

Changing preconceptions, Olympus is transforming into a global medtech company from a variety of directions.

Progress in Fiscal Year 2020

- Achieved significant SG&A efficiency (¥32.5 billion reduction, or 7% decrease, from previous year)
- Steadily progressed the corporate transformation plan, *Transform Olympus*
- Broadened perspectives in management and accelerated management action as a result of diversifying the Board of Directors and migration to a company with Nominating Committee, etc.
- Fast tracked development of next-generation gastrointestinal endoscopy system in the Endoscopic Solutions Division
- Built a business base for the Therapeutic Solutions Division and invested resources in key focus areas
- Integrated global group management, and strengthened business execution (COO Nacho Abia, CTO Akihiro Taguchi, and CFO Chikashi Takeda appointed to further strengthen implementation)
- Established the globally integrated HR management that enables optimal talent allocation at the global level
- Recruited and placed human resources, regardless of nationality, age, or gender, within the Olympus Group, and actively hired external personnel with a wide range of experience, knowledge, and abilities (appointment of CMO, CQO, and other global talent from outside Japan)

Measures to Be Implemented in Fiscal Year 2021

- Focus our corporate portfolio
- Structural reform of fixed costs
- Successful launch of next-generation GI endoscopy system EVIS X1
- Continued steady investment in product development for future growth
- Driving efficiency in our R&D operations

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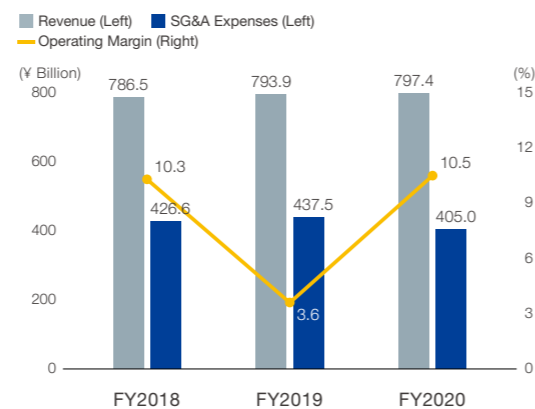


Review of Fiscal Year 2020

It has been a year since my appointment as CEO. Fiscal year 2020 was the year to implement the various plans I had been thinking about. We have introduced several initiatives, including the migration to a company with Nominating Committee, etc., the conversion to a globally integrated HR management, and the relocation of the global division headquarters for the Therapeutic Solutions Division to the United States. For employees, these targets felt daunting, but I thought that it was necessary to shake up the fixed preconceptions of Olympus from all directions, while at the same time proceeding with measures in a way that colleagues could support. In addition, it was a year in which we set a high target for improving profitability. The transformation is not made up of initiatives solely focused on cutting costs, rather it is meant to increase efficiency and effectiveness. We reduced SG&A expenses and achieved significant efficiency in fiscal year 2020. Looking at past trends, SG&A expenses had been increasing every year, but after setting the goal of reducing SG&A expenses to the levels of fiscal year 2018, we were able to reduce them by ¥32.5 billion (a decrease of 7%) compared with fiscal year 2019. Each and every one of our colleagues maintains a strong awareness of costs on

a daily basis, and we have advocated the implementation of efficient ways of working, and I think we have achieved the target. I am proud of our colleagues since these results are due to their discipline and dedication to meeting our goals. Looking back on this first year, I see it as one in which we steadily implemented what we needed to and achieved significant results.

SG&A Efficiency and Revenue and Operating Margin



Contributing to Society by Living Our Core Values

The COVID-19 pandemic continues to spread across the globe, and there are still no signs of a return to normal. As a medical device company, Olympus is steadily continuing to conduct business, taking precautions to prevent the spread of infection, and doing everything possible to maintain the supply of products and services while manufacturing, repairing, and shipping medical devices. Currently, procedures and treatments are being performed if the need is severe or urgent, and our Olympus colleagues support the entire value chain through a flawless system so that the necessary medical care can be performed smoothly throughout the medical field. Faced with the current situation, at Olympus, we embody Our Core Values in everything we do. Striving to provide healthcare professionals with the equipment and service they need whenever they need them, Olympus colleagues come together in unity and carry out their daily work with integrity and agility. In addition to having donated to and supported medical institutions and organizations in China in February and in other countries around the world in June, we are also collecting donations from colleagues to support NGOs. These initiatives truly

represent the strong empathy we have for our various stakeholders.

We received messages of gratitude from many medical institutions, and have paid tribute to the healthcare professionals and various medical institutions who are responding so courageously in difficult times. We were very pleased we could be of help.

Taking a long-term view, we are cooperating with healthcare professionals to determine how we can provide solutions that will allow endoscopy and treatment to be conducted securely moving forward. COVID-19 has forced us to make a major overhaul of our lifestyles and even our business operations, and I would like to take advantage of this change in a positive way. For example, even when we are unable to meet our customers in person, we are holding online training sessions and seminars for healthcare professionals and are starting global sales demonstration activities to showcase the benefits of our products and services. We are working hard to continuously support our customers in creative ways that are always efficient and effective.

“The positioning of fiscal year 2021 is extremely important for achieving the target of an operating margin of over 20%.”

Fiscal Year 2021 Presents an Opportunity to Accelerate the Transformation into a Truly Global Medtech Company

Although I recognize that the COVID-19 pandemic will bring about a major shift in values, I believe that demand for Olympus medical devices will remain unchanged over the medium to long term. Looking at the business environment, in addition to the demand for reductions in medical expenses in various countries due to the aging global population, we are seeing increasing healthcare awareness, especially in emerging countries. In this situation, the value of early diagnosis and minimally invasive treatment that we provide, mainly by means of endoscopes and endotherapy devices, enables us to contribute to reducing medical expenses, improving patients' quality of life (QOL), and the increased efficiency of hospital management. I believe that trends in the business environment will not change even due to COVID-19 and will continue to provide our business with added impetus.

However, in fiscal year 2021 Olympus is being greatly affected by COVID-19. In addition to hospitals being busy dealing with COVID-19 cases, there are many areas where our usual sales activities are not possible, due to restrictions such as the limited access to hospitals. COVID-19 has also caused the postponement or cancelation of procedures and examinations, and the number of elective procedures has decreased, which has also affected sales of our medical devices. For these reasons, I believe that it is difficult to expect sales growth in fiscal year 2021. However, there remains the major goal of achieving an operating margin of over 20% by providing innovative value and continuing to contribute to Our Purpose of “Making people's lives healthier, safer and more fulfilling.” This target level will continue to be necessary for our company to transform into a truly global medtech company and to further contribute to society. In order to achieve this, it is extremely important for management to determine how to position the current fiscal year and what actions to take.

Even in this uncertain environment, the five executive officers, including Chief Operating Officer Nacho Abia, Chief Technology Officer Akihiro

Taguchi, and Chief Financial Officer Chikashi Takeda, who were appointed in April 2020, were more united and able to make speedy decisions involving multiple perspectives. This is also due to the migration to a company with Nominating Committee, etc., from June 2019 and authority having been significantly delegated to executive officers. As a result, I believe we are seeing the tangible effects of *Transform Olympus*.

After a series of discussions with the five executive officers, we have positioned fiscal year 2021 as a year to prioritize long-term growth and accelerate the execution of *Transform Olympus*. Naturally, as sales are declining, we will continue to curb SG&A expenses. However, the important initiatives and issues guiding our transformation into a truly global medtech company have not changed, and we will undertake investment in the projects where we anticipate long-term growth and take all necessary measures to be successful.

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I believe that we have great potential and the ability to realize it.”



Major Progress in Fiscal Year 2021

I would like to explain the areas in which there is already progress along with my thoughts on these subjects.

First is the divestiture of our Imaging business. This is one of the efforts under “focus our corporate portfolio,” and the definitive agreement regarding the divestiture of the Imaging business was signed with Japan Industrial Partners, Inc. (JIP) on September 30, 2020. Since commencing the manufacture and sale of cameras using the photographic lens “Zuiko” in 1936, Olympus has operated its Imaging business based on innovative technology and unique product development capabilities—including the original Olympus PEN half-sized camera, the Zuiko Pearlcarder (the world’s first micro-cassette tape recorder), and the Olympus OM-D mirrorless interchangeable-lens camera—while aiming to make people’s lives more fulfilling. This is a business with a history of more than 80 years, with various stakeholders involved, and many customers who have loved its products for a long time. I wanted to continue the Imaging business and these brands, such as OM-D and PEN in some way, and I wanted to avoid a withdrawal from the business. While searching for a company that would guide the future of the Imaging business over the medium to long term, we decided to transfer the business to JIP. They possess a strong track record of strategic carve-outs that realize growth potential and encourage autonomous growth, and we had previously transferred our

information and communication business to JIP. I sincerely hope that the Imaging business will become a compact and agile organizational structure and undergo further development.

We have also concluded an agreement on the transfer of the Norwalk facility in the United States to Nissha Medical Technologies. Engaging in efforts to optimize our global organizational structure, we are steadily proceeding with initiatives designed to improve profitability.

Next, we launched the long-awaited, next-generation gastrointestinal endoscopy system, the EVIS X1, in EMEA, Australia, India and Hong Kong from April 23 and in Japan from July 3. A globally unified platform and an endoscopy system that will set new standards for endoscopic diagnosis and treatment, the EVIS X1 is equipped with three new imaging technologies, including Extended Depth of Field (EDOF). The system was released amid the COVID-19 pandemic, but thanks to colleagues who tried various forms of promotion, we have received many inquiries. The EVIS X1 system has been very well received by customers in the regions where it has already been introduced, so we are expecting the system to drive the growth of the Endoscopic Solutions Division and, by extension, Olympus as a whole. In the months and years to come, we will be making preparations to enable the system to be introduced globally, including in North America, which is our largest market.

Transforming into a Truly Global Medtech Company

It has been over a year and a half since we announced *Transform Olympus*. We have implemented many initiatives and are steadily moving forward to becoming a truly global medtech company, but I would like to review slightly and tell you what I have observed.

First, I think that the speed of management action is improving. Under our medium-term management plan 16CSP, we recognized that we were not in the optimal condition to accelerate growth as a truly global company. Based on the belief that it was necessary to achieve faster management action and adopt a more global perspective, we formulated *Transform Olympus*, our corporate transformation plan. In particular, I think that the migration to a company with Nominating Committee, etc., which allows greater delegation of authority to executive officers and speeds up decision-making, has been key to faster management action. Although changing the design of the engine does not mean that all the issues have been resolved, prompt decisions and execution have resulted in faster management action. Currently, we are engaging in constant trial and error with the Board of Directors on how to realize even more effective corporate governance in a company with Nominating Committee, etc. The best state of corporate governance is an ongoing theme for management, and we will continue to work on it.

I also feel that the HR system is becoming more appropriate for a global medtech company by actively hiring talented people with global experience, mainly for the Therapeutic Solutions Division. These colleagues understand what Olympus must do to become a global medtech company, and while understanding Olympus’ history and positive qualities, I feel that they are bringing with them a breath of fresh air.

In addition, it has become necessary for the global team to respond to issues by appointing people of all nationalities to key positions and implementing *Transform Olympus* initiatives. Now that most of the meetings are held in English, I feel that we are able to run our business from a global perspective.

Providing safe products is the top priority for medical device companies. We have strengthened employee training on compliance with laws and regulations and our response to customers on a global basis. Furthermore, to shift from traditional value provision centered on products and technological capabilities to value provision based on medical evidence and medical data, Dr. Ross D. Segan was appointed as Chief Medical Officer (CMO) and Daniel Khalili was brought in as Chief

Quality Officer (CQO) to enable us to strengthen quality and regulatory functions and to continue to provide safe and high-quality products. We have also established a system to respond to regulatory authorities from a more global perspective.

Then there is corporate culture, which is not something that changes overnight, and seems like a road that goes on forever. The ideal is for colleagues to be able to work energetically and with a sense of satisfaction in contributing to society through products that are highly safe and that are backed by innovative technologies. To achieve this, I am constantly thinking about the best solution—questioning how I can motivate colleagues or what kind of measures I should undertake—because there is more than one correct answer.

We have reached the end of my retrospective. Since assuming the post of director and financial officer in 2012, I have had numerous dialogues with various stakeholders, including those in the capital markets. The most important thing I have done is to openly convey my thoughts based on my beliefs, even if they are sometimes difficult to say. I will continue to actively communicate with many individuals, express my thoughts, and utilize the opinions and advice I receive for further improving management.

As we aim to become a global medtech company, there is still a lot of room for improvement, but I believe that we have great potential and the ability to realize it. I am unable to cover everything that has been achieved under the corporate strategy here, but I feel that our efforts are making steady progress. Through various opportunities for dialogue, we would like to share the results with everyone, so I appreciate your continued trust in our ability to further grow our corporate value.

Director, Representative Executive Officer,
President and CEO