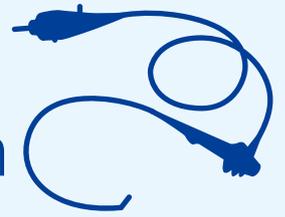


# Endoscopic Solutions Division



Focused on the two types of value provided by early diagnosis and minimally invasive therapy, we seek to help reduce healthcare expenses and improve patient quality of life.

The Endoscopic Solutions Division grows the business, as Olympus' core business which supports the entire Company with its share of more than 70% of the global gastrointestinal endoscope market. We will also continue to work to establish 4K and 3D surgical endoscopes as the de facto standard.

## Katsuyuki Saito

Corporate Officer  
Endoscopic Solutions Division Head

<ul style="list-style-type: none"> <li>• More than 70% share of global gastrointestinal endoscope market</li> <li>• Technological capabilities that led to development of world's first practical gastroscope and have continued to lead innovation</li> <li>• Network of approx. 200 repair and service sites worldwide</li> <li>• 4K, 3D, and other products differentiated with high resolution and quality</li> <li>• Manufacturing techniques that realize high-mix, low-volume production</li> </ul>	<b>Strengths</b>  <b>S</b>	<ul style="list-style-type: none"> <li>• Position as follower in surgical device field after European and U.S. companies</li> <li>• Limited systems for acquiring clinical evidence on medical and economic benefits</li> </ul>	<b>Weaknesses</b>  <b>W</b>
<ul style="list-style-type: none"> <li>• Growing healthcare awareness; rising demand for early diagnosis due to spread of cancer prevention enlightenment</li> <li>• Insufficient number of physicians trained in endoscopic procedures and space to improve medical techniques in emerging countries</li> <li>• Progress in medical system reforms worldwide</li> <li>• Rise in illness case numbers due to aging populations</li> </ul>	<b>Opportunities</b>  <b>O</b>	<ul style="list-style-type: none"> <li>• Strengthening medical equipment regulations worldwide</li> <li>• Downward pressure on selling prices due to increased influence of GPOs and IDNs</li> <li>• Appearance of overseas rivals due to reorganization of medical equipment industry</li> <li>• More requirements to reduce infection risks (Significant upside in single-use endoscope)</li> </ul>	<b>Threats</b>  <b>T</b>

### Operating Environment / Risks and Opportunities

#### Operating Environment

Gastrointestinal Endoscope	<ul style="list-style-type: none"> <li>• Rising case numbers due to aging populations in developed countries and higher cancer prevention awareness</li> <li>• Wider range of business opportunities accompanying economic growth and need for training to spread procedure usage in emerging countries</li> <li>• Higher requirements for quality and efficiency</li> <li>• Increased concern for disinfection and sterilization processes</li> </ul>
Surgical Endoscope	<ul style="list-style-type: none"> <li>• Growing maturity of 3D system market over the medium term and normalization of imaging sensors and data transferring technology compatible with 4K systems driving acceleration of full 4K system introduction</li> <li>• Distinctive R&amp;D activities related to special light imaging technologies being advanced by various companies and permeating the market</li> </ul>

#### Strengths

- Dominating global market share for gastrointestinal endoscopes
- High-resolution and high-quality 4K, 3D, and other systems
- Operating room integration field business foundations reinforced through acquisition of Image Stream Medical, Inc.
- High-quality, global repair service infrastructure network
- Comprehensive training facilities and programs

#### Focuses for Business Growth

- Maintenance of endoscope market share and improvement of profitability
- Establishment of new de facto standard in surgical endoscopes market
- Significant upside in single-use endoscope
- Evolve the commercial model of endoscope (Shift toward value-based payment)
- Contributions to development of endoscopic medicine in emerging countries

#### Opportunities

- Increased detection of early stage diseases through early diagnosis and rising case numbers due to aging populations and higher cancer prevention awareness
  - Increased demand for the commercial model toward procedure-based offerings
  - Market of single-use endoscope with significant growth
  - Higher global awareness of cleaning, disinfection, and sterilization
- 
- Price competition resulting from global trend toward reducing healthcare costs
  - Erosion in the reusable endoscope market in line with growth in the single-use endoscopes market
  - More stringent cleaning, disinfection, and sterilization requirements

#### Risks

# Endoscopic Solutions Division

## Business Strategies

1	Maintain Leadership in Reusable Endoscopes	<ul style="list-style-type: none"> <li>High growth in China and underpenetrated markets</li> <li>Leverage leadership position in reusable endoscopes</li> </ul>
2	Complement Portfolio with Single-Use Endoscopes	<ul style="list-style-type: none"> <li>Market of single-use endoscopes with significant growth</li> <li>Addressing unmet needs</li> <li>Completing our portfolio</li> </ul>
3	Evolve the Commercial Model of Endoscopes	<ul style="list-style-type: none"> <li>Shift toward value-based payment</li> <li>Cost pressure on providers</li> <li>Value of service-based business models</li> </ul>

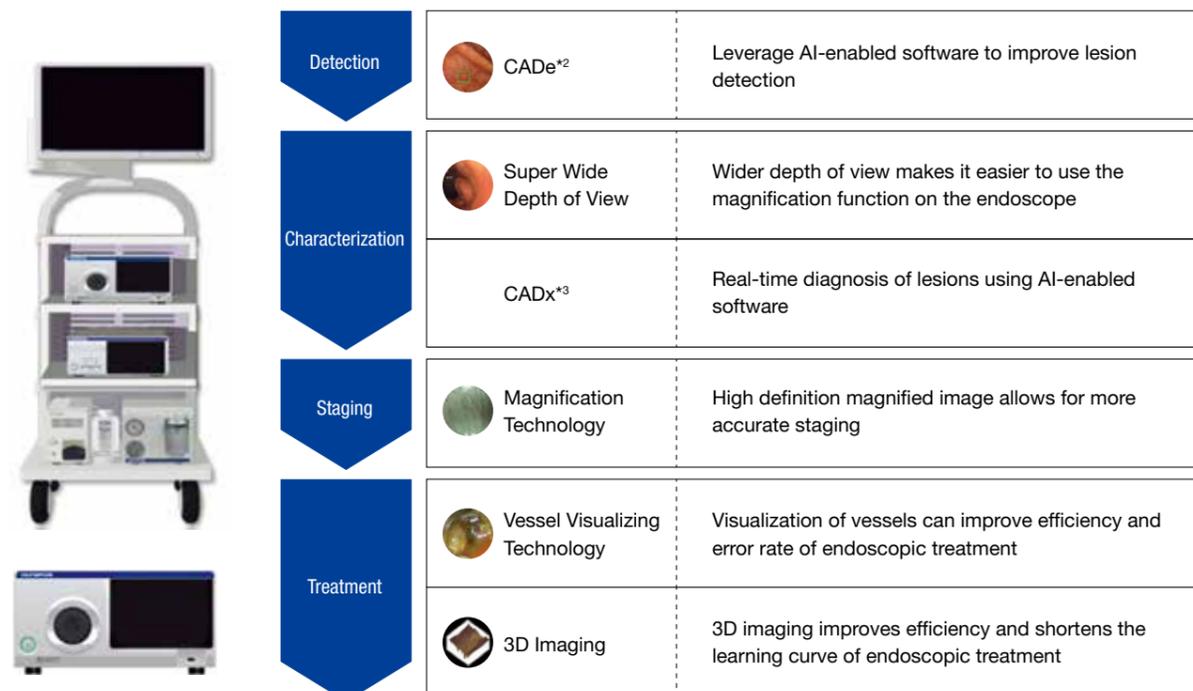
We already have an overwhelming position for reusable endoscopes in the existing market of developed countries. We expect to gain high growth centered on regions with much room for market expansion, such as China and India.

In China, the number of endoscopic procedures is expected to double by 2022. The Chinese government's policies to popularize preventive medicine are also proving to be beneficial to us, further accelerating growth in our business performance. In India, the vast population and rapid economic development are driving an urgent demand for the adoption of endoscopy, making it the next major market after China. Despite the fact that gastrointestinal diseases are common in India, just as in Japan and China, the number of endoscopists is extremely low, so we will focus on training doctors to help the spread of endoscopy in this country.

Single-use endoscopes, which have attracted much attention in recent years, are expected to maintain a high growth of 20 to 40% over the next five years. We believe we can reap significant growth by satisfying unmet needs through single-use endoscopes. By complementing our lineup with single-use endoscopes, we can build a comprehensive, optimized portfolio to suit any situation an endoscopist might face to further strengthen our competitive dominance.

The motivation and means of purchasing medical devices can be expected to change, based on the concept of Value-based Healthcare. In order to meet these demands, we will substantially evolve our sales and services models over the next few years.

## 1 New Endoscopy System\*1 Aims to Introduce Technologies That Set a New Standard for Detection, Characterization, Staging, and Treatment



\*1 Under development and not for sale. \*2 Computer-aided detection \*3 Computer-aided diagnosis

## 2 By Specifying Areas Where Single-Use Endoscopes Can Provide Their Unique Value, We Will Build a Comprehensive, Optimized Portfolio

By specifying areas where single-use endoscopes can provide their unique value in this way and realizing competitive devices, we will build a comprehensive, optimized portfolio.

Olympus' advantages lie in our understanding of unmet needs for clinical endoscopy, proprietary endoscopy technology honed over many years, a business base for single-use products like endoscopic and surgical devices, and the combination of these with reusable endoscopes and endoscopic devices.

By expanding our range of single-use endoscopes together with our unparalleled lineup of reusable endoscopes, we can further cement our overwhelming position as a leading company in every situation utilizing 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., ureteroscope, cholangioscope
- 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., bronchoscope in the ER (sterile, ready-to-use, and highly mobile)

## Target and Measures (FY2021-FY2023)

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

~6% Revenue Growth CAGR

## Fiscal 2020 Forecast

(FY)	2019	2020 (Forecast)
Revenue	¥418.8 billion	¥420.0 billion
Operating Profit	¥89.8 billion	¥105.0 billion
Operating Margin	21.4%	25.0%

