

# A Shared Vision

*Olympus Corp. is best known for its world-class cameras, yet its scientific and medical businesses have long been the core of the company's growth.*

Japan is the world's second-largest economy, and a technology leader in many industries, but at the start of the 20th century it was far from the powerhouse it is today. Particularly in the fields of medicine and science, more often than not the best equipment and tools were produced overseas and, as such, were prohibitively expensive to many Japanese who could have benefited from them.

Luckily, a young attorney and businessman, Takeshi Yamashita, had the vision to produce high-quality microscopes domestically that were far more affordable than expensive imports. Yamashita shared his dream with an acquaintance, Shintaro Terada, who had already designed his own award-winning microscope. Terada soon joined Yamashita's company, Takachiho Seisakusho, established on Oct. 12, 1919. The following year, the firm introduced its first mass-produced microscope, the Asahi, which was a tremendous success. In 1949 the company became Olympus Optical Co. Ltd. In 2003 it was renamed Olympus Corp., which today continues its long tradition of innovation.

## Medical History

At the turn of the 20th century, the medical equipment situation in America was not much different than that of Japan in many areas. Urologists could only buy cystoscopes—the instruments used to look inside the bladder and urethra—from Germany and Austria. Communication difficulties, long waiting times, and high costs of repairs prompted German immigrant Reinhold Wappler to establish American Cystoscope Makers Inc. (ACMI) in 1908. A skilled maker of medical and electrosurgical devices, Wappler

developed many diagnostic and therapeutic instruments, and for decades ACMI was the premier source of urological equipment in the United States. In 1960 ACMI developed the world's first flexible endoscope, using glass fibers instead of rigid rod lenses.

More recently, in 1989, two brothers from Wales took the first steps in pursuit of their own dreams that would eventually merge with those of Yamashita and Wappler. Mark and Colin Goble launched a company to develop plasma-based surgical tools that would minimize patient trauma in a variety of procedures, such as prostate surgery and hysterectomies. The company, Gyrus, was publicly listed in 1997.

In 2005 Gyrus acquired ACMI, instantly doubling the group's value and significantly strengthening its position in the U.S. market for urological and gynecological surgical tools. Gyrus ACMI grew sales in the U.S. that eventually accounted for more than 80% of its parent company's global revenues. "They were

our competitors," says Tsuyoshi Kikukawa, president of Olympus Corp. "And in the Americas, they were winning."

Last November Olympus announced it was starting procedures to acquire Gyrus Group PLC, which included Gyrus ACMI. The contract was finalized on Feb. 1, 2008, and Olympus paid \$2 billion (210 billion yen) in cash. It was the largest acquisition in Olympus' history—almost four times its previous most costly purchase—but a price that Kikukawa believes was reasonable.

"I can confidently say that with Olympus' endoscope products and Gyrus' surgical products, we are now positioned to compete against all the major surgical companies," declares Kikukawa. "Our leadership in endoscopy puts us in an even stronger position for the future as new diagnostic and surgical procedures will utilize the devices that only Olympus can now offer." This sentiment was echoed by Olympus' institutional investors, some of whom said they would have loaned "as much as was needed" to

**An early ACMI cystoscope**





Olympus Corp. President  
Tsuyoshi Kikukawa

make the deal, says Kikukawa. An evaluation of Olympus published by Nomura Securities on April 10, 2008 pointed out the “large synergies” the company will gain with Gyrus ACMI.

### A Stronger Supplier

In terms of market share, Olympus is a leader in the market for instruments used in surgery of digestive organs, whereas Gyrus ACMI’s strengths lie in urology, gynecology, and ENT (ears, nose and throat). Olympus already has about 70% of the gastroenterological endoscope market, but the acquisition has expanded its share of the combined markets for urology endoscopes in Japan, the Americas, and Europe to about 50%. And for the ENT endoscope business in the same markets, the combined share now totals 30%.

“As the global market leader in urological endoscope diagnosis and treatment, Olympus’ social responsibility becomes greater than ever, and as such we hope to make even more of a contribution—both for patients and medical personnel,” explains Haruhito Morishima, president and CEO of Olympus Medical

Systems Corp. “Development of endoscopes for infants and children, fields where both cases and specialists are few in number, is just one example of this.”

Kikukawa believes there are also great synergies to be leveraged in terms of corporate culture. “Olympus has always valued its pioneer spirit—we create technologies, then spend years developing and refining them,” says Kikukawa. “Gyrus has grown quickly by acquiring technologies through multiple mergers and acquisitions. They have a proven track record of successfully integrating different corporate cultures while keeping employees happy, and Olympus

can learn from this experience.”

At the heart of Olympus’ management philosophy is a concept known as “Social IN”—contributing to society by being part of society. A good example of this ethic in action is the Visionary Volunteers program that Olympus launched in the U.S. last year. Nearly 250 employees volunteered 4,655 hours of their personal time to local community service in 2007.

### The Clear Picture

Just as Olympus’ medical business contributes to a healthy society, the mission of its imaging business is to contribute to people’s happiness. While Olympus enjoys a top share of the compact digital camera business in many world markets, that is not the case in the digital SLR camera market. But Kikukawa is by no means conceding defeat. “We will catch up,” he declares. “I won’t give any time frame, but under the radar we are hard at work developing and acquiring technologies that are nothing less than revolutionary, while building a brand that will firmly establish us as part of the top three.”

For the fiscal year that ended in March 2008, Olympus Corp. earned a

record \$1.07 billion (112.6 billion yen) on \$10.8 billion (1,128.9 billion yen) in sales, marking its 14th straight year of growth. The strong yen undercut export revenues, but helped in terms of cheaper overseas manufacturing costs. Based on the exchange rates at the end of March, Olympus forecasts sales for the current year to climb 7.4% to \$11.5 billion (1,212 billion yen), generating \$1.04 billion (109 billion yen) in income.

Apart from financial goals, one of Kikukawa’s objectives for this year is to identify a new core business from among the myriad candidates the company is currently incubating. The aim is to both increase Olympus’ overall growth and to reduce over-reliance on its existing core businesses. Also this year, the company’s five-year corporate strategic plan (CSP) is due for review

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and readjustment. Kikukawa wants to take the opportunity to look a little further ahead and imagine what kind of company Olympus should be when it reaches its 100th birthday in 2019.

“We have to imagine what society will want and need a decade from now—what consumers and employees will expect from companies,” he explains. “As for the environment, we have to think beyond the individual corporation and think at the industry level and at the national governmental level, because that’s the only way to really make a difference.” Call him a dreamer if you will, but he is in very good company. ●