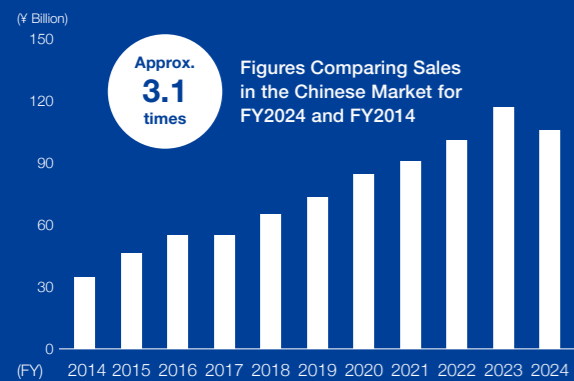


Chinese Market

Chinese Market with High Growth Potential

Further development of endoscopic medicine is expected in the Chinese market. In this section, we outline Olympus strengths and describe the market conditions and future growth potential.

Chinese Sales Growth Trends in the Medical Business



Approx. **106,000** people
Number of healthcare professionals who have participated in Olympus training courses over the past five years*¹ (including approximately 82,000 online participants)

Around **50** years
Number of years Olympus has been expanding in the Chinese market and building relationships of trust with local doctors

*1 FY2020 to FY2024

Providing Sustainable Growth Opportunities and Total Solutions for the Chinese Market

Since entering the Chinese market about 50 years ago, Olympus has been strengthening its business foundation ahead of other companies. Through active cooperation with doctors, hospitals, and academic societies, we have spread endoscopy and have built relationships of trust with doctors. At the same time, we have been supporting doctors so that they can perform endoscopic screenings and treatments safely by strengthening our after-sales service at our service sites and training support.

With such a strong foundation, our business in China has grown significantly, and we view it as a strategically important market for it to continue to do so. Although we are currently facing challenges such as the anti-corruption campaign, etc., we are aiming for sustainable growth over the medium to long term.

In particular, Olympus continues to invest aggressively to grow the business through three key initiatives: 1. Invest in clinician education and training; 2. Assess unmet needs from Chinese healthcare professionals; and 3. Local manufacturing strategy.

In addition to our three in-house training centers in Shanghai, Beijing, and Guangzhou, we are currently supporting the training of endoscopists across China through our collaboration with regional top hospitals in more

than 20 provinces*².

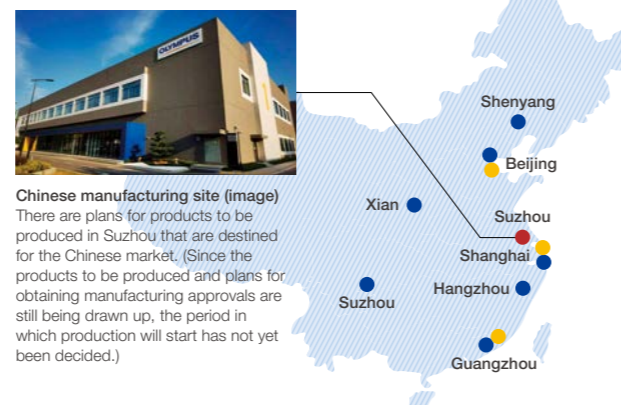
Our online, on-site, and hybrid training programs, as well as our wide range of online content, have been well received by healthcare professionals.

Moreover, all seven service centers provide inspection and maintenance for endoscopic products, creating an industry-leading system. We will continue to achieve business growth not only by launching high value-added and differentiated products but also by proposing total solutions that include our services and training activities.

*2 As of September 2024

Chinese Service Centers, Training Centers, and a Manufacturing Site

● Service Centers ● Training Centers ● Manufacturing Site (under preparation)



PEST Analysis in the Chinese Market

- **“Made in China 2025” released in 2015:** The Chinese government announced that the country aims to become a true manufacturing powerhouse, including in R&D, instead of the current one focusing on goods assembly. The goal is to become one of the top manufacturing nations in the world by 2049. There are 10 target fields, one of which includes biotechnology and medical device.
- **“Healthy China 2030” released in 2016:** This policy promotes the health of the Chinese people and building of a healthy nation. Priority items are early detection and treatment of chronic diseases including cancer, fixing regional disparities in the medical service area, and expansion of medical institutions. To support this, the aim is also to achieve technological innovation and development in the medical industry.
- **“Working plan for improvement of comprehensive capabilities of county-level hospitals” released in 2019:** This policy aims to raise the healthcare standards of 500 county-level hospitals and 500 Traditional Chinese Medicine (TCM) hospitals to the same level as a class III hospital or a class III TCM hospital.
- **“Action Plan to Promote Large-scale Equipment Renewals and Trade-ins of Consumer Goods” released in 2024:** The plan focuses on seven areas, industries, agriculture, construction, transportation, education, culture and tourism, and healthcare. Its targets are the replacement of old facilities and consumer goods with new ones, in a process designed to make them more high-end, smart (AI), and green by 2027. In medical equipment, the focus is on expanding domestic demand and the structural reform of hospitals, aiming to correct regional disparities, improve the quality of healthcare, and increase efficiency. High-end large-scale medical equipment, innovative medical equipment, and AI-related products are said to have a high chance of orders.
- **Volume-based procurement (VBP):** A type of centralized purchasing procurement program initiated by provinces, cities, and other regions with the initial goal of reducing medical costs for high-value medical devices.
- **Anti-corruption campaign:** A campaign relating to anti-corruption audits targeting all public hospital; capital products are mainly affected due to the suspension or delay of purchasers’ decisions at hospitals. Begun in July 2023, it was announced in May 2024 that the campaign would become a permanent initiative, including standardizing distribution and changing hospital purchasing processes to prevent any recurrence of fraud.

China's Potential Market

Hospitals with an interest in advanced medical diagnosis and treatment, and in increasing the number of endoscopic procedures

Number of Beds per Hospital Class
Class III hospital: Over 500
Class II hospital: 100-499
Class I hospital: 20-99

*3 Figures comparing the number of facilities as of March 31, 2024 with those as of March 31, 2021

P Politics

- **Outlook for the Chinese healthcare market:** Up until 2022, the healthcare market had been affected by the zero-COVID policy, the slowdown in economic growth, and the anti-corruption campaign. However, it is still thought that the market will grow over the medium to long term due to an aging population and increased screening based on stable economic growth.
- **Increased investment in mid-tier and rural hospitals:** In China, about 29,000 medical facilities are divided into classes III, II, and I, etc., and there is a tendency for patients to converge on class III hospitals where medical level is high. Moreover, there is a significant shortage of rural hospitals, and to resolve this disparity in healthcare, investment in infrastructure is expected to continue to grow, especially in mid-tier and rural hospitals.

E Economy

- **Increase in the number of endoscopic screenings and treatments:** In recent years, demand in China for early diagnosis and minimally invasive treatments has been increasing due to the growing health awareness among its people. In addition to providing both of these values, endoscopy can help reduce medical costs, and the number of screenings and treatments is growing rapidly.
- **Installation of new endoscopy rooms:** With the Chinese government’s policies and the increase in the number of endoscopic screenings and treatments, endoscopy rooms are being actively introduced in newly established or expanded hospitals, leading to the development of endoscopy.
- **Shortage of endoscopists:** The number of endoscopists per million people remains low (Japan: 282 endoscopists, China: 34 endoscopists*⁴). In medical institutions, the number of endoscopists are unable to keep up with the growing number of patients, making the development of new endoscopists an urgent matter.

S Society

- **GI Endoscopy:** Olympus maintains an advantage over local manufacturers. NBI*⁵ technology and magnifying endoscopes that meet clinical needs have contributed to the improvement of endoscopic diagnosis and treatment technology in China. In addition, diagnostic methods based on our technology, represented by magnifying endoscopes and NBI, are becoming the standard in endoscopy, maintaining our superiority in the market.
- **Surgical Endoscopy:** With the rapid development of CMOS technology, local manufacturers are improving their technology levels, and the competitive environment in this market is intensifying.
- **GI EndoTherapy:** The competitive environment is becoming severe for low-end products, where price is more important than technology and added value. On the other hand, we have established a favorable position in the market for high-end products such as ESD*⁶ and other advanced procedures, however we keep paying attention to VBP and competitors’ movements.

Note: Policies by the Chinese government are introduced in this section.

*4 Source: Calculated by Olympus using publicly available data

*5 Narrow Band Imaging

*6 Endoscopic Submucosal Dissection