

Message from the COO



Nacho Abia
Executive Officer and
Chief Operating Officer

Progress in Fiscal Year 2021

- Achieved the launch of new strategic products, EVIS X1 and SOLTIVE SuperPulsed Laser System, and several M&A in line with the corporate strategy, which will strengthen the foundation for future growth.

Future Priority Measures

- Move the Go-to-Market Transformation within *Transform Olympus* into the execution phase to bring value to customers and patients in a more efficient and better way.
- Accelerate the growth of both the Medical and Scientific Solutions Businesses by making the Scientific Solutions Business a separate company.

“ Whatever we transform in the future, we cannot change our ambition to create differentiated, unique products that deliver real medical value.”

What are your thoughts looking back on FY2021?

Fiscal year 2021 was my first year as COO, and I had to manage business operations in the midst of the pandemic. First, we have to recognize how terrible the situation has been for the many people impacted by COVID-19 around the world. Without in any way minimizing that, I have witnessed a lot of positive things in terms of corporate impact. I am very proud that our colleagues realized, from day one, the importance of our mission of taking care of patients and customers. It's an honor to work with such a great group of people who show such extraordinary commitment.

In times like these, communication is fundamental. I've been having a lot of one-on-one conversations with colleagues in all different functions to understand how business is going and how we can better help each other.

While the results of the first half of FY2021 were affected by COVID-19, what factors helped Olympus' rapid recovery?

Our revenue in the first half of fiscal year 2021 was sluggish

due to the impact of COVID-19, but we were able to recover our business performance much better than expected in the second half of the year. I think there are three factors that helped our recovery: one is external and two are internal. The external factor is the recovery in procedure levels. In 1Q of fiscal year 2021, elective procedures were canceled in the U.S., and non-urgent procedures were postponed or canceled in other regions. As the procedure rates recovered in 2Q and 3Q, the business recovered along with them. The second factor was our solid portfolio. In times of crisis, products that offer the best solution are recognized even more. The third factor is the tremendous efforts of our employees. They have continued to make our customers feel that Olympus cares for them, and this is an asset to our business.

Please give us an overview of the various business divisions' activities in FY2021.

Each business division accomplished its business activities in fiscal year 2021 in accordance with our corporate strategy.

In ESD, we launched the EVIS X1 imaging platform in the middle of the pandemic, so COVID-19 may have slightly impacted the rollout in the short term, but I don't think we will

see any impact in the medium term. The product lifecycle of EVIS X1 will be successful because it's the best imaging platform on the market and customers will appreciate this. The surgical endoscope space is more crowded, but our 4K imaging technology is still one of the best. The acquisition of Quest Photonic Devices B.V. is an important milestone because being able to enhance the fluorescence abilities of our imaging solutions, and to obtain monocular imaging technology is very crucial. This will allow us to better compete with and even surpass our competitors in this area. The repair service business holds great possibilities for expanding sales and profit for the business, but we need to do that by creating additional value for our customers—and that's exactly what we are doing right now in our service strategy.

Fiscal year 2021 was quite active in terms of TSD acquisitions that fit our strategy very well—Arc Medical Design Ltd. in GI-Endotherapy, Medi-Tate Ltd. in Urology, and Veran Medical Technologies, Inc. in Respiratory. If we want to grow at a 8% CAGR in TSD in a market that may grow 6%, the only way to keep that growth trajectory is by complementing our internal activities with well-selected M&A. Having said that, our first pillar remains our own technology. We need to make sure that our portfolio is complete and competitive in price, quality, and performance. We relocated the TSD global headquarters to near Boston and opened a new facility there in April 2021, because our largest market, especially for TSD, is in the U.S. This new location allows us to talk with customers in that region more frequently, and work with them on what product specifications they want. We also have greater access to talent, and a number of third parties that can contribute in the TSD area.

Over the last three years, SSD has been working on a strategy to help our customers create workflows—whether in various research labs or industrial settings. All these workflow processes make up what we call the “solution business.” As a market leader in many areas, SSD can go beyond individual products and create these workflow solutions for customers so they can do a more efficient job.

In other areas, I would like to focus on the area of orthopedics. Our orthopedic business is small, but we have good solutions in bone substitutes and high tibial osteotomy. With the acquisition of FH ORTHO SAS, we have also acquired very interesting technologies that will be useful in certain sports medicine procedures.

Please tell us about the progress of the Go-to-Market Transformation within Transform Olympus.

Transform Olympus is a top priority for us to become a leading global medtech company, and one of the most important projects in *Transform Olympus* that I am currently leading is the Go-to-Market Transformation. Go-to-Market is a three-year project, which we defined last fiscal year and are executing now. In my first three years as COO, I wanted to examine how

we were conducting marketing activities, and when the pandemic hit, it really exacerbated the need to consider whether we could do things differently. The incoming generation of doctors also has greater digital capabilities, and they expect us to engage with them in a different manner. So we are moving to an omnichannel marketing, in which we combine various ways of communicating with customers to better fulfill their needs. The key is much more data analysis. We have to understand how much customers are spending on equipment and service, so we can become their consultants and help them better utilize the equipment we provide. Of course, marketing activities represent a relevant percentage of our total SG&A, so this project is also an opportunity to be more efficient while serving the customer in a better way.

Among the COO's priority policies, what has been the recent focus and what is the future outlook?

Olympus has many opportunities for growth, but there are many tasks to be done. Business development, for example, had a lot of activities this past year. Three years ago, we didn't have that kind of capability. For medical affairs, we are really growing the organization to meet the expectations of the medical establishment, regulators, and patients. From a product point of view, both ESD and TSD have a very clear roadmap and they are in execution mode.

The key is delivering innovative products that meet customers' and patients' expectations, while making sure that we bring these products to the market in an efficient way that satisfies customers. I am very positive that if we keep focusing on this, we will achieve an operating margin of over 20%.

Looking ahead, the decision to separate the Scientific Solutions Business into an independent company under the Olympus umbrella is a very solid one. This will allow Olympus to be more streamlined in support of medical activities, while the Scientific Solutions Business can pursue their goals more efficiently once they are no longer functioning in a medical company framework.

What is your message to investors and other stakeholders?

I believe that we can contribute to more favorable outcomes for all stakeholders. Olympus' merit lies in innovative solutions that improve patients' quality of life, and that help physicians to do procedures in an easier, and more efficient way. We are there for the customers and the patients first. Profit is an outcome of a job well done, but it's also an important part of our work. Being a sustainable company means having a strong base of satisfied shareholders, who believe in what we do and invest in us so we can continue to bring value to customers and patients.