

COO and CTO Dialogue

Internal Collaboration and External Adaptation for Future Growth

Olympus is almost two years into its transformation plan *Transform Olympus*, which includes the centralization of group management to five executive officers. We spoke to the Chief Operating Officer (COO), Nacho Abia, and Chief Technology Officer (CTO), Akihiro Taguchi, about their roles and their insight on Olympus' future business.

Please share your thoughts on *Transform Olympus* so far, and your areas of focus as COO and CTO.

Abia: Evidence of the transformation so far can be captured in the sheer number of initiatives and projects underway, and the fact that there are many more global members in those initiatives. The latter is evidence of our progress toward becoming a leading global medtech company.

As COO, I have two priorities. The first is, from a strategic point of view, we have to make sure that our various portfolios are comprehensive, consistent, and competitive. We are continuously reviewing our portfolios under the strategic business planning process. It isn't something that can be done once. There may be products that need to be accelerated or added depending on changing environments. This is part of the agility process. We need to move more quickly to better



Nacho Abia
Executive Officer and Chief Operating Officer



We have the responsibility to work with customers and understand their needs, but we need to involve our R&D colleagues because that is the only way we can define what is really possible."

satisfy customer needs.

The second main priority I have is to reengineer our relationships with customers. The way in which we interact with them is changing. This was true in 2019, but with the COVID-19 pandemic it has become even more so. We have to think from a customer-centric perspective, and be ready to redefine our role based on current needs with the understanding that there should be new ways to engage and support customers.

Taguchi: The impact on business results will come later, but I can see many changes in activities in both the Endoscopic Solutions Division (ESD) and Therapeutic Solutions Division (TSD).

In our industry, regulations continue to become stricter, and we undertake Medical Device Regulation (MDR) remediation to ensure that devices are retroactively compliant. This means the engineers address regulation issues, while also developing new products. For my part, I really want to encourage and energize our engineers, especially in Japan. I think we need to improve efficiency and eliminate unnecessary work, so that the engineers have time to focus on value-added development. With increased efficiency in R&D, my goal is to be able to increase the number of products. One of Olympus' strengths is derived from the ability to carry out long-term development hand in hand with healthcare professionals. This kind of development requires sustained effort, but they often result in significant returns. I think perhaps if we can improve R&D efficiency, we may be able to reallocate more resources for this long-term technology development. We should also review production technology to maintain the core technology strengths and not lose focus.

Please tell us about the collaboration between marketing and R&D.

Taguchi: In terms of developing new procedures, we need the enthusiasm and commitment of doctors. Our job is to support them, whether from the

technology side or the marketing side.

Abia: We are always "One Olympus," and in front of our customers this is especially important. They need someone who listens to them and then is able to develop the product they need. So it's absolutely essential that the CTO and I, as well as our teams, work very closely together in all areas.

What do you think are Olympus' next steps to continue leading in next-generation minimally invasive surgery (MIS)?

Abia: This is simply the next step in a continuum from 1950, when we launched the world's first practical endoscope. This is not a radical shift for us. Endoscopic mucosal resection (EMR) and all of these procedures are the basis for endoluminal surgery. We helped create those processes, and we will continue to create new devices and work with physicians on the next procedures. We are continuously evaluating our technology, while managing costs.

Under the component of our strategy that aims to "Lead in next-gen minimally invasive surgery," a strategic exercise to address MIS was initiated last year to look at our main fields of activity in respiratory and gastrointestinal procedures. This ongoing exercise, which will be completed at the end of this year, is intended to narrow the choices we have to make. The existing MIS ecosystem is very broad, so we need to be able to narrow our strategy down to something that is actionable.

Taguchi: As Nacho said, the future of the MIS market is still broad. I think mainly we need to consider the trend from open surgery to endoluminal surgery, and the shift from surgery in a hospital setting to an office setting. Generally, good candidates for office procedures are not procedures for structural disorders*1, but for functional disorders*2. Very early treatment related to cancer, like Endoscopic Submucosal Dissection (ESD) is certainly possible, but treatment for functional disorders



Akihiro Taguchi
Executive Officer and Chief Technology Officer



Olympus is a leading company over the world in endoscopes, but to be number one in other medical fields we have to reinforce our technological innovation."

are comparatively easier to shift from the hospital to the office.

*1 Structural disorders: A disease caused by pathological or anatomical abnormalities or changes in organs, nerves, muscles, or organ tissue.
*2 Functional disorders: A disease in which no anatomical or pathological abnormalities are found in the tissues of the body, but which is caused by a decrease in the function of the internal organs or organ tissue.

What are your thoughts on future MIS-related developments in robotics and AI?

Abia: I think the robotics market is interesting, but how it will develop is still pretty unknown. We know a lot about endoscopy, but we need to work with third parties who will complement our know-how with more specific robotic solutions. We have an outline of a robotics strategy that will allow us to invest in that market without hitting levels that will never pay off.

Taguchi: Generally speaking, AI already exists in many areas and I think it will become even more commoditized. In terms of products, we are first concentrating on the area of AI-enabled computer-aided diagnosis (CAD), which we have already introduced in Japan. We are also planning to create a second-generation computer-aided detection (CADE) system for detection in the

colon, stomach, and esophagus.

Abia: CAde is the obvious application in the gastroenterologist (GI) space, but there will be others. I think the conversation should be broader than AI alone; we should be talking about the impact of ICT-related technology in general. In that sense, the acquisition of Image Stream Medical in 2017 is providing us a very good platform to connect all of the devices that might be in an operating room setting, and to start utilizing that information. Being able to share information opens doors for additional services that we could offer our customers in the future. So AI is just one element of this new world.

What has been the impact of COVID-19 on your business?

Abia: From a procedure development point of view, there is traditionally a lot of face-to-face interaction. We are considering alternatives like utilizing virtual reality solutions in order to continue our work.

Taguchi: In the "new normal" society, I think we may need to incorporate social distancing along with initiatives to improve manufacturing productivity. This could mean the incorporation of more automation in order to address these two issues.