

Urology / Gynecology Business Unit (UGBU) Strategy

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1. Business Overview

2. Recognition of Current Conditions

3. Market Trends

4. Business Strategies

5. Targets and Indicators

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Positioning of UG Business within Olympus

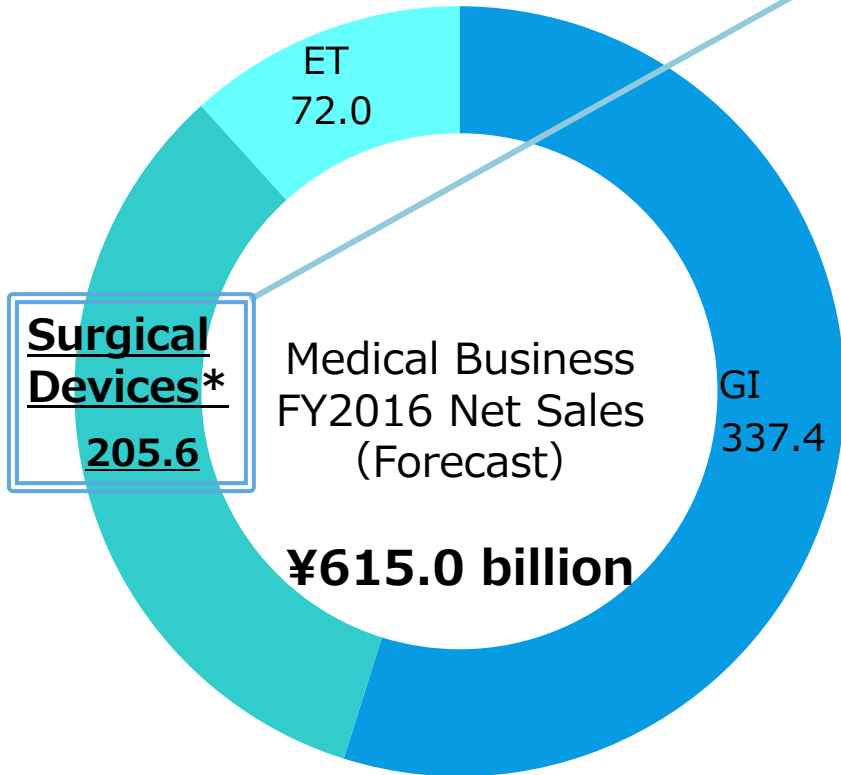
Core business supports ongoing business growth

Expand business by leveraging technologies in GI and GS

Potential for disposable device business growth leveraging large endoscope market share

Distribution of Sales and Positioning

FY2016 Net Sales (Forecast)

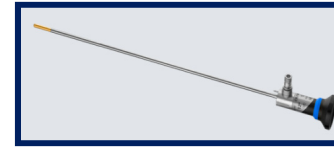


Urology / Gynecology Business Unit (UGBU)*

Urology field



Flexible and rigid endoscopes
(ureteroscopes and cystoscopes)



Benign prostatic hypertrophy and bladder
tumor resectoscopes and therapeutic
electrodes (disposable)



Stone treatment
devices
(disposable)

Gynecology field



Flexible hysteroscopes



Resectoscopes



Colposcopes

* The figure for Surgical Devices net sales (¥205.6 billion) includes net sales of the Urology / Gynecology Business Unit (UGBU).

Applications and Characteristics of Major Products

Field

Urology

Product

Flexible Ureteroscope
URF-V2



Stone Treatment
Devices
(Disposable)



Flexible Cystoscope
CYF-VH



Resectoscope
OES Pro.



Therapeutic
Electrodes
(Disposable)



Feature

- Flexible ureteroscopes are used for treating urinary stones.
- Olympus flexible ureteroscopes have a dominating edge realized by merging GI endoscope technologies with the small diameter scope technologies of former company Gyrus.
- Stone treatment devices (disposable) are used with ureteroscopes to treat stones.

- Flexible cystoscopes are used to treat bladder tumors.
- Olympus flexible cystoscopes have a dominating edge realized by utilizing NBI* technologies from GI.

*NBI : Narrow Band Imaging

- Resectoscopes are used to treat benign prostatic hypertrophy and bladder tumors.
- Bipolar TURis electrodes (disposable) boast higher levels of cutting safety and performance than monopolar devices thanks to high-frequency energy technologies from GS.

Applications and Characteristics of Major Products

Field

Gynecology

Product

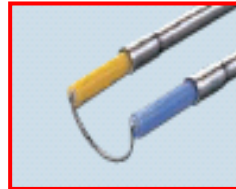
Flexible
Hysteroscope
HYF-V



Resectoscope
OES Pro.



Therapeutic
Electrodes
(Disposable)



Feature

- Flexible hysteroscopes and resectoscopes are used to observe and treat uterine fibroids and polyps.
- Substantially equivalent resectoscopes are used in both urologic and gynecologic procedures.
- Olympus flexible endoscopes boast an edge realized through GI endoscope technologies.

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Recognition of Current Conditions

■ Review of Medium-Term Vision Period (FY2013~)

Measure	Evaluation
Benign prostatic hypertrophy and bladder tumors • Shift from monopolar to TURis	◎ ■ Acquired leading share (29%) in principal U.S. market in the field of benign prostatic hypertrophy and bladder tumor treatment devices by introducing bipolar TURis systems that are superior to monopolar systems
Urinary stone treatment • Expand disposable device business	△ ■ Began expanding stone treatment device business by leveraging strength of flexible ureteroscopes with No. 1 share ■ Faced delays in new product development and therefore will commence full-fledged participation later
Gynecology • Grow business through existing product portfolio	△ ■ Achieved performance driven by average annual growth of 20% in China despite sluggish growth in U.S., Europe and Japan ■ Was unable to sell TURis disposable electrodes in U.S. due to patent infringement (sales anticipated to commence in 2016)

Recognition of Current Conditions

Tasks

- Further reinforce dominating No. 1 position of flexible cystoscopes by spreading understanding of benefits of NBI technologies in observing bladder tumors
- Increase sales of disposable electrodes for benign prostatic hypertrophy and bladder tumor treatment by leveraging superiority of TURis technologies
- Commence full-fledged participation in market for disposable urinary stone treatment devices and increase sales
- Expand sales of imaging products and disposable therapeutic electrode products related to hysteroscopy

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Market Trends

Field	Market Trends (Operating Environment)	Market Scale (Growth Forecasts)	Share*	Competitors
Urology	<ul style="list-style-type: none"> ■ Approx. 1.0 million benign prostatic hypertrophy and bladder tumor resection procedures conducted annually. There is increasing cost awareness associated with outpatient surgical alternatives and prevention of reoccurrence. ■ Approx. 1.8 million stone treatment procedures conducted annually, number of high-efficacy endoscopic treatments (URS) rising (CAGR of 4%) ■ Reimbursement for bladder tumor (carcinoma in situ) observation and treatment using NBI (Japan, FY2017) 	<p>170~190 billion yen (CAGR : 2~4%)</p>	Approx.30%	<ul style="list-style-type: none"> ■ Karl Storz ■ Richard Wolf ■ Boston Scientific ■ Cook Medical ■ CR Bard
Gynecology	<ul style="list-style-type: none"> ■ Rising case numbers for diagnosis and treatment of dysfunctional uterine bleeding and hypermenorrhea ■ Shift toward outpatient surgical alternatives and other minimally invasive therapies 	<p>20~30 billion yen (CAGR : 2~4%)</p>	Approx.10%	<ul style="list-style-type: none"> ■ Karl Storz ■ Richard Wolf ■ Johnson & Johnson

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Business Strategies

Urology	1	Secure dominant share in markets for flexible endoscopes and TURis products that leverage Olympus' technological prowess <ul style="list-style-type: none">- Maintain competitiveness of flexible scopes by utilizing NBI technology benefits and strengthening small diameter endoscope technologies- Expand share by bolstering TURis electrode lineup
	2	Strengthen urinary tract stone treatment business operations to expand market share <ul style="list-style-type: none">- Strengthen functions (R&D, manufacturing, procurement, and sales) in largest market (U.S.)- Enhance access to GPOs, IDNs, and other group purchasers of consumables in U.S.
Gynecology	3	Efficiently increase market share by leveraging existing products and technologies <ul style="list-style-type: none">- Increase sales of hysteroscopes and therapeutic electrodes (TURis) that utilize urology field technological prowess

Priority Measure

		Measure
Urology	1	Leverage competitive flexible ureteroscope products to expand share
	2	Further differentiate cystoscopes by soliciting benefits of NBI
	3	Increase sales by bolstering TURis lineup and leveraging advertising product competitiveness
	4	Commence full-fledged participation in urinary stone treatment devices (disposable) market
Gynecology	5	Efficiently expand sales of hysteroscopes and related treatment devices

P.M.1. Leverage competitive flexible ureteroscope products to expand share

- Leverage product competitiveness to increase sales of flexible ureteroscopes (URF-V2 and URF-P6)
- Promote spread of flexible ureteroscope procedures by providing education support
- Differentiate disposable endoscopes by demonstrating superiority of performance, system versatility and low costs

Principal Endoscopes Used in Stone Treatment

Flexible ureteroscopes



Rigid cystoscopes

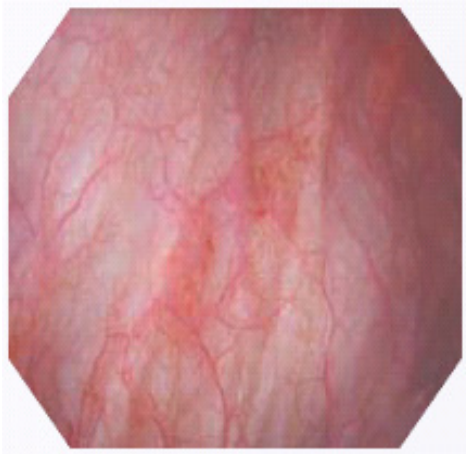


Rigid ureteroscopes

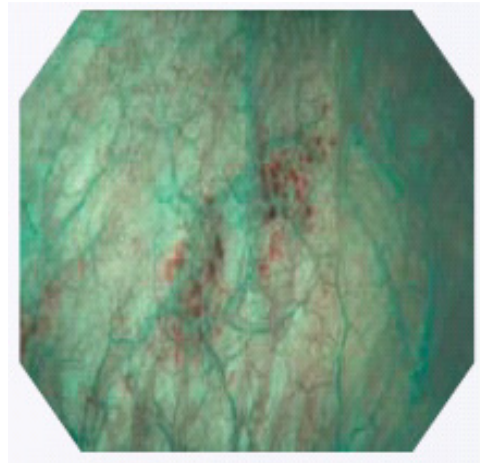


P.M.2. Further differentiate cystoscopes by soliciting benefits of NBI

- Advance activities for establishing clinical evidence regarding observation and treatment using NBI
- Step up sales promotion activities for flexible and rigid cystoscopes utilizing clinical evidence



Standard white light



NBI

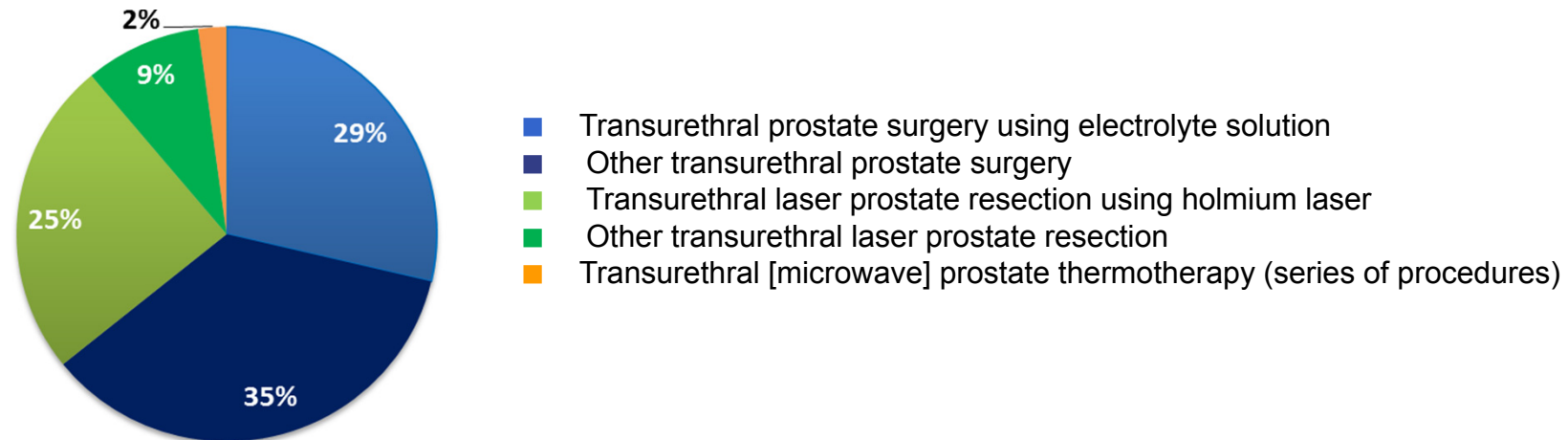


(From CYF-VH catalog)

P.M.3. Increase sales by bolstering TURis lineup and leveraging advertising strength of Olympus products

- Enhance product competitiveness by bolstering TURis electrode lineup
- Encourage customers to upgrade from monopolar systems or switch from using other companies' laser treatment products

<FY2015 Prostate Resection Case Numbers (Japan)>



Source: MHLW "Survey of Medical Care Activities in Public Health Insurance"

P.M.4. Commence full-fledged participation in urinary stone treatment device (disposable) market

Leverage strengths of flexible ureteroscopes with No. 1 share to expand stone treatment device market share

- Enhance initiatives for promoting spread of flexible ureterorenoscopy (FURS) using flexible ureteroscopes for removing stones
 - U.S.: Annual growth of 16% in FURS case numbers
 - China: Approx. 70% of FY2016 flexible ureteroscopes sales from customers newly starting flexible ureterorenoscopy
- Utilize flexible ureteroscopes as a foothold for promoting sales of disposable stone treatment devices
- Bolster product portfolio by strengthening R&D, manufacturing, and procurement functions in largest market (U.S.)
- Accumulate GPO and IDN contract negotiation expertise (expand share in U.S.)

P.M.5. Efficiently expand sales of hysteroscopes and related treatment devices

- Efficiently expand hysteroscope-related device product portfolio by utilizing urology field technologies and product portfolios
- Focus on sales activities for gynecology products that effectively utilize highly compatible urology field sales resources
- Expand sales of therapeutic electrodes (disposable) for resectoscopes (intrauterine tissue resection)

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Targets and Indicators

1	Net Sales CAGR	■ 8%	
2	Field		
	Urology	Flexible scopes	■ Acquire and maintain dominating No. 1 share (more than 60%)
		TURis electrodes (disposable)	■ CAGR 6%
		Stone treatment devices (disposable)	■ Share: 14% (Europe, U.S. and Japan)
	Gynecology	TURis electrodes (disposable)	■ Share: 8% (U.S.)

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