

Special Feature 2: Expansion of Businesses in Growth-Driving Emerging Countries

Long-Term Initiatives Targeting Sustainable Growth

Under 16CSP, initiatives to expand operations in emerging countries have been positioned as an important component of Olympus' growth strategies. When viewed from a medium-to-long-term perspective, there is substantial room for the expansion of markets in emerging countries, meaning that these markets will be integral to the ongoing growth of the Company. Increasing the number of physicians capable of safely using endoscopes will be key to Olympus' growth. We aim to facilitate this increase by bolstering training support. At the same time, we are reinforcing service systems to cater to the rising demand for endoscope repair services. Through these efforts, we will pursue dramatic growth.

Major Strategies in Emerging Countries (16CSP)

- Formulate and advance strategies for exploring specific markets (China, the ASEAN region, India, the Middle East, Africa) from a strategic, long-term perspective
- Position China as a priority market and create Companywide systems to support the drafting of measures for this market based on various risk factors
- Construct business foundations for ensuring faithful legal compliance regardless of political issues
- Reinforce endoscope repair service systems



Source: Olympus Corporation (based on publicly available data)

Developed and Mature

Concentrate on single-use products, systems, and service operations in all fields

High- and Accelerating-Growth

Emergence of government-spearheaded medical initiatives driving rapid medical market growth

Step up initiatives in all areas of surgical device field (maximize console installations)

Early Stage of Rapid Growth

Medical market growth in conjunction with economic growth

Reinforce GI field foundations while establishing surgical device foundations by focusing efforts on surgical device and urology fields

Future Growth Markets

Accelerate development of GI field foundations and stabilize quality, cost, and delivery (QCD) aspects of service operations

Market Environment and Outlook for Emerging Countries in Asia

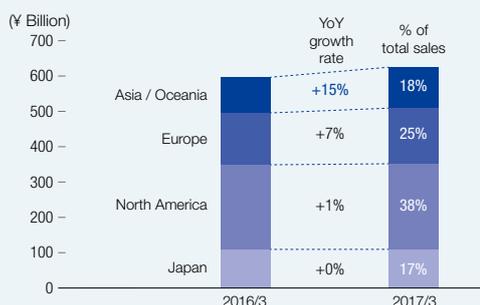
- Increasing medical needs in conjunction with rapid population aging; rising pressure to limit medical costs
- Large populations, numerous patients, lack of physicians in comparison with patients
- Lower use of endoscopes in comparison with Japan, Europe, and the United States; massive latent demand
- Medical infrastructure under development, significant room to improve upon medical techniques
- Lingering instability in macroeconomic environment
- Continuation of political issues and regulation reinforcement in numerous countries

Country	Number of Endoscopists per Million People
China	22
Singapore	28
Malaysia	17
Philippines	4
Indonesia	2
Vietnam	6
Thailand	4
India	5
(Reference) Japan	250
(Reference) South Korea	120

Source: Olympus Corporation (based on publicly available data)

Olympus' Market Presence

1. Medical Business Sales by Region (Excluding Foreign Exchange Influences)



16CSP Net Sales CAGR Target

Asia / Oceania	10-15%
Europe	5-6%
North America	7-8%
Japan	5-6%

2. Distribution of Sales by Country in Asia / Oceania





Key to Growth of Emerging Markets — Enhancement of Training for Healthcare Professionals



Promote industry-academia-government collaboration projects out of T-TEC Southeast training hub to spread endoscopic early diagnosis procedures and minimally invasive therapies

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In July 2016, the Thai-Training and Education Center (T-TEC) was established to provide training to healthcare professionals in Thailand, joining the ranks of existing training centers in Shanghai, Beijing, and Guangzhou (China). We chose to locate this new training center in Bangkok due to its superior transportation access, and we hope to use this center as a venue primarily for training healthcare professionals in Southeast Asia. By promoting the spread of early diagnosis and minimally invasive therapies and other endoscopic procedures in various specialized fields,

including the gastroenterology, general surgery, and gynecology fields, Olympus will contribute to higher economic benefits for the medical field and improved quality of life for patients throughout society.



T-TEC

Ongoing Pursuit of Key Success Factors for Medical Systems Group Unique to Emerging Countries

Although emerging countries have large populations and thus high numbers of patients, the use of endoscopes is still lower than in developed countries, and there is still significant room to increase the number of physicians trained in endoscopic procedures in comparison with patient numbers. Spreading the use of endoscopic procedures and training physicians in emerging countries are key success factors for market growth. However, advancing activities in emerging countries requires a medium-to-long-term perspective that takes geopolitical risks into consideration. On the whole, the Southeast Asian market continues to grow, but conditions vary on a

country-to-country basis. In addition, it is difficult to maintain a consistently high level of growth each year, regardless of the country. In Thailand, for example, businesses have been heavily impacted by issues such as political instability and natural disasters over the past five or six years. Olympus (Thailand) Co., Ltd., meanwhile, has achieved steady growth since its establishment in 1999 by continuing to pursue the accomplishment of these key success factors whenever possible. The successes of this company have led to the establishment of other Medical Business companies in the neighboring countries of Vietnam and Malaysia.

High Surgical Endoscope Market Share in Thailand Won by Leveraging Strengths of Gastrointestinal Endoscopes to Forge Bonds of Trust with Physicians

In Thailand, Olympus boasts a high share in both the market for surgical endoscopes in addition to the market for its mainstay gastrointestinal endoscopes. This achievement is in part due to the fact that the majority of physicians who perform gastrointestinal endoscopic procedures in this country are also surgeons. Accordingly, our success in the gastrointestinal endoscope market has resulted in our forging strong bonds of trust with surgeons, which has in turn led to success in the surgical endoscope market.

Such success and trust were not won with superior products alone; the quality support we are able to provide as a manufacturer that conducts its own sales activities was also a

factor. Our staff of Thai nationals takes pride in Olympus' position as a total endoscope solutions provider. They thus feel a strong sense of purpose in working together with healthcare professionals in order to contribute to a better quality of life for patients. The activities of this dedicated staff have grown into collaborative projects with academic organizations as well as with the Thai and Japanese governments.



Industry-Academia-Government Collaboration Project for Spreading Endoscopic Surgery Procedures and Training Physicians

Our efforts to train physicians in emerging countries gain a powerful driving force when we are able to collaborate with medical associations and national, government, and other public institutions. One example of such collaborative efforts was a project for cultivating surgeons in the Mekong region (Thailand, Vietnam, Cambodia, Myanmar, and Laos) as part of a human resource development program spearheaded by the Ministry of Economy, Trade and Industry (METI) of Japan. Through this project, Olympus provided support beginning in 2015 for the establishment of a nonprofit organization (NPO) in Thailand known as the Mekong Endo-Surgery Development Association (MESDA),* which was completed in July 2016. This undertaking represented an initiative in line with the Japanese government's policy of deploying Japanese medical techniques internationally through public-private partnership.

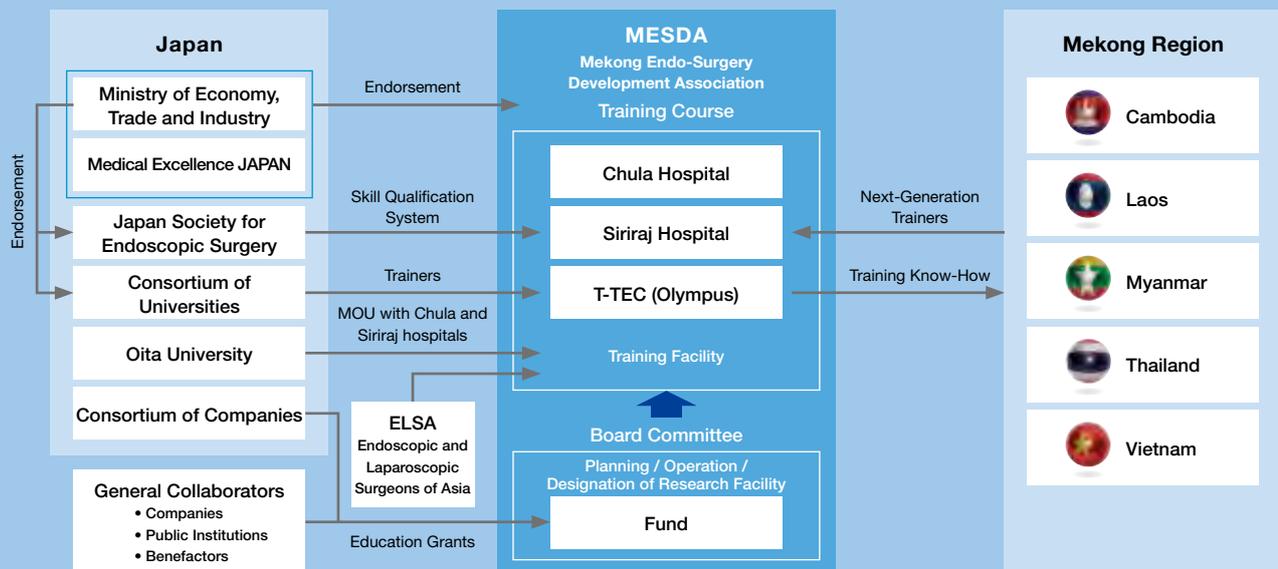
MESDA consists of an all-Japanese team aimed at spreading the use of endoscopic surgery procedures and training physicians in the Mekong region. By providing local physicians with ongoing training and education on Japan's world-leading endoscopic surgery procedures, MESDA strives to entrench these procedures in the medical landscape. Goals of these efforts include improving technical proficiency at conducting these procedures and ensuring they can be performed safely as well as increasing physicians' knowledge. Furthermore, MESDA has

established a industry-academia-government partnership model that has been praised as a training model applicable outside of the medical field. Japan is home to numerous companies boasting exceptional technologies developed by continuously addressing medical needs. The products of these technologies can be seen by looking at a single hospital operating room. Here, one will see numerous innovations in terms of both equipment and techniques that contribute to higher-quality procedures. MESDA was formed based on the desire to utilize the medical environment in Japan as a tool for contributing to the improvement of medical services in the Mekong region, an undertaking that is too big for a single company alone.

Positioning Thailand as a hub for its activities, MESDA invites surgeons with the potential to become future trainers for the Mekong region to designated training facilities to undergo training in its Train the Trainer program. Along with major university hospitals in Thailand, T-TEC has been identified as a designated training facility. Based on its initiatives in Thailand, MESDA is moving forward with similar activities in emerging countries outside of Asia. In addition to contributing to the development of medicine, these activities will drive the expansion of Olympus' businesses while fueling their ongoing growth.

* An NPO that consists of an all-Japanese team supported by a consortium for helping train Asian endoscopists with members such as Japan's Ministry of Economy, Trade and Industry, Medical Excellence JAPAN, the Japan Society for Endoscopic Surgery, and medical and other Japanese universities as well as by a consortium consisting of Japanese companies operating in Thailand

MESDA Operation Model



Industry

The provision of grants by companies supportive of MESDA's activities enables them to be advanced while maintaining transparency. Furthermore, through coordination with the Pharmaceutical-Medical Working Party under the Chemicals Division of the Japanese Chamber of Commerce, Bangkok, a consortium of companies was formed to support MESDA, making it possible to take advantage of opportunities for market participation.

Government

Support for NPOs is compatible with the government's impartiality policies. Following the initial period of providing start-up support, government can contribute to the development of frameworks that enable MESDA to continue operating independently by providing endorsement.

Academia

Endorsement from the Japanese government enables academic associations and universities to support MESDA as a national project. In addition, Japan's first university consortium tasked with supporting medical training in emerging countries was assembled to spur forward MESDA's activities with an all-Japanese medical team.

Opinion



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What do you see as the potential for the spread and development of endoscopic surgery procedures in emerging countries?

In emerging countries, economic growth is bringing about changes in lifestyle patterns, resulting in a shift in the leading cause of death from infectious diseases to cancer. Endoscopes are absolutely essential to the early diagnosis and treatment of cancer, but there is a severe lack of endoscopists in emerging countries. As minimally invasive therapies using endoscopes are of high demand among patients, an increase in endoscopists would directly contribute to the growth of the market. Looking at colorectal cancer, for example, roughly 60% of patients in Japan receive treatment via endoscopic surgery procedures, but this figure is only around 6% in Thailand. The situation is similar throughout the Mekong region, with the vast majority of patients being forced to undergo highly invasive open surgery. Cholecystectomies are among the most common surgical procedures performed using endoscopes. Today, approximately 95% of cholecystectomies conducted in Japanese are done through endoscopic surgery. Emerging countries have the benefit of being able to immediately introduce highly advanced medical procedures and equipment, which took years to become entrenched in Japan. These life-saving innovations can spread swiftly throughout these countries.

However, spreading such procedures and equipment will require the appropriate infrastructure to be put in place, and this includes insurance systems on the national and academic association levels. Government initiatives exist in Japan for supporting the spread of high-quality Japanese medical procedures and equipment in emerging countries. The scope of these initiatives is being expanded to include not only Thailand and other Mekong region countries but also Russia, India, and the Middle East. Industry-academia-government partnerships have the potential to accelerate this spread. However, even the most cutting-edge medical device can endanger a patient's life if used by a physician that lacks the necessary skills. For this reason, training and guidance are essential to ensuring safety.



What are your hopes for Olympus?

The main reason I keep using Olympus products is that the Company continues to make products tailored to the needs of doctors like myself. Olympus' R&D divisions are exceptional at giving us the products and improvements we desire. This is a feat that cannot be accomplished with technological capabilities alone; an intimate knowledge of doctors' needs is also required. I hope that Olympus will continue to maintain a long-term perspective, looking five to 10 years down the line, as it develops products based on input from the medical field. I also have high praise for the management capabilities of Olympus' local overseas marketing departments. There is only so much that we doctors can do. If a country is to independently spread the use of a certain medical procedure, it is not enough to only cultivate physicians capable of using it. Rather, it is crucial that local personnel be hired and trained so that they can work together in promoting this spread. It can be expected that such medical procedures will be introduced in various emerging countries going forward. I have great hopes for the central role Olympus will play in this process.

