

Roundtable Discussion with the Chairperson of the Board, Executive Chairperson, and CEO

Towards the Next Step in Becoming a Leading Global MedTech Company with Our Purpose and Patient Safety Mindset

In addition to reviewing the past four years of implementing *Transform Olympus* and its corporate strategy, the Chairperson of the Board, Executive Chairperson, and CEO discussed the new company strategy and the future of Olympus.

Thinking Behind the CEO Change

Takeuchi: The decision to change CEO in April 2023 was to coincide with the new company strategy announced in May 2023, which succeeds the previous corporate strategy introduced in 2019. I was CEO at the time we started *Transform Olympus* and my biggest mission was to transform the company into becoming a truly global leading MedTech

company. Around 2021, I worked closely with Stefan to think about the next step in the development of the Company. I knew that this transition would require a new strategy and new leadership. So, while we have successfully transformed into a pure MedTech company over these last four years, this is only the first step.

Fujita: In terms of the nomination process, Mr. Takeuchi informed the Nominating Committee of his

intention to step down as CEO. The Nominating Committee started to deliberate about who would be the most appropriate successor, both taking into account Mr. Takeuchi's recommendations and following our succession plan which was already in place. After having several interviews and discussions within the Committee, we unanimously elected Mr. Kaufmann to be our new CEO.

Kaufmann: There is a robust process behind the CEO nomination process. We are a company with a Nominating Committee, etc., and we see succession planning as one of the most important components of the Nominating Committee. Yas (Takeuchi) and I had earnest discussions about putting me forward as a nominee. When I was chosen, I felt really proud and humbled. Of course, I also had many questions because I was suddenly entrusted with the responsibilities of the position. I was also proud of Olympus in taking this bold decision which shows how far we have come under the leadership of Yas to globalize Olympus and to build the foundation for long-term, sustainable growth.

Formulating the New Company Strategy Based on the Strong Relationship between the Executive Team and the Board of Directors

Kaufmann: I wanted to change the strategy formulation approach in two ways from the previous process. First, I wanted a stronger involvement from as many people as possible in developing the strategy, so we asked for input from many of our senior leaders and talents. We did this through workshops and inspiration sessions across the Company. Simultaneously, we started to cultivate a change in mindset to encourage buy-in toward the new strategic direction and execution, and I think that process was successful. The second change was to simplify the new company strategy and make it easier to understand by aligning the various divisional, functional, and corporate strategies. I wanted a more streamlined version of the strategy rather than a long book, so it would be an easier read that clearly sets out our priorities and KPIs to ensure that our whole

Director,
Representative Executive Officer,
Executive Chairperson and ESG Officer

Yasuo Takeuchi

Director,
Representative Executive Officer,
President and Chief Executive Officer

Stefan Kaufmann

Outside Director
(Chairperson of the Board/
Chairperson of the Nominating Committee)

Sumitaka Fujita



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organization is steering in the same direction.

Takeuchi: To add to what Stefan said, we formulated the 2019 corporate strategy with the involvement of just five executive officers, including Stefan and myself. My focus was on deciding the corporate direction of Olympus, so the strategy was considered and developed after establishing *Transform Olympus* based on our aspiration to become a leading global MedTech company. As for the new company strategy, the corporate direction was not changed, so Stefan has been able to focus on what becoming a leading global MedTech company means for Olympus. As he mentioned, Stefan engaged with many of our people, and he substantiated many elements from the 2019 corporate strategy in developing the new company strategy.

Fujita: The corporate direction remains the same, however, the degree of Board participation and discussion for the new strategy was increased. For example, in addition to regular Board meetings, we also held special discussions for strategy. In special strategy discussions especially, we focused on how to remediate issues raised by regulators; this has advanced the quality of our Board discussions in connection with quality assurance and regulatory affairs (QARA) related issues. We also held an outside directors' meeting on how to deal with QARA-related issues moving forward. In addition, we decided to form a Quality Assurance and Regulatory Affairs (QA&RA) Committee. Other topics we have discussed included growth strategy (M&A and market policy for the Endoscopic Solutions Division and Therapeutic Solutions Division), R&D policy (including resource availability), financial planning (suitability of revenue levels, SG&A expenses, operating profit level, etc.), tax management, capital allocation (share buyback policy and investment in M&A and R&D), and clarifying the link between the current fiscal year plan and multi-year plan.

Kaufmann: The discussions the executive team had with the Board of Directors about the new company strategy shows how constructively both sides are cooperating with each other in the best interests of the Company. The Nominating Committee has consistently worked on the Board of Directors' skills matrix to make sure that Board members can support our efforts to become a leading global MedTech company. We have very engaging discussions with the Board who provide qualified feedback, appropriate challenges, and most importantly, a lot of support. I consider our discussions on the new company strategy a great example of how much Olympus' corporate governance has evolved over the last four to five years.

Strengthening QARA and Evolving as a Culture Led by Patient Safety

Kaufmann: We started the process to improve our quality management system a few years ago. However, we must make further progress to reach the level that is required as a global MedTech company. The situation that we are in today in connection with the three FDA warning letters we received in fiscal year 2023 is an opportunity for us all to recognize there is room to improve our corporate culture, processes, and systems to meet the expectations of regulators and stakeholders. To strengthen QARA, we have built capabilities in our organization that will enable us to proactively handle ongoing issues, which go beyond remediating regulatory issues. Our corporate culture is changing to one where patient safety is always our top priority and everyone has the mindset to maintain high quality; this change will enable us to tackle the root causes of QARA-related issues and support efforts to fulfill our obligations. I also see this cultural shift as a huge opportunity for Olympus to become a more agile organization that can provide even more value than the past and elevate us to the next level as a global MedTech company.

Takeuchi: When we embarked on the *Transform Olympus* journey, we also had to change Olympus' culture because we were by nature a tech-driven company rather than a MedTech company. Our culture and mindset as a MedTech company needs to be further strengthened in order to take action to address QARA-related issues and regulations. We are continuing our efforts to ensure all our employees clearly understand what it means to be a patient safety-oriented company so that we can more proactively identify and address issues. Stefan made an important declaration by prioritizing patient safety in the new company strategy.

Fujita: From the Board of Directors' viewpoint, we have always taken patient safety very seriously. For example, we have been discussing Olympus' QARA function and areas for improvements with the executive team; however, after receiving three warning letters, QARA-related discussions became a top priority in our Board discussions, including in Executive Sessions^{*1}, quarterly Opinion Exchange Meetings for outside directors, and when evaluating the effectiveness of the Board. We established the QA&RA Committee to support the executive team. This Committee was formed with outside directors Mr. Gary John Pruden and Mr. Jimmy C. Beasley^{*2}. All the members have

QARA expertise and experience, and the Committee has proven to be effective.

Kaufmann: To add to what Mr. Fujita said, the QA&RA Committee is working with the executive team. First, having gradually strengthened the skills and capabilities of our Board, the Committee has been able to provide relevant advice and support the executive team. Second, the Committee gives the Board an opportunity to reach out to the executive team for the latest information on the remediation and transformation efforts, providing the Board with further transparency. I have attended all the QA&RA Committee meetings, and it reinforced the importance of the decision to set up the Committee because I can see how the executive team benefits from the experiences of Board members who have gone through similar QARA situations.

Fujita: I agree with Mr. Kaufmann about Olympus strengthening the skills and capabilities of the Board. One recent development is the appointment of Dr. Luann Marie Pendy to the Board, who will bring QARA expertise and experience to the QA&RA Committee. As the Nominating Committee, we always analyze the balance in the composition of the Board, as well as its sustainability by considering the skills matrix and diversity.

Takeuchi: Every year since the Nominating Committee was founded, we have discussed what skills are to be enhanced and the need to incorporate them into the Board structure. Since last fiscal year, we see expanding quality management skills as the highest priority area of the skills matrix if we are to become a leading global MedTech company.

^{*1} Executive Session is held after every Board of Directors' meeting where only outside directors participate.

^{*2} As of October 2023, the members of the QA&RA Committee are Mr. Gary John Pruden, Mr. Jimmy C. Beasley, and Dr. Luann Marie Pendy.

Improving the Effectiveness of the Board of Directors

Takeuchi: Corporate governance is made possible by effective team collaboration between the executive team and the Board of Directors. The executive team focuses on managing the Company while the Board of Directors advises, supports, and monitors the executive team. Without an effective executive team, you cannot help the Board of Directors be effective. When I was CEO, I wanted to create such a collaborative environment, and this led to the change in Olympus' governance structure from a traditional Japanese structure to a company with a Nominating



Under our new CEO's leadership, Olympus will continue in its efforts to become a leading global MedTech company.

Sumitaka Fujita

Committee, etc. By changing this structure, we have further strengthened the collaboration between the executive team and the Board of Directors, thus improving the effectiveness of both the executive team and the Board of Directors. One of Olympus' strengths is the strong relationship between the Board of Directors and the executive team in terms of the corporate direction.

Fujita: The scandal in 2011 made Olympus' executive team and the Board of Directors very aware of the importance of governance and this mindset makes Olympus stand out from other companies. After Mr. Takeuchi introduced *Transform Olympus* in 2019, we changed our governance structure to a company with a Nominating Committee, etc. The purpose is to separate execution and monitoring, which has strengthened execution and sped up decision-making for the executive team and focused on the monitoring for the Board. We also have Executive Sessions after each Board meeting where only outside directors participate and we discuss management issues, which are then shared with the top executive. As Mr. Takeuchi mentioned, there is strong collaboration

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Becoming a leading global MedTech company which is respected by all of our stakeholders while ensuring patient safety as the highest priority.

Stefan Kaufmann

between the executive team and the Board and there is a clear understanding of the duties on both sides. I am also very appreciative of Mr. Kaufmann for introducing optimization of agendas and time savings to allow the Board members to focus on strategically important topics in the Board meetings. Moving forward, I wish to continue our good teamwork and see leadership from Mr. Kaufmann as he executes the new company strategy towards the goal to become a leading global MedTech company in line with Our Purpose while prioritizing patient safety.

Kaufmann: Over the last couple of years, the Board of Directors has established a healthy routine. At every Board meeting, they discuss not only the important corporate priorities, but also conduct a self-assessment, looking for further opportunities to

improve Board effectiveness. A couple of topics have been on the agenda that could benefit the relationship between the executive team and the Board. First, the Board of Directors can only be effective if members understand the realities of the Company. So, in the first 60 minutes of each Board meeting, I share insights into the current opportunities and challenges we face, as well as what we see coming up. We engage in an open discussion, and I feel that the Board appreciates this as it helps them to better understand what we are going through from the executive perspective. Second, the Board members have busy schedules, so we align on the critical strategic and governance topics to discuss in advance. I propose to the Board the areas which are closely related to our strategic priorities that we need to discuss at certain moments during the course of the year, which includes governance-related topics. In this way, the executive side has become very forward-looking in terms of the agendas it wants to share and discuss with the Board and for the Board members to understand how the agenda items are linked to our strategic priorities. For other topics, we either put them in writing or have brief discussions so that we can allocate our Board members' time to the most crucial areas.

Takeuchi: As Mr. Fujita pointed out, one purpose of changing the traditional governance structure to a company with a Nominating Committee, etc. was to accelerate management action by shifting the decision-making responsibility from the Board to the executive team. Regular report of the executive team to the Board members is an effective way to share the challenges of management and issues faced by executive officers, and the support they require from the Board. During my tenure as CEO, I tweaked this reporting system and also conducted executive discussions with only outside directors based on the issues raised. Since Stefan has become CEO, he has continued to make huge advancements such as spending the first hour of the Board meeting providing updates on the latest situation. I think this is an incremental and natural development of the collaboration between the executive team and the Board of Directors to improve the effectiveness of the Board.

New CEO's Approach to Corporate Governance

Kaufmann: I became a director in June 2019 and the first year was a big learning experience for me since I

was inexperienced in being a director for a Japanese company. I spent a lot of time learning and understanding how governance in Japan and other companies work, and how Olympus approaches governance. Yas and Mr. Fujita encouraged me to participate in the governance transformation process from the start and, like all directors, I contributed to governance-related discussions including the self-assessment of the Board and self-regulation of the Company. When I became CEO in April 2023, my perspective of Olympus and corporate governance completely changed because, shifting my role, I was suddenly communicating with all of our stakeholders and receiving input from external sources on how Olympus was perceived. As CEO, I have the unique responsibility to look after all the opportunities, issues, and challenges facing Olympus. In terms of building a relationship with the Board, I have been on the Board for the last four years and I have been cooperating with our outside directors for a long time. Since becoming CEO, I have been looking to further strengthen relationships by engaging with all the directors both collectively and individually and having open and honest discussions. What I have come to greatly appreciate about the Board is its wealth of experience, capability, and wisdom, and I feel fortunate to be able to engage the directors as strategic advisors. There were not many opportunities for the Board to meet in person during COVID-19, and now I would like to create opportunities for our Board members to be involved more in our day-to-day business and meet more of our junior managers and talents to get better insights into the realities of our Company and the issues that we face.

Entering the Next Phase of Transformation to Become a Leading Global MedTech Company

Kaufmann: Over the last four years, under the leadership of Yas, Olympus has undergone an amazing transformation and entered the next phase of transformation to become a leading global MedTech company. We are now at a point where we want to be recognized by all our stakeholders as a Company that is known for its innovation, product solutions, and people while ensuring patient safety as the highest priority. We must now guide our culture to further put patient safety at the center and adopt a quality-first mindset. I am committed to modeling this culture as

we embark on the next stage of transformation and I believe that there is still plenty of room to realize huge potential from Olympus.

Takeuchi: There is huge potential for Olympus which I have seen over my long career at the Company; this potential was a catalyst for *Transform Olympus*. I think we have done well following this transformational direction over the last four years. This has laid the foundation for the Company's growth into the future as a global MedTech company. That being said, we have only completed the first chapter of Olympus' next 100 years. The real change, the challenges and opportunities that come with it, starts now.

Fujita: Under our new CEO Mr. Kaufmann's leadership and with Our Purpose and patient safety mindset, Olympus will continue in its efforts to become a leading global MedTech company by executing the new company strategy. To meet our ambitions, the Board will continue to strengthen its effectiveness and contributions to enhance corporate value.



We have done well following *Transform Olympus* over the last four years, but we have only completed the first chapter of Olympus' next 100 years.

Yasuo Takeuchi