

Risk Management

Promotion of Risk Management

The Olympus Group is implementing risk management initiatives to achieve its basic management policy, which includes its corporate philosophy, corporate strategy, etc. Specifically, based on the “Policy of Risk Management and Crisis Response” and related rules, the Olympus Group is undertaking risk management from the perspective of both “offense” through active and sound risk taking leading to sustainable growth and value creation for Olympus Corporation and “defense” to prevent illegalities and accidents.

A crisis management process has also been established to minimize the impact of unforeseen incidents on corporate value.

Risk Management

In terms of risk management systems, we have established a global risk management system, defined categories of risks that could affect the achievement of Olympus Corporation’s business targets as well as the corporate strategy, and identified the executive officer responsible for each risk category (establishing risk assurance). Each executive officer executes the necessary measures (organizational structure, process preparation, focus measures, etc.) to keep within the acceptable range of their designated area of risk.

In addition, risk management processes are operated with a plan-do-check-act (PDCA) cycle of risk assessment (identification, analysis and evaluation of risk, and setting countermeasures), implementation of risk countermeasures, monitoring and reporting, and improvement. Risk assessment is linked to the process for formulating the fiscal year plan, with risk evaluated using common companywide evaluation standards, and companywide risks visualized and uniformly managed. Also, the status of response to the Olympus Group’s key risks are periodically reported to the Olympus Group Executive Committee (GEC), the Board of Directors, and the Audit Committee.

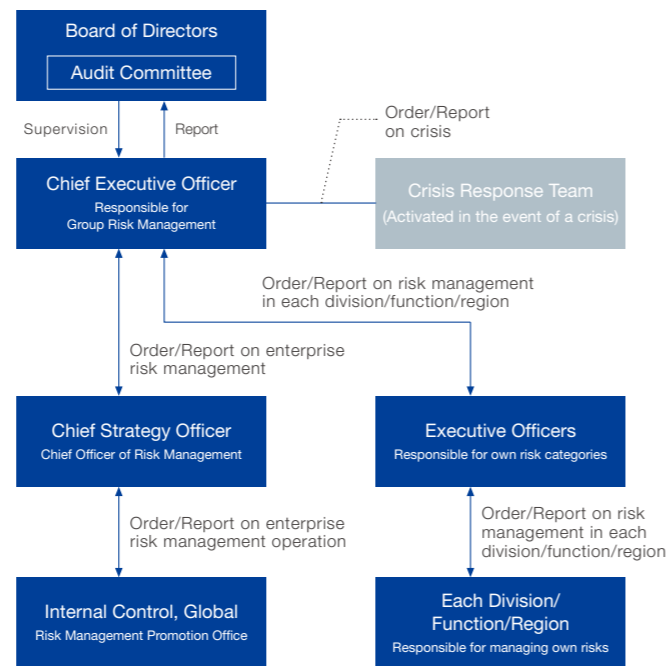
Crisis Management

Any major incident that is highly likely to affect business management in the Olympus Group is reported promptly to the president and other management, and handled appropriately by the managers in coordination with relevant divisions.

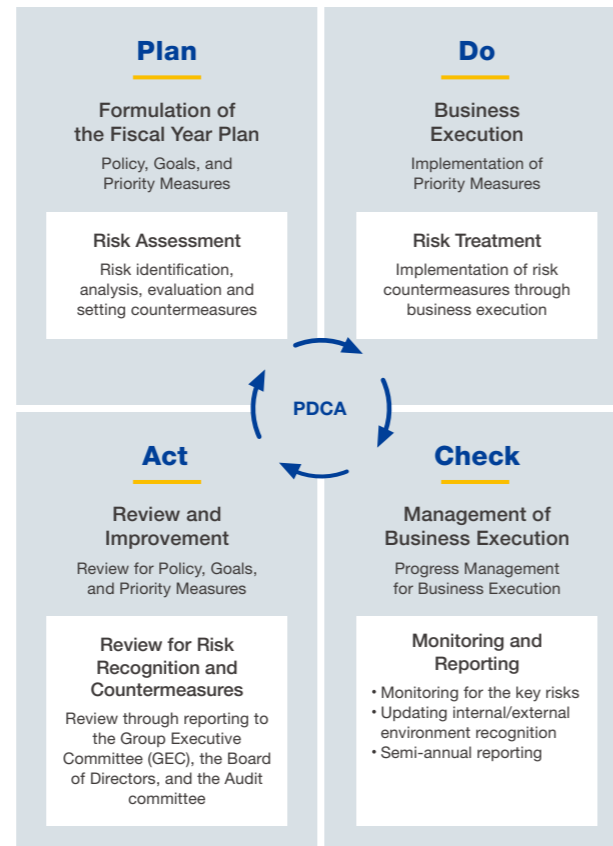
Further, we revised our business continuity plans (BCPs), which conventionally focused on natural disasters, such as earthquakes and storms, to include pandemics, as represented by COVID-19. We are also building viable BCPs with increased focus on the entire value chain. As a part of this effort, we are constantly implementing our disaster prevention and reduction activities such as by formulating the “BCP/BCM Development Guideline.” We provide training and drills to employees to improve the effectiveness of our BCPs.

We continuously implement every possible measure to keep our products and services available to our customers, giving the highest priority to the health and safety of our employees, healthcare professionals, patients, and communities.

Risk Management Structure (FY2022)



Risk Management to Achieve Basic Management Policy



Business Risk

<https://www.olympus-global.com/ir/policy/risk.html>

Main Risks

	Risk	Details	Countermeasures
Risks Associated with the Business Environment	Risks Associated with Changes in Healthcare Administration Policies, Tighter Product-related Laws and Regulations, and Infection Prevention	Matters to monitor <ul style="list-style-type: none"> Impact on the delivery of new products and services due to changes in healthcare-related laws and regulations in each country and related government policies, and need to implement market response for products Further regulatory action by FDA regarding post-marketing surveillance for duodenoscopes 	<ul style="list-style-type: none"> Strengthen organizational responsiveness to changes in laws and regulations, etc. including development and selection of safe products, and product development that is in compliance with laws and regulations Provide regular training to employees engaged in applicable operations
	Risks Associated with Market Conditions and Competition	Matters to monitor <ul style="list-style-type: none"> Impact of the emergence of alternative technologies and products Decreased competitiveness due to inability to introduce products that meet needs in a timely manner Opportunities to leverage <ul style="list-style-type: none"> Increase revenue through competitive product launches 	<ul style="list-style-type: none"> Expedite the selection and development of new technologies to be adopted Proactive use of external technologies in parallel with in-house development Launch new high value-added products and strengthen product lineup
Risks Associated with the Market	Risks Associated with Economic Environment	Matters to monitor <ul style="list-style-type: none"> Impact of geopolitical risks when they emerge Changes in the global economy and economic trends in each country National budget trends and policy changes in each country 	<ul style="list-style-type: none"> Provide business development that does not rely on specific regions or product areas Monitor policies of each country for industrial development and protection of its own industries, etc., and timely set up of task forces, etc.
	Risks Associated with Exchange Rate Fluctuations	Matters to monitor/Opportunities to leverage <ul style="list-style-type: none"> Performance deterioration/improvement due to yen appreciation/weakness Difference between expected and actual foreign currency-denominated receivables and payables 	<ul style="list-style-type: none"> Reduce risk through derivative transactions Reduce foreign currency-denominated receivables and payables by global cash pooling
	Risks Associated with Financing	Matters to monitor/Opportunities to leverage <ul style="list-style-type: none"> Impact on financing capabilities due to changes in financial markets Increase/decrease in financing costs due to deterioration/improvement in business performance 	<ul style="list-style-type: none"> Reduce funding costs through the diversification of funding methods Improve the efficiency of group funds and strengthen financial management through global cash pooling
Risks Associated with Business Activities	Risks Associated with Development Activities	Matters to monitor <ul style="list-style-type: none"> Decline in competitiveness due to failures in developing products that properly meet customers’ needs Increase in expenses associated with longer development periods, impairment losses on capitalized R&D assets, etc. Opportunities to leverage <ul style="list-style-type: none"> Contribution to healthcare through development of technologies and providing solutions Early diagnosis, minimally invasive treatments, and reduced workloads for healthcare professionals, etc. 	<ul style="list-style-type: none"> Establish an organizational structure for agile technological development Improve development efficiency and reduce development costs through appropriate product life-cycle management Acquire technologies and expand product portfolio through M&A Provide services utilizing digital technology, AI, ICT, etc. Conduct further study in the use of robotics
	Risks Associated with the Supply Chain	Matters to monitor <ul style="list-style-type: none"> Production and supply disruptions or delays due to procurement constraints Impact of geopolitical risks, etc. on logistics Necessity of market response due to quality issues 	<ul style="list-style-type: none"> Construct End-to-End integrated supply chain Strengthen relations with suppliers and enhance business continuity plans (BCPs) Curtail quality issues by implementing quality improvement activities
	Risks Associated with Business Collaborations, Corporate Acquisitions, Sale of Business, and Overall Investment	Matters to monitor <ul style="list-style-type: none"> Acquisitions: impact on business execution and impairment of goodwill, etc. Sales: difficulties implementing the sale, loss on sale, valuation loss, etc. Opportunities to leverage <ul style="list-style-type: none"> Expand the product portfolio and acquire new technologies 	<ul style="list-style-type: none"> Undertake various types of due diligence with external experts Implement a process to deliberate the appropriateness of an investment evaluation Periodically revise internal compliance guidelines, valuation model, and matters of due diligence
	Risks Associated with Business Restructuring	Matters to monitor <ul style="list-style-type: none"> Status of each measure to improve companywide efficiency Opportunities to leverage <ul style="list-style-type: none"> Foster a corporate culture capable of sustainable growth, and strengthen our management foundation 	<ul style="list-style-type: none"> Execute bottom-up initiatives Promote initiatives by each executive officer

Risk Management

Main Risks

	Risk	Details	Countermeasures
Risks Associated with Overall Management	Risks Associated with Laws and Regulations	<p>Matters to monitor</p> <ul style="list-style-type: none"> • Punishments and lawsuits for violations of various legal regulations, including healthcare laws, antitrust laws, anti-bribery laws, healthcare anti-fraud laws, and privacy regulations • Further actions to be taken in relation to the plea agreement with the U.S. Department of Justice (DOJ) 	<ul style="list-style-type: none"> • Thoroughly educate employees on relevant laws and regulations • Monitor business activities • Monitor compliance with related laws and regulations
	Risks Associated with Litigation	<p>Matters to monitor</p> <ul style="list-style-type: none"> • Filing of claims for damages and other important lawsuits • Disputes over intellectual property rights, etc. • Future progress of litigation concerning Chinese subsidiary 	<ul style="list-style-type: none"> • Establish a system for cooperation with external experts such as lawyers • Strengthen skills and expertise in relevant departments • Maintain insurance coverage for losses due to lawsuits
	Risks Associated with Information Security	<p>Matters to monitor</p> <ul style="list-style-type: none"> • Confidential or personal information leaks, interruption of business by the Company or our customers due to cyberattacks 	<ul style="list-style-type: none"> • Enhance various security measures, and establish an incident response system covering the entire Group • Provide educational materials for all employees on a regular basis
	Risks Associated with Human Resources	<p>Matters to monitor</p> <ul style="list-style-type: none"> • Deterioration in competitiveness due to failure to recruit and retain highly skilled personnel 	<ul style="list-style-type: none"> • Implement skills training programs • Introduce a talent management system • Create a successor development plan • Establish a leadership competency model • Establish a system to enable diverse talent to play an active role in the Company • Provide competitive compensation levels and compensation packages • Strengthen the system for recruiting talent
	Risks Associated with the Internal Control System	<p>Matters to monitor</p> <ul style="list-style-type: none"> • Internal control system failures, unforeseen circumstances that arise, and the hampering of management's rapid decision-making 	<ul style="list-style-type: none"> • Develop and operate a global internal control system • Regularly monitor operational status and make reports to management
	Risks Associated with Taxation	<p>Matters to monitor</p> <ul style="list-style-type: none"> • Tax burden increases due to changes in applicable tax laws and regulations, etc. • Increase in valuation allowance for deferred tax assets 	<ul style="list-style-type: none"> • Monitor the amendments to laws and regulations, etc., and review rules for transactions within the Group • Monitor the profitability of each Group company and manage the financial results
	Risks Associated with Climate Change and Environmental Regulations	<p>Matters to monitor</p> <ul style="list-style-type: none"> • Increased costs due to measures realizing a decarbonized, recycling-oriented society, and tighter environmental regulations • Impact of natural disasters caused by climate change on operations at our sites and supply chains 	<ul style="list-style-type: none"> • Strengthen compliance with environmental laws and regulations through the development of rules and regulations, educational materials, etc. • Implement various measures such as the introduction of renewable energy while aiming for carbon neutrality
	Risks Associated with COVID-19 Infections	<p>Matters to monitor</p> <ul style="list-style-type: none"> • Restrictions on customer visits and postponement or cancellation of business meetings, etc. • Impact on product sales due to the reduced number of cases and capital expenditures • Restrictions on product and parts procurement, manufacturing, and product supply 	<ul style="list-style-type: none"> • Conduct sales activities, etc., take into account the situation regarding infections • Continue to implement online training, demonstrations, and seminars
	Risks Associated with Natural Disasters, Infectious Diseases, Wars, Civil Wars and Other Risks	<p>Matters to monitor</p> <ul style="list-style-type: none"> • Occurrence of natural disasters, etc. 	<ul style="list-style-type: none"> • Establish and operate groupwide crisis response rules • Formulation and periodic revision of BCPs, education, and training