

Four Key Components of Our Corporate Strategy: Component C

C Focus and Scale Our TSD Business



Our vision is to contribute to society by making people’s lives healthier, safer and more fulfilling through customer-driven MIS therapeutic products and solutions.”

Tomohisa Sakurai (left), Gabriela Kaynor (right)
Co-heads of Therapeutic Solutions Division



- S**
Strengths
- Diversified division with a served addressable market of ~U.S. \$16 billion globally growing at ~6%
 - Offering “See and Treat” solutions leveraging strong endoscopic imaging position
 - Highly differentiated technologies
 - Strong collaboration with HCPs to develop new procedures and devices
 - Global technology and manufacturing footprint

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Weaknesses
- Evolving as a newly formed division
 - Penetration of IDNs and GPOs not yet at maturity levels
 - Traditional growth achieved organically with limited experience in rapid expansion through M&A and distribution partnerships

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Opportunities
- Increased demand for minimally invasive treatments that reduce healthcare expenses and improve patient QOL
 - Rise in procedures in both developed and emerging markets
 - Global organization managed from the United States to operate business more efficiently and improve decision making speed
 - Increased interest in endoluminal surgery, where Olympus has strong right to win

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Threats
- Increased worldwide medical device regulations
 - Downward pressure on selling prices due to increased influence of GPOs and IDNs
 - Entry into market by low-cost manufacturers

Operating Environment / Priorities for Business Growth

Operating Environment

- Increased procedures driven by aging global population, increased diseases and comorbidities, and greater access to care in emerging market populations
- Intensifying cost pressures on health systems continues to drive focus on both clinical and economic value
- Ongoing shift from open surgical approaches towards minimally invasive treatments to improve patient outcomes and optimize total cost of care. Additionally, care shifting from inpatient to outpatient, enabled by minimally invasive approaches and tools that decrease the risk to patients, improve safety, and create efficiencies



Priorities for Business Growth

- Focus**
Aligning our strategy, portfolio, commercial channels, and investments around key areas of focus where we have a right to win
- Delivering breadth and value through clinically differentiated solutions**
- Operating efficiently to achieve profitable and sustainable growth**

Target and Measures (FY2021–FY2023)

GI-Endotherapy	• Expand clinically differentiated product offerings across all key categories, including ERCP*1, ESD*2, stenting, and hemostasis devices
Urology	• Become the global medtech leader in BPH, stone management & NMIBC through relevant differentiation in endoscopy, customer-focused innovation in therapeutic solutions & market development of minimally invasive treatments
Respiratory-Endotherapy	• Strengthen leadership by leveraging our strong endoscopy market position to continue expansion in lung cancer portfolio across the continuum of care and capturing and growing the BLVR*3 (SVS) market
Other Therapeutic Areas	• Establish Olympus as a total energy solution provider. Protect and grow our laryngology, rhinology, and gynecology businesses through investing in solutions that follow market shifts towards minimally invasive procedures across the continuum of care
Commercial Excellence	• Strengthen sales and market development teams across therapeutic areas • Invest in additional clinical data and reimbursement efforts

~8%
Revenue Growth CAGR

*1 Endoscopic Retrograde Cholangio Pancreatography
*2 Endoscopic Submucosal Dissection
*3 Bronchoscopic Lung Volume Reduction

Progress

The TSD Division is a ~ U.S. \$2 billion Division playing across multiple clinical specialties which collectively support a served addressable market of ~ U.S. \$16 billion globally growing at a blended ~6% CAGR.

Focus (“Choosing What Not To Do”)

- Shifted organic activities to ensure >70% investments are dedicated to key focus areas (GI-Endotherapy, Urology, and Respiratory and MIS)
- Prioritized inorganic activities in key areas of focus via both M&A and distribution deals

Delivering breadth and value through clinically differentiated solutions

- Successfully launched Soltive™ SuperPulsed Laser System providing physicians and patients with breakthrough performance in kidney stone management
- Grew the overall Olympus GI-Endotherapy portfolio with launches in ERCP, ESD, Hemostasis and the acquisition of Arc Medical Design including the innovative ENDOCUFF™ portfolio
- Significantly overachieved sales targets for Respiratory’s Spiration® Valve System and received the Silver Edison Award for innovation

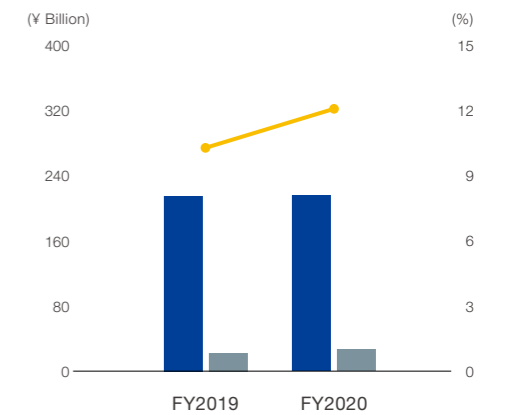
Operating efficiently to achieve profitable and sustainable growth

- Rightsized investments in non-focus areas to improve overall profitability and improving commercial efficiencies in key areas

Future Priority Measures

- Achieve sustainable growth through strategy execution, focus, and capability enhancement
- Accelerate focus and speed in expanding growth through inorganic opportunities
- Continued profitability improvements taking into account COGS, R&D investments as well as SG&A and commercial efficiencies
- Improve product development speed including on time and budget delivery through commercial launch
- Strengthen skillsets and footprint in United States

Results



	FY2019	FY2020	
Revenue	215.5	216.1	(¥ billion)
Operating Profit	22.2	26.2	(¥ billion)
Operating Margin	10.3	12.1	(%)

Outside Director Perspectives

One of Olympus' outside directors, Jimmy C. Beasley, provides his thoughts regarding Therapeutic Solutions Division's efforts toward growth.



Growth Initiatives in Therapeutic Solutions Division Making Steady Progress

Jimmy C. Beasley

Outside Director
(Member of the Compensation Committee)

Focus on Highly Competitive GI-Endotherapy, Urology, and Respiratory-Endotherapy Areas

One year has passed since I was appointed as an outside director, and a large number of reforms are currently in progress with the aim of making Olympus a globally-leading medtech company. The Board of Directors has also discussed at length the corporate strategy that was announced in November 2019. Based on my knowledge and experience I have gained in the healthcare field, I actively provide advice on strategy and other measures to accelerate the growth of TSD. The division comprises a wide range of fields, but its corporate strategy states that its focus should be across highly competitive therapeutic areas, such as GI-endotherapy, urology and respiratory-endotherapy. Taking into consideration a number of factors, including market scale, market growth rate, and Olympus' current position, we recognize the importance of focusing on these three areas for business growth. It is our belief that, in these areas, we will be able to draw on the strength of the overwhelming position in the gastrointestinal endoscopes segment that Olympus has built up over many years. We have also set up a global business headquarters in the United States, the world's largest market for therapeutic devices, as well as established the systems to carry out part of the R&D process closer to our customers and have in compliance with laws and regulations as well.

Going Forward, We Will Further Strengthen Efforts to Improve Profitability

To deliver a consolidated corporate operating margin of over 20%, which is a target of the corporate strategy, it is essential to improve TSD's profitability while increasing its sales. A key to this effort will be increasing our R&D productivity. Olympus has a long history of innovation. In an era when regulatory requirements are increasing and customers have changing expectations, our R&D process and structure must evolve to meet these changing needs. At the same time improved process and structure can also result in faster time to market and lower costs. In the years to come, we will also expand and complement our product portfolio through collaboration and M&A with external partners while accelerating sales growth. As a result, we believe that cost of sales ratio, which we recognize as an issue, will improve and increase profitability. Olympus has been contributing to improvements in the QOL of many patients by providing value in the form of early diagnosis and minimally invasive treatments. I believe, however, that Olympus can come to the assistance of many more patients. By focusing not only on the doctor who uses the product, but also beyond that to the patient's point of view, the speed of R&D will improve further, and will enable Olympus to launch many more high-quality products onto the global market. I am convinced that this will also lead to the growth of TSD and to Olympus making great strides toward becoming a global medtech company.