# Interview with Thomas Dunlap, President and CEO, Hoya Surgical Optics

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Please give us an overview of HOYA Surgical Optics and its operations.

HOYA Surgical Optics is a global manufacturer of intraocular lenses (IOLs) — the artificial lens that is put in the eye during cataract surgery when the natural lens clouds over with age and needs to be surgically removed. Cataract surgery is the most frequently performed surgery in the world, with approximately 21 million procedures being performed globally in 2012, and growing at a rate of 3 – 4% per year. The ability of our products to dramatically improve vision for people affected by cataracts is really special.

Precision Optics is a core competency. Our parent company, HOYA Corporation, is the leading supplier of innovative and indispensible high-tech products based on advanced optics technologies. We leverage the power of their 70 years of global expertise in eyeglasses, contact lenses, and electro-optics for the computer industry in everything we do.

As a Japan centric company from the start, we realized a number of years ago the need to become a global organization and to expand our footprint. We expanded in Europe, particularly Western Europe, and then we expanded in the Asia Pacific Region countries. As part of that expansion and changes in the global business, we moved our manufacturing operations here to Singapore nine years ago.

In 2009, we began our business operations in the USA. Today, we have four regional commercial offices in Frankfurt, Tokyo, Singapore, and Los Angeles. We chose these locations because of their close proximities to our customers in those geographies.

In April of 2011, as part of our Global Optimization Plan, we moved our headquarters to Singapore with the aim to expand our footprint well outside of Japan and become a more significant ophthalmic device player.

This year, HOYA Surgical Optics is celebrating our 25th Anniversary. We are very proud of our record of innovation in optics and customer care and excited about the prospects for future growth and success.

How do you describe the positioning of HOYA Surgical Optics?

Our heritage at HOYA is a precision optics company. We were born from the HOYA contact lens business and over the years we have been able to leverage some of the HOYA expertise in optics and other novel technologies.

We are a very unique company because we focus on IOLs and the true needs of ophthalmologists. Unlike our main competitors, our singular focus frees us of conflicting priorities and distracting demands outside of our core business. At HOYA Surgical Optics, we have a singular focus on IOL, ophthalmology, and the latest IOL-related innovations.

The company has been a leading IOL manufacturer for many years, but is still a newcomer to many markets around the world. Is it a challenge or an opportunity to be the new kid on the block?

It is extremely challenging when the new kid on the block is trying to slug it out with three big boys and the three big boys have a huge percentage of the global market. However, we are growing rapidly; our revenue growth this past fiscal year was in the double digits, a pace of 3 to 5 times the global market growth.

We continue to grow because we stay very focused in key markets and when we decide to enter into a new market we are always very committed to it. We are not trying to appease every market, but rather strategically plan in terms of what we can do and where we can add the greatest value for our customers and their patients.

In terms of Singapore, the company has had a presence here since 2003 with its manufacturing facility and then last year HOYA Surgical Optics announced the opening of its new global headquarters in Singapore. Why was this decision taken and why Singapore?

We always look for the right strategic location and the right talent.

Our goal with the Global Optimization Plan was to co-locate our headquarters near manufacturing, expand the working relationships we already had with the Singapore Economic Development Board (EDB), and have a good geographic position to Asia's emerging markets, especially India and China, which are going to provide the largest growth in the ophthalmic sector over the next decade.

Moreover, establishing our global headquarters in Singapore enabled us to become a local company in the region in some respects. Our presence here is very strategic. We have an incredibly good relationship with the EDB, there is great research done here, and the clinicians in Singapore are highly respected around the world. Therefore, it was the perfect location.

How would you describe the professional collaborations between HOYA Surgical Optics and Singapore's leading ophthalmic and research institutions, as well as with the EDB?

The relationships we have been developing in Singapore, particularly since the relocation of our headquarters here, have been phenomenal. We are working collaboratively with the leading research institutions and surgeons. Many have visited our factory and get a true appreciation of the HOYA Surgical Optics quality. We are therefore able to share with them our novel innovations and get immediate feedback.
We have created very strong relationships with physicians, research institutions, and the EDB. Having EDB's involvement in terms of funding certain new ophthalmic technologies with leading eye research centers has given us the ability to potentially collaborate on new ideas. This dynamic has been very stimulating since government funding is paired with the right researchers, clinicians and a potential commercial partner.

We frequently hear about the importance of partnerships, do you think that partnerships are the cure for all?

Partnerships are incremental to what we do and very important. We look at our R&D organization, and invest more than 10% on R&D and that is not enough. Hence, from an R&D perspective, partnerships are essential. We believe that you cannot rely solely on your own R&D organization to have all the best ideas. By having partners, like the ones we have here in Singapore and globally, we can more than double our efforts in investing in our future technologies.

HOYA Surgical Optics still manufactures in this country— what is the capacity and are there plans of future investment?

We currently have one global manufacturing facility and it is located here in Singapore. We are looking to expand our facility in Singapore, instead of looking for alternative manufacturing sites. Once you have an approved facility with all the different government bodies and regulatory authorities, it makes good sense to stay and expand, and that is our goal. Furthermore, the risk profile of natural disasters is very low in Singapore.

In our highly automated facility here, we are manufacturing a range of IOL products. We have a number of surgeons who come to Singapore to see our manufacturing facility so they can really appreciate the quality optics that they are placing in people's eyes.

Indeed, our state of the art facility has become a marketing tool. Therefore, different doctors, particularly from Asia have come to visit our facility, which is well accepted in this region. The visitors are really fascinated to understand what it takes to manufacture an intraocular lens, which look simple, but there is an incredible amount of precision technology involved.

Does it make sense to manufacture in one of the most expensive countries in the world?

When you look at the pluses and minuses, the answer is yes. This is the right place for us to be. It is true that Singapore is expensive, and our costs are high but after analyzing the total value proposition of being in Singapore, it is the right place for us. We have decided to be here for strategic reasons and we have a long-term business view of how we will build the business globally.

You have to innovate rapidly in the medical device business, and that's another reason why we are here in Singapore. We are a medical device company, so we must use rapid product development as an important operating principal to bring continuous innovations to the market.

In regard to R&D, is the focus on Japan or have you also allocated R&D in Singapore?

Today, our core R&D center is in Japan. Since we just recently moved our HQ and some other functions to Singapore, we will be launching a new concept development office. In this new function, it will be a special group that will work to secure and filter new ideas and projects and then ultimately some of the projects will be transferred to the R&D team. So, we have a two-way approach to R&D — the core R&D team in Japan and this new concept development team that will be based in Singapore.

Looking into the future what can we expect to see from HOYA Surgical Optics in Singapore?

We will continue our commitment to Singapore. We will take a very strong position in the global market place, since we are aiming to be positioned amongst the top two companies in our core

intraocular lens business.

We will continue to innovate new IOL insertion systems. We are the leaders with preloaded IOL technology and we must maintain that position. Our insertion systems are the best in the industry. Unlike the IOLs from many of the major competitors, HOYA's IOLs come fully preloaded. This means that our lenses are contained within a sterile package. All the way from the manufacturing facility until they are inserted into the patient's eye.

On the other hand, most likely you will see us involved with some other technologies outside of IOLs, Retina, Cornea and Glaucoma devices.

Following you comments regarding positioning HOYA Surgical Optics in the top two or three companies, what will be the main challenges in meeting this ambition?

The risk is that of the 21 million cataract procedures that are done globally, the vast majority of procedures are performed on senior citizens and most of the governments reimburse for cataract surgery. When reimbursement comes down, prices come down and depending on the market, it could have a downturn on business. In the USA for example, many surgeries are performed in the surgeon's own ambulatory centers and not in the hospital. Therefore, as reimbursement comes down, the surgeons who own these centers need to look for efficiencies. Consequently, prices become more sensitive, taking profitability out of the entire value chain.

In this perspective, I would say that reimbursement changes have become one of the biggest challenges in the cataract business. Therefore, we have to diversify our business which is a very important part of our long term strategy.

After your extensive career, holding executive positions in diverse companies from American Hospital Supply, Coherent, Allergan, Bausch & Lomb, and Sand Hill Consulting Associates, what brought you to HOYA?

In large part, it was the opportunity to build something special. At its core, we have created a unique, entrepreneurial company. I have worked in both large and small corporations where I have enjoyed great experiences, but at HOYA Surgical Optics, I see people who are passionate about our technologies, our company and eye care in general. They really want to make a difference.

In a company our size, everyone can really make a difference. It's empowering to know that you can have a major impact on the business and help improve patient and practice outcomes for our customers.

In the three years that you have been at the head of the company, what has been the most exciting part?

The biggest milestone has been capturing the number one IOL market share position in Japan. Secondly, establishing our global headquarters in Singapore and beginning to see the vision come to life. Frankly, we see the world, being located in Singapore through a different perspective. Sitting here in Singapore gives us a unique and interesting view of the global business opportunities, and gives us access to the fast growing emerging countries in the region. Lastly, it has been so rewarding to assemble an extremely talented and experienced global management team that is perhaps the most diverse in the industry…I believe it is one of our long term competitive advantages as we grow.

What would you like to be the final message for our readers?

Singapore is a wonderful place to be and we could not be more pleased in having chosen Singapore for our worldwide headquarters. The global view that we have from here is a big advantage for us. We can say that as Singapore is developing its brand, we are also developing ours.

We are having a great time building our business from here. We have a very dynamic and strong management team and just this month hired another one of the top people in the entire industry. We have been very conscious to build a top-tier global management team that can contribute different points of view and keep us at the forefront of our market segment.

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