

## Olympus continues to help resolve social issues through medical innovation while advancing its corporate transformation.

### Progress in Fiscal Year 2021

- Made steady progress on the corporate transformation plan, *Transform Olympus*
- Formulated five materiality items that moves us toward sustainable business growth and a sustainable society
- Completed the transfer of the Imaging Business to Japan Industrial Partners, Inc. in January 2021
- Launched the EVIS X1 gastrointestinal (GI) endoscopy system—the first new model in about eight years—in Europe, Japan, and some parts of Asia
- Conducted multiple M&A to drive growth in the Medical Business (GI endoscopy: Arc Medical Design Ltd.; Respiratory: Veran Medical Technologies, Inc.; Orthopedic: FH ORTHO SAS; Surgical: Quest Photonic Devices B.V.)
- Reorganized the product development structure (a system in which specialized functions, such as quality, R&D and manufacturing, strengthen their cooperation from the early stage to develop products that are safer and more effective)
- Implemented “Career Support for External Opportunity” in Japan

### Measures to Be Implemented in Fiscal Year 2022

- Deepening profitable growth strategy in Medical Business
- Further improvement of efficiency and effectiveness through *Transform Olympus*
- Continued steady investment in product development for future growth
- ESG initiatives that contribute to a sustainable society



**Yasuo Takeuchi**

Director, Representative Executive Officer,  
President and CEO

## Our Purpose and the Mission as a Medtech Company

To begin, I would like to express my sincere condolences to the lives that have been lost due to COVID-19 and I would like to extend my deepest sympathies to those who have been affected. I would also like to express my sincere gratitude to all healthcare professionals, including doctors around the world, for their efforts on the front line during this unprecedented time. Olympus has taken a variety of measures and made the utmost effort to ensure that supplies to those who need our products and services have not been disrupted.

During the pandemic, I once again gained a strong sense that Olympus has a mission within society, to contribute by providing new value to healthcare professionals and patients through innovative medical technologies. During these tough times, many colleagues have displayed a strong loyalty to our

mission as a medtech company and have been performing their tasks heroically on the front line. During the early stages of the pandemic in China, a large-scale medical center was quickly built to specialize in patients with the COVID-19, and many of our medical devices were needed. Thanks to the teamwork of our colleagues, including those in our factories, products were shipped without delay, with our colleagues working day and night, from the delivery of the medical devices to their installation in the hospitals. I and colleagues in other areas worked with the same sense of mission, continuing the supply of medical devices, even in unprecedented situations, that was, and still is, extremely important for us who are involved in medical care. As stated in Our Purpose, we have reaffirmed the importance of contributing to making people's lives healthier, safer and more fulfilling.

## Accelerating Our Transformation in Fiscal Year 2021

Aiming to transform into a truly global medtech company, we have been implementing our *Transform Olympus* corporate transformation plan and corporate strategy since 2019. The key initiatives in fiscal year 2021 were the transfer of the Imaging Business to Japan Industrial Partners, Inc. in January 2021, and the "Career Support for External Opportunity" (voluntary retirement program) initiative implemented in Japan to promote our transformation into a global medtech company. I should thus mention that improving our corporate culture and making the best use of our organizational strengths have started in earnest. On some occasions, it has involved tough decisions, but I get the feeling that Olympus is steadily transforming into what we want it to be—a global medtech company. We have implemented a variety of measures since the first fiscal year of the corporate strategy, and I think we are confident that it will accomplish what it was set out to do.

The strength of our Endoscopic Solutions Division (ESD) has been reaffirmed in the previous fiscal year, fiscal year 2021. In April 2020, we launched the new GI endoscopy system EVIS X1, which represented the first model change in about eight years. Previously, product life cycles had been five to six years, so for a wait interval of eight years like on this occasion, it was likely difficulties in sales activities would have arisen and I was worried this could present problems in maintaining good relationships with our customers.

The pandemic also restricted our sales activities.

Nevertheless, even in such a difficult situation, the ESD achieved year-on-year growth in both revenue and operating profit from the third quarter onward, which, I believe, was the result of the steady demand for early diagnosis and minimally invasive treatment.

Also in fiscal year 2021, we conducted multiple M&A to accelerate growth of the Medical Business. Previously, this had been an area of inactivity, but we now view such activities as an important strategic initiative for business growth.

For example, we acquired Veran Medical Technologies, Inc. to improve our competitiveness in Respiratory. The company's electromagnetic navigation system assists in the insertion of bronchoscopes and endotherapy devices into the finely branched peripheral part of the lungs while enabling the viewing of a 3D image, while an added benefit is that this system has synergy with Olympus bronchoscopes. We expect this will contribute to improving the quality of diagnosis and staging.

In addition, the fluorescence imaging systems for medical applications owned by Quest Photonic Devices B.V. represent a field in which significant growth is expected in years to come. Quest Photonic Devices B.V. is actively promoting joint R&D with various biotechnology companies for the new technology of molecular imaging, which will give us a foothold in this technology in the future. If molecular

imaging is put into practical use, it is expected to make a technical contribution to lowering the recurrence rate of cancers and allow for cancer lesions to be more easily located when surgeons operate to remove them. By not only aiming for business growth, but also giving consideration to the efficiency and speed of development, expanding the range of value provided while actively utilizing M&A is

## Engaging in Social Sustainability

Simply because Olympus is involved in the medical and life science fields, there has been a strong tendency to think that our business activities themselves led to contributions being made to society. However, nowadays the ESG notion that it is necessary to create value from both financial and non-financial perspectives for companies to achieve sustainable growth has become increasingly widespread. Olympus also recognizes that one of its important management activities is to consider the sustainability of the company and actively promote initiatives that incorporate ESG perspectives.

In 2019, we extracted six ESG areas and identified four materiality items to focus on. In addition, we are very aware that environmental issues and climate change are social issues to be solved, and in 2021 we added "carbon neutral society and circular economy" as a fifth materiality item. Of these, I would like to offer explanations on "compliance, product quality and safety" and the newly added "carbon neutral society and circular economy."

First, with regard to product quality and safety—in addition to undertaking a voluntary recall of endoscopic and endotherapy products—in fiscal year 2021 Olympus carried out upgrades to some of the functions of the GI endoscopy system EVIS X1. As a medical device manufacturer, we naturally bear the responsibility to ensure the safety of our products. We have been working to strengthen the function of quality assurance and regulatory affairs (QARA). To date, we have hired experienced personnel who have served as the heads of the QARA function at various global medtech companies as Chief Quality Officer (CQO), and are accelerating the strengthening of the system. We are working to improve our QARA function, such as introducing a quality management system (QMS) that is unified worldwide and creating the global mechanisms and systems that will enable us to respond more quickly and proactively. We are also moving quickly to hire specialists who are familiar with quality laws and regulations worldwide to

an indispensable ability for today's global medtech companies. In building healthcare systems, healthcare professionals, including doctors, and hospital operators are calling for companies that can provide appropriate solutions to their challenges through products and services. I believe a global medtech company should be able to respond promptly to such demands by providing new value.

strengthen this function.

Next, regarding the environment, in May 2021, we expressed our support for the Task Force on Climate-related Financial Information (TCFD) recommendations and set the goal of achieving carbon neutrality by 2030 for our site operations. Previously, we had been engaged in environmental activities centered on production activities but recognizing that it is our responsibility as a global company to work positively on environmental issues, we have now formulated new policies and set new targets. In the years to come, we will actively engage in the sustainable development of both society and business and maintain an awareness of these aspects throughout the Company.

### Six Important ESG Areas



### Our Materiality

- Healthcare access and outcomes
- Compliance, product quality and safety
- Responsible supply chain
- Diversity and inclusion
- Carbon neutral society and circular economy



“ In fiscal year 2022, shifting from our transformation to a global medtech company by implementing corporate reforms to a phase of ‘strengthening further.’ ”

### Fiscal Year 2022 Focus on “Strengthening Further”

Until now, we have carried out corporate transformation with a view to transforming into a global medtech company, and we are perceiving fiscal year 2022 as the phase of “strengthening further” the transformation we have been promoting.

For Olympus to continue to grow in a sustainable manner, I feel that it is not enough to develop businesses that are merely extensions of the past, such as the ESD and the Therapeutic Solutions Division (TSD). It is important to have a vision of how to establish differentiated positioning and aim to provide clinically meaningful value. We are planning to further deepen the strategy of the Medical Business from this kind of perspective and plan to make an announcement during the course of 2021. I would like to explain the medium- to long-term direction that our businesses should take in the future, the value provided by our products and services, and how we will contribute to the healthcare sector through them.

When considering the elements necessary for us from a medium- to long-term perspective, it is also necessary to start strengthening our management base. For us to manage the global group as a whole, it will be necessary to introduce a universal IT

platform, standardize and integrate back-office operations, aim for efficient operations with good governance, and integrate supply chain management (SCM) systems on a worldwide basis. Investment will precede each measure, but the effects of global integration are expected to appear in profit terms slowly over the medium to long term.

There are many areas for investment linked to key initiatives, but to achieve the goal of an operating margin of over 20% in fiscal year 2023, we will be prioritizing investments that contribute significantly to this goal. Despite the pandemic, in fiscal year 2021, we were able to achieve the goals we had set at the beginning of the term, allowing for a sense of accomplishment with my colleagues in a tough time. To continue that sense of accomplishment, we will remain determined to achieve the major goal of an operating margin of over 20% in the fiscal year 2023. By repeating successful experiences, we believe we can foster a corporate culture to build a healthy organization where each colleague can feel that sense of accomplishment and satisfaction.

#### FY2022 Key Initiatives

### Further strengthen our position as a global medtech company

 <p>Deepening profitable growth strategy in Medical Business</p>	 <p>Further improvement of efficiency and effectiveness through <i>Transform Olympus</i></p>	 <p>Continued steady investment in product development for future growth</p>	 <p>ESG initiatives that contribute to a sustainable society</p>
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“ Based on our medium- to long-term perspective corporate strategy, we will change our corporate culture and make the best use of our organizational strengths to enable sustainable growth.”

### Transformation through our Corporate Strategy that Focuses on the Medium to Long Term

I would like to explain again the relationship between our corporate strategy and our goal of an operating margin of over 20%.

The corporate strategy shows the direction of management from a long-term perspective, and we are proceeding with a wide variety of initiatives under this strategy, but the effects of those initiatives are expected to appear in the long term. Meanwhile, the goal of an operating margin of over 20% is set to significantly change the awareness of colleagues and bring out the potential of Olympus as a whole in the short period of time by fiscal year 2023. Because of this, we recognize this is a milestone we will need to reach, and I believe this will enable us to achieve sustainable growth by significantly changing employee awareness and corporate culture. Targeting an operating margin of over 20%, we strive to achieve this goal through multiple factors, such as through sales growth, more efficient SG&A expenses, and *Transform Olympus*, by which we aim to transform the entire company. Fiscal year 2023 is not the goal, but rather the building of a corporate culture and making the best use of our organizational strengths to enable sustainable growth.

For me, my honest feeling is that we have just begun our journey and there is still a long way to go. However, as part of our corporate philosophy, Our Purpose, becomes more instilled, our determination to change has increased and our implementation skills

improved. These, among others, have given us a real sensation of having crossed hurdles that Olympus could not previously overcome.

While continuing to support improvements in the healthy life expectancy of individuals and patients' quality of life (QOL) through technological innovations, I would like to see Olympus make the transition to becoming a global medtech company that continues to provide essential value to society. Medical needs are constantly increasing, and companies must continue to evolve in synch with those needs. I have long believed we have the potential to continue creating innovative products and solutions. I sincerely hope all my colleagues will see this transformation their own and evolve with it, contributing to society and stakeholders alike. Going forward, we will continue to take on the challenges of transformation with the aim of further increasing corporate value toward the goals stated in Our Purpose, “Making people’s lives healthier, safer and more fulfilling.” I am grateful for your continued support and have great trust in our ability to achieve our goals.



Director, Representative Executive Officer, President and CEO