



Tsuyoshi Kikukawa,
president of Olympus
Corporation

Looking at Disease in a Different Light

Olympus Corporation has leveraged its opto-digital technology to develop products that are revolutionizing health care.

If you've been avoiding a colonoscopy, the most effective screening and prevention method for colorectal cancer available today, now is a good time to change course. The American Cancer Society confirms that colorectal cancer—the second leading cause of U.S. cancer deaths for both men and women, claiming 50,000 lives a year—may be avoided if caught early enough. Another reason: Olympus has developed a new suite of medical technologies that are literally revolutionizing the way doctors look at this and other diseases.

As one of the world's leading manufacturers of digital compact and single lens reflex (SLR) cameras, the Olympus brand is synonymous with photography and outstanding image quality. It may be surprising to learn, then, that Olympus' medical business is the group's biggest revenue producer. And also, perhaps, its most critical: "To realize and develop technologies that allow the early detection and treatment of cancer, as well as minimally invasive diagnosis and surgical procedures" is the mission spelled out by president Tsuyoshi Kikukawa.

Olympus' \$3.18 billion (350 billion yen) medical business includes a solid 70% share of the global market for gastroenterological endoscopes, optical devices that play a key role in the examination, diagnosis, and treatment of organs and internal cavities. It is in this particular market that one of Olympus' most innovative technologies—Narrow Band Imaging™ (NBI)—is being enthusiastically embraced throughout the global medical community. Haruhito Morishima, president of Olympus Medical Systems Corp., explains why: "As disease develops, there are evident changes in the tissue, capillaries and blood flow where the disease begins to form. By utilizing specific bands of blue and green light, NBI enables physicians to clearly observe abnormal changes in tissue, which may lead to earlier detection of disease."

The result of more than a decade of development, NBI is an imaging technology that helps doctors to see things—such as fine capillary patterns and changes in tissue—that were previously difficult to distinguish.

Medical Breakthroughs

Olympus' Narrow Band Imaging, however, is only one part of the solution, Morishima is quick to add. "NBI on its own cannot do everything, but the combination of NBI with Olympus' high definition (HDTV) endoscopy and microscopic zoom functionality allows doctors to see their patients in entirely new ways," he explains. "The idea is that doctors should be able to detect tiny lesions (which may indicate the presence of cancer) and recognize established indicators of trouble just by looking at the images."

Although the potential applications for NBI extend beyond detection and diagnosis, (Morishima envisions it being used during surgery, for example, to allow doctors to see major arteries running under the areas being operated on) Olympus' medical business is also actively pursuing other mission-related goals of treatment and surgery.

With products ranging from therapeutic devices to surgical endoscopes, Olympus has been an innovator in minimally invasive surgery (MIS) for several decades. MIS is best defined as medical procedures that reduce the negative impact of surgery on patients by utilizing smaller incisions. Gastrointestinal endoscopy and surgical laparoscopy are the two primary examples of procedures that use these techniques. Morishima says that Olympus is working to create “the minimally invasive therapies of the future” by merging the two disciplines.

Single incision surgery, also known as Laparo-Endoscopic Single Site (LESS) Surgery, may likely be the next wave in laparoscopic surgery. The LESS procedure is performed through the belly button, where trauma to the patient is reduced and there is often no visible scar. Olympus is supporting this new exciting procedure with innovative devices and technology that help physicians advance the quality of care for patients.

Another technique known as Natural Orifice Transluminal Endoscopic Surgery (NOTES) uses the body’s natural openings as an entry to perform laparoscopic procedures with flexible endoscopes. Since February 2007, Olympus has donated \$1 million in research grants to the Natural Orifice Surgery Consortium for Assessment and Research, a committee of American surgeons and internal medicine specialists established in 2005 to discuss and support NOTES research. The Olympus grants specifically support the advancement of endoscopic techniques employed in MIS.

A Strategic Partnership

In what is considered perhaps the company’s most significant move into MIS, Olympus acquired surgical instrument maker Gyrus Group for \$1.9 billion (210 billion yen) earlier this year. The combination of the two companies will usher in a new era for surgery.

“The Gyrus slogan is ‘See and Treat,’ and although they are very strong in ‘treating,’ Olympus is stronger in ‘seeing,’” says Morishima. “In addition, the Gyrus portfolio complements Olympus with its range of products in the fields of urology, gynecology, and ENT (Ear, Nose and Throat) where Olympus had a far smaller presence.”

Another key benefit of the acquisition for Olympus was the technology Gyrus refers to as its “Energy” products—surgical devices that use high-frequency electromagnetic

pulses to cut and coagulate, making procedures quicker, cleaner, safer and, of course, less invasive.

Profitable Image-Building

The excitement surrounding the developments in Olympus’ medical business this year parallels the activities of the company’s imaging business, the group’s second largest source of revenue. Camera buffs, in particular, have been buzzing since August when Olympus Imaging and Panasonic announced a new digital camera standard: Micro Four Thirds.

The new system will enable users to enjoy the same high-quality images of the existing Four Thirds System, but in a compact body and with compact, interchangeable lenses. Micro Four Thirds will also incorporate more contact points on the lens mount than the Four Thirds System, potentially supporting new features and functions in the future.

This new boost to Olympus’ imaging business could prove to be a significant differentiator, as intensified competition and falling prices have had a negative impact on the sector.

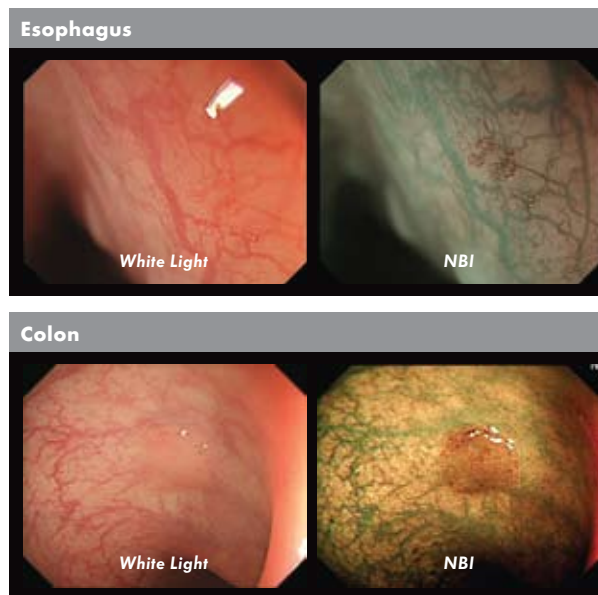
Earnings in the imaging systems business for the first quarter of 2008 ending June were down 11.7% from the previous year, totaling \$645 million (72.1 billion yen). In comparison, net sales in the medical systems business totaled \$820 million (90.2 billion yen), jumping 14.8% from the previous year and generating over \$162 million (17.8 billion yen) in profit. This figure was slightly higher than the \$159 million (17.5 billion yen) operating income that Olympus

Corp. generated from \$2.3 billion (254.3 billion yen) total net sales in the initial quarter.

The company’s 2006 Corporate Strategic Plan set an operating income target of 100 billion yen (\$910 million) for this fiscal year ending March 31, 2009. Olympus, however, reached this goal a year early during its 14th consecutive year of increased consolidated net sales in fiscal 2008.

Equipped with an impressive array of new products and technologies, Olympus is ready to make the most of even the toughest market conditions. And with a robust bottom line, Olympus is continuing to invest in new medical devices and imaging products to help make the world a healthier and happier place.

—Campbell Hanley



NBI is an imaging technology that helps doctors to see things during endoscopic examinations that were previously difficult to distinguish.