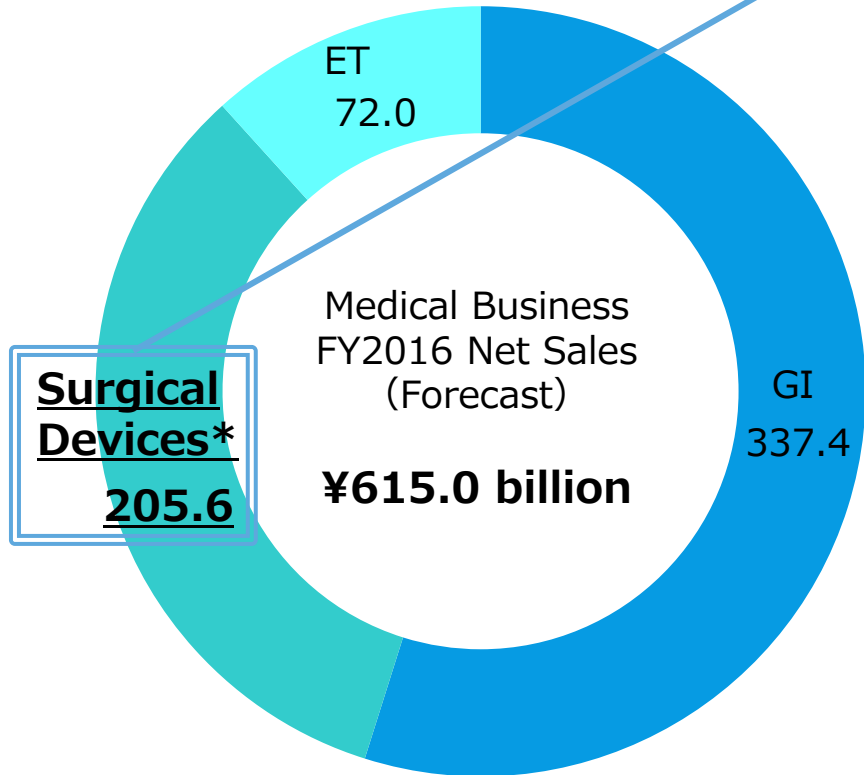
Aggressively allocating management resources to grow GS business into 2nd core business after GI

Main growth driver in Medical Business, achieves sales growth exceeding market growth rates

Improve profitability along with disposable business sales growth

# Sales Distribution and Product Portfolio

## FY2016 Net Sales (Forecast)



## General Surgery Business Unit (GSBU) \*

### Surgical Imaging



4K Surgical Endoscopy System



3D Surgical Videoscope

### Energy



Advanced Bipolar and Ultrasonic Integrated Energy System

THUNDERBEAT



PK Technology Device



### OR Systems Integration

OR Systems Integration



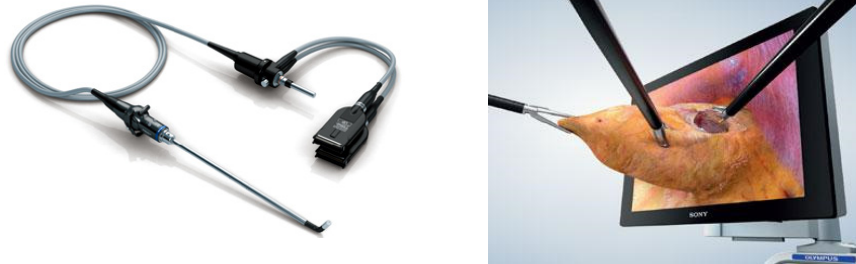
\* The figure for surgical devices net sales (¥205.6 billion) includes net sales of the General Surgery Business Unit (GSBU).

# Major Products : Surgical Imaging

## Surgical Imaging

### Product

#### 3D Surgical Videoscope



#### 4K Surgical Endoscopy System



### Feature

- 3D visualization of operation areas provides easier understanding of the depth of field
- World's first 3D surgical videoscope with deflectable tip

- Provides better surgical visualization with 4 times more pixels than conventional full HD
- Wider color gamut helps support identification of small tissue and vessel structure with better color reproduction
- Technology developed by Sony Olympus Medical Solutions

# Major Products : Energy

## Energy

### Product

#### THUNDERBEAT



#### PK Technology Device



### Feature

- World's first integrated system of advanced bipolar energy, for better vessel sealing, and ultrasonic energy, for better tissue dissection and cutting
- Increasing efficacy of surgery without exchanging device for vessel sealing, tissue dissection and cutting
- Additional line up for open surgery available (not available in Japan)

- Allows better vessel sealing, tissue dissection and coagulation with advanced bipolar technology
- Compatible with the same energy platform as THUNDERBEAT

# Today's Agenda

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# Recognition of Current Conditions

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

### Strategy

### Individual Measures and Evaluation

Expand share in surgical imaging field

- ◎ ■ Introduced 3D system, 4K camera systems and other differentiated products
- Increased sales of flexible endoscopes in the OR

Establish energy device business

- ◎ ■ Strengthened energy device technology development, launched THUNDERBEAT worldwide and expanded sales
- Completed energy platform with integrated PK technology
- Expanded device lineup to open surgery and other areas and increased sales

# Recognition of Current Conditions

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

Strategy	Individual Measures and Evaluation
Strategic investment for long-term surgical business growth	<ul style="list-style-type: none"><li>■ Enhanced sales force mainly in the US market</li><li>○ ■ Achieved THUNDERBEAT annual sales growth rate of 24% in the US market (by February 2016)</li></ul>
Strengthen operating foundations in Asia and emerging countries	<ul style="list-style-type: none"><li>■ Made progress in sales force enhancement in China</li><li>■ Improved regulatory approval period by strengthening RA functions in each country</li><li>○ ■ Achieved sales growth rate of CAGR 14% in GS field of Chinese market (April 2012 – March 2016)</li></ul>

# Recognition of Current Conditions

## Issues for further business growth

### Issues

### Respond to Market Environment Changes

- Accelerated trend of group purchasing through GPOs and IDNs (North America market)
- Expanded application of minimally invasive treatments and surgical procedures for reducing overall medical cost

### Grow GS Business

- Expand surgical imaging business market share
- Expand product portfolio for energy business
- Shifting toward procedure-based business model from capital-based business
- Execute sales strategy with strengthened sales force by strategic investments

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# Market Trends : Surgical imaging

Field	Market Trends (Operating Environment)	Market Scale (Growth Forecasts)	Global Share*	Competitors
<u>Surgical imaging</u>	<p><b>[4 Major markets (JP, US, EU, and China)]</b></p> <ul style="list-style-type: none"> <li>■ Decelerated market growth in capital equipment due to growing pressure on medical expenditures</li> <li>■ Market invigoration with 4K launch by major competitors</li> <li>■ Expectations for improved performance of 3D endoscopy system</li> </ul> <p><b>[Emerging countries]</b></p> <ul style="list-style-type: none"> <li>■ Expectations of market expansion in conjunction with trend toward minimally invasive surgery (shift from open surgery to laparoscopic surgery)</li> </ul>	<p>¥260 billion~ ¥290 billion CAGR : 2~4%</p>	<p>20~ 25%</p>	<p>STORZ: Germany Stryker: U.S. R. WOLF: Germany Arthrex: U.S.</p>

# Market Trends : Energy devices

Field	Market Trends (Operating Environment)	Market Scale (Growth Forecasts)	Global Share*	Competitors
<u>Energy devices</u>	<p><b>【4 major markets (JP, US, EU, and China)】</b></p> <ul style="list-style-type: none"> <li>■ Increased trend in number of minimally invasive procedures</li> <li>■ Market participation by new companies with value energy products</li> <li>■ Changes in purchasing processes due to expanding presence of group purchasing organizations</li> </ul> <p><b>【Emerging countries】</b></p> <ul style="list-style-type: none"> <li>■ Expectations of market expansion in conjunction with trend toward minimally invasive surgery (shift from open surgery to laparoscopic surgery)</li> </ul>	<p><b>¥160 billion~ ¥180 billion</b></p> <p><b>CAGR : 3~5%</b></p>	<p><b>18~20%</b></p>	<p>ETHICON: U.S. Medtronic: U.S. Applied Medical: U.S.</p>

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# Business Strategies

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**1**

**Establish new de facto standard in surgical imaging market**

**2**

**Secure No. 3 position in energy device market and encroach upon No. 2 and No. 1 positions**

**3**

**Establish disposable device business model**

**4**

**Fully leverage Olympus' strength in GI field**

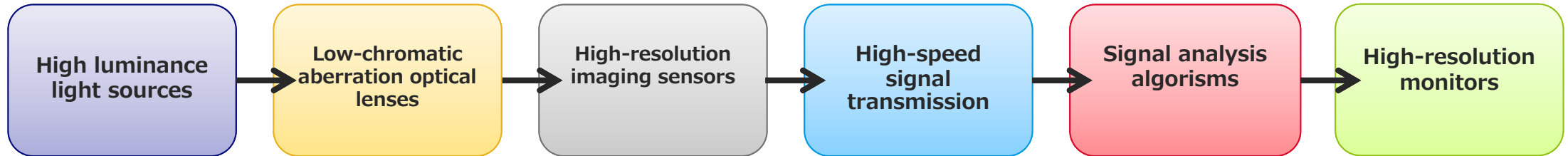


# Priority Measure

	Strategy	Priority Measure
1	Establish new de facto standard in surgical imaging market	<ol style="list-style-type: none"><li>1. Complete 4K/3D imaging chains</li><li>2. Propose 4K worlds through OR system integration</li></ol>
2	Secure No. 3 position in energy device market and encroach upon No. 2 and No. 1 positions	<ol style="list-style-type: none"><li>3. Broaden energy product portfolio and shorten the product development cycle</li></ol>
3	Establish disposable device business model	<ol style="list-style-type: none"><li>4. Refine CRM and enhance sales approach based on procedures</li><li>5. Promote clinical and economic value of Olympus products</li></ol>
4	Fully leverage Olympus' strength in GI field	<ol style="list-style-type: none"><li>6. Promote flexible endoscope utilization in the OR and develop new minimally invasive treatment with flexible endoscope</li></ol>

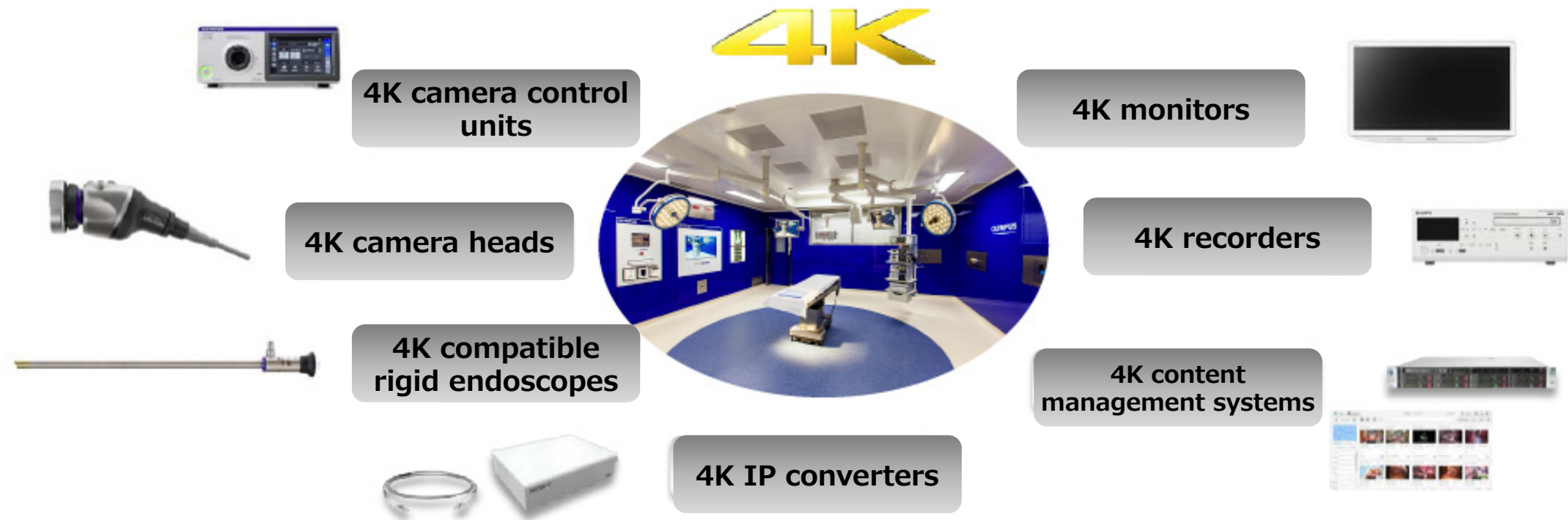
# P.M. 1. Complete 4K/3D Imaging Chains

- Merge SONY electric imaging technology with OLYMPUS optical technology and medical instrument development experience



# P.M.2. 4K world, OR Systems Integration

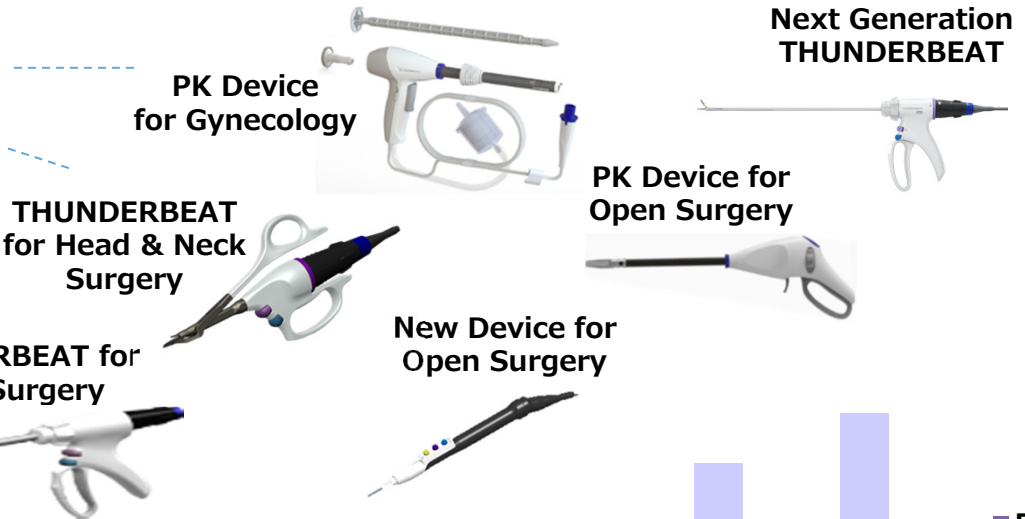
## ■ Provide 4K solution in all related imaging chains



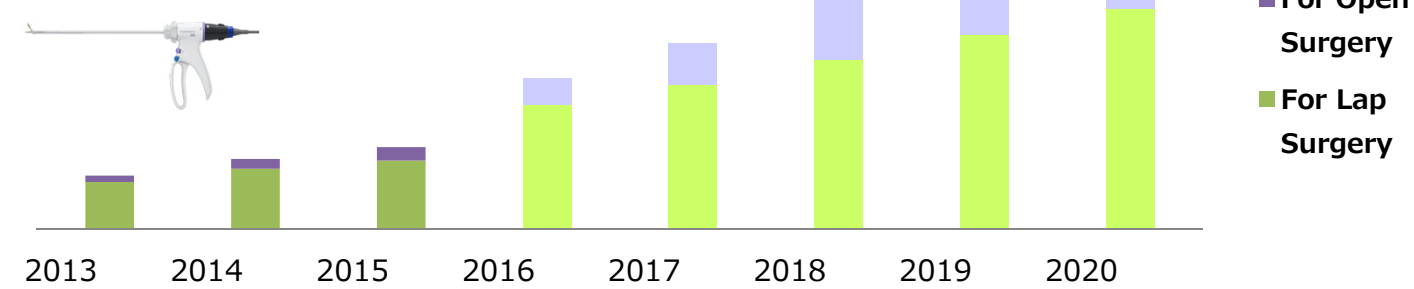
# P.M.3. Energy Device Portfolio Expansion



**Energy Platform**

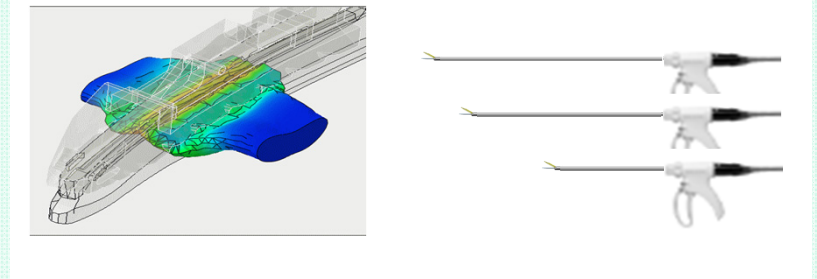


**THUNDERBEAT**



**Sales History and Projection of Energy Device (US and EU market)**

- Device development for procedures
  - Laparoscopic surgery, open surgery
  - Ultrasonic, bipolar, combined
- Speedier development utilizing simulation technology and modular design



- Collaborate with the R&D and manufacturing facilities in the US & EU



## P.M.4. Refine CRM and enhance sales approach

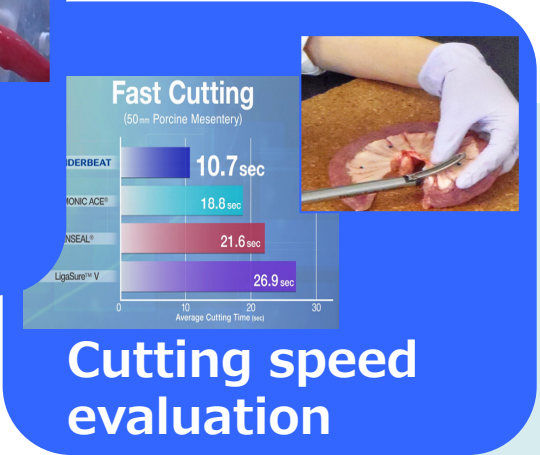
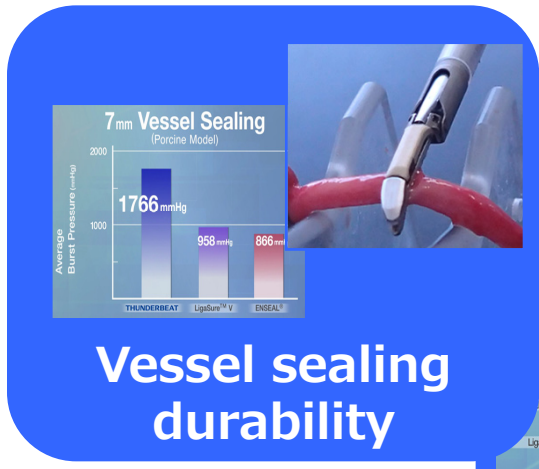
### ■ Purchasing cycle for disposable devices is totally different from capital products

- Wide variety of devices are used for various procedures with different HCPs
- Purchasing decisions made for each case
- Need to refine CRM system and enhance sales approach

	Customer Information	Sales Cycle
Capital product	Installation & renewal history	3 ~ 5 years
Disposable device	Daily procedure # in each specialty	Daily procedures

# P.M.5. Promote clinical and economic value

- Product Specifications
- Clinical efficacy
- Economic benefit

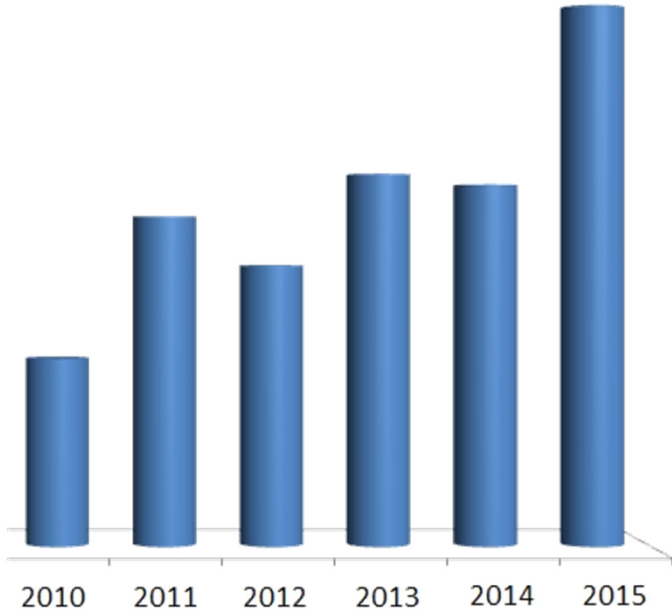


**2. Comparison Data**

	Competitor	Olympus (Past)	Olympus (Current)
Updating Cycle	For new-product launch, competitors prepare evidence report including comparison data. Even after the launch, they continuously provide additional data to describe their superiority in a timely manner.	For new launch of THUNDERBEAT line-up, we also prepare all comparison data SBC needs for their training and promotional activities. Even after the launch, we continuously provide additional data to describe our superiority.	
Contents	Competitors such as Medtronic and Ethicon take many unique and aggressive comparison data against us.	In the past, we could describe only comparison data which was submitted to FDA.	Now, we can describe not only 510k data, but also additional comparison data with brand new competitors' devices under existing 510k claim.
Sample			

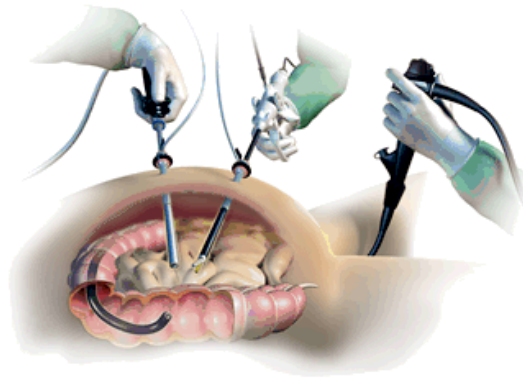
# P.M.6. Expand endoscope application in OR

- Expand endoscope application for surgical procedure
- Enhance procedure development for minimally invasive treatment

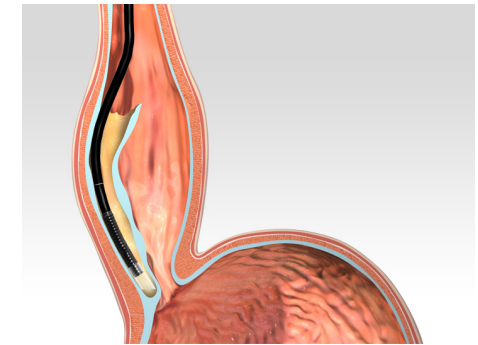


Sales of Flexible Endoscope for OR  
(US market)

Enhance R&D realizing new minimally invasive treatment with flexible endoscope



Confirm Anastomosis in  
Colorectal Surgery



Per-Oral Endoscopic Myotomy



Development of Endoscopic  
Treatment Assistance System



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# Targets and Indicators

**GS Total  
Growth Target**

**Total GS : CAGR of 11%**

**Growth Targets  
by Field**

**Surgical imaging: CAGR of 10%**

**Energy : CAGR of 14%**



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