

Medical Business Strategy: Strengthening Business Foundations and Corporate Portfolio

A BD Head's Perspective

Olympus growth grounded in strategy



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Business Development Strategy and Policy

To begin, it is important to know what Olympus business development involves. When the term “business development” comes up, mergers and acquisitions (M&A) is often thought of as the primary function of business development. While important, it is only one element of a much larger process. The business development team has an array of tools at their disposal which includes everything from M&A to the distribution of another company’s products.

As a business development team, our purpose is to continuously connect our business divisions with relevant and compelling external opportunities, and our process always begins with our corporate strategy. No deal moves forward without first getting scrutinized against Olympus’ overall strategy and the strategy of the division. This is not an one-off exercise, but an ongoing discipline since deals are often dropping in and out of the pipeline as market environments change and new technologies are discovered. In order to keep abreast of those new opportunities, we attend many events and conferences, are approached by venture capital and private equity firms, or are contacted by investment banks, as well as are notified by our R&D team. We strive to form relationships early with key members of these opportunities, to help nurture partnerships and remain competitive.

For any new project, we use our Strategic Business Planning (SBP) process to help quantify and prioritize our targets. The SBP process is always in motion as new projects are brought on and vetted out depending on the environment and strategic trajectory. Every deal is managed from the standpoint of the business division’s portfolio which is

constantly being evaluated as environments change. The individuals on the team for each deal take a specific viewpoint, making sure our due diligence is done thoroughly and that we are aware of each possible risk as early as possible. For example, this care is the reason we look at integration—even post-merger integration (PMI)—so early on into the process. At the time we approach division heads, we have a rough plan for integration, eager to identify any possible risk so we can achieve the best result for any deal.

It is important to note that Olympus does not see M&A as a strategy, but rather as a tool. We engage in business development to help create opportunities for Olympus to grow, and we always start at our corporate strategy.

Our Business Development Team

Our business development team has a global footprint, working in places such as the U.S., Europe, and Asia, with unique insights into regional markets. Teams are comprised of individuals who have a variety of experience such as medtech, business development, investment banking, and others, and with such diversity, communication is vital. The business development team is always in close contact with business divisions and team members throughout the world, making sure to achieve integration from a regional perspective and encompassing Olympus’ goal of being a truly global medtech company.

For every deal conducted, a cross-functional Deal Team is put together, which consists of internal—and sometimes external—subject matter experts who manage functions such as quality, human resources, and supply chain. At the center of the Deal Team is someone from business development who works closely with the business division and is supported by a project manager who coordinates all functions that contribute to due diligence and integration planning.

There are many individuals involved with the due diligence process, and each individual approaches the deal from a strategic standpoint. Whether it is financial, integration, or marketing, we are taking care to identify any potential risks and to develop mitigation plans.

Communication within the Company and with business divisions is just as important as communication with our external partners. Our teams meet regularly with division heads, and every person in business development is expected to develop a network of external experts to always maintain an “outside-in” perspective. Our team members help our business divisions build strategy and chase targets, working with them to identify important trends and opportunities.

Strategic Business Planning Process

As mentioned, the overall process for M&A begins with strategy. Once a year, we use the SBP process to place deals on a long list and as deals are reviewed, the list is shortened accordingly. Of course, this process is dynamic and while we

might use SBP to help chart our targets for a year, we also use it for new opportunities that arise.

Within this process we view a deal from many strategic angles including Olympus strategy, individual business division strategy, and strategy of each business unit. As soon as we are confident the deal fits within those parameters, we narrow our focus and review it from the perspective of that division’s portfolio, and then finally confirm it also falls within our portfolio.

When we are confident the deal falls within strategic expectations, the Deal Team is put together to manage due diligence, which includes the parameters of integration and PMI, financial criteria, among others. At the end of the process, PMI is governed by a cross-functioning steering committee and we report to the Group Executive Committee (GEC) about the project, which has been analyzed at a predetermined time, to look at KPIs and make sure the deal has been delivering on the business plan that was promised.

Investment Discipline and Portfolio Management

The approval process for any M&A project is on a case-by-case basis. Projects are evaluated holistically, thinking not only about strategic fit, but also financial metrics and

integration complexity, among other considerations. Our process must be agile to allow for evaluation of a wide variety of the projects we have in our portfolio which are at different scales, stages of development, geography, and complexity.

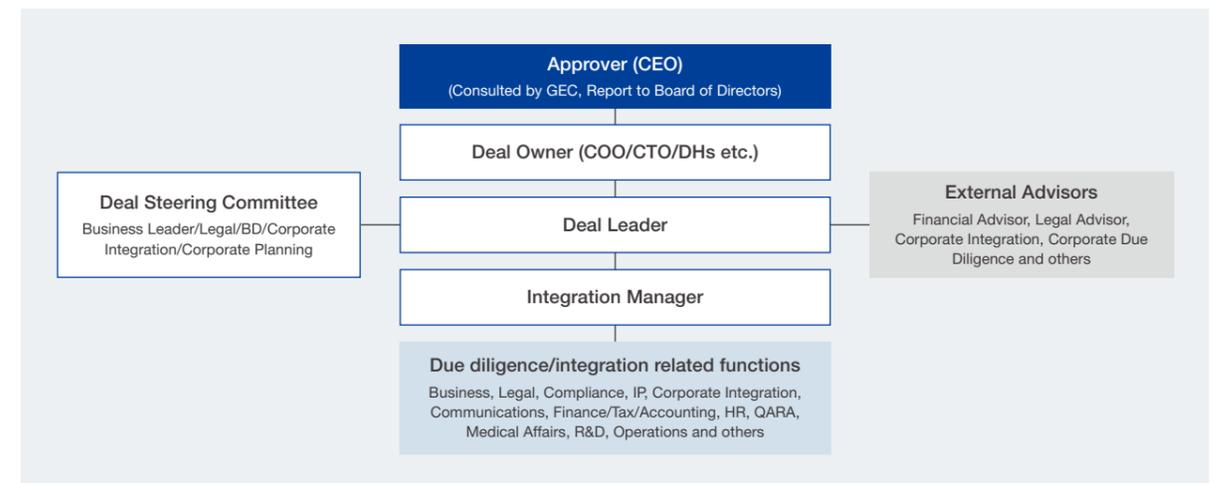
The financial perspective is always critical in any deal, and we have a finance partner embedded in every Deal Team. The finance partner offers vital advice to the Deal Team and ensures that the supporting business cases are evaluated before we bring the project to the GEC for approval. This process often takes place during due diligence and any advice is much appreciated and adhered to.

Overall, we aim at a balanced portfolio of business development activity. We generally like to target fast-growing Markets. However, we want to balance our investment in riskier, earlier stage opportunities with more established companies. The deals which fall nicely into our portfolio, we like to call “Tuck in” deals. They either fit with existing portfolios, or are new technologies that enhance our existing businesses without venturing into new areas.

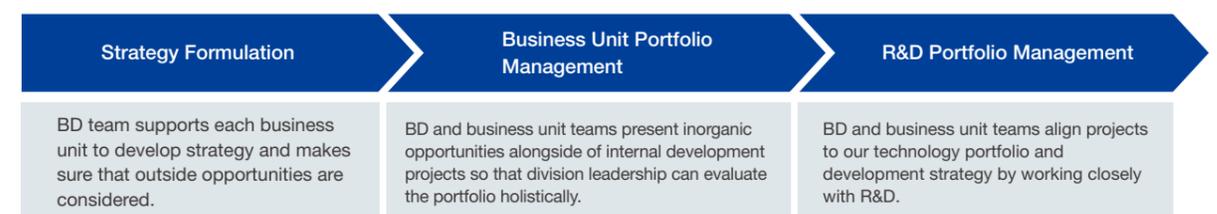
Message to Stakeholders

We, the business development team, strive to maximize our corporate value by supporting our divisions in identifying and executing inorganic growth opportunities.

Example of the Deal Execution Structure—Phase from LOI to Closing



Inorganic Growth is Embedded in the Strategic Business Planning (SBP) Process



Global Headquarters for Therapeutic Solutions Division

The Company has established a global headquarters in the U.S., the world's largest market for therapeutic devices.

FOCUS

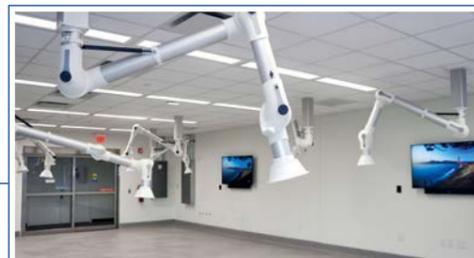
Olympus Opened New Global Headquarters for Therapeutic Solutions Division and United States Medical Business

Olympus has identified Therapeutic Solutions Division as a strategic focus for growth and shifted its global head of Therapeutic Solutions Division from Tokyo to the U.S. in April 2019 to have better access to a key medical industry cluster and generate growth through stronger business opportunities. Since the *Transform Olympus* initiatives were unveiled in 2019, many U.S.-based executives have been leading Therapeutic Solutions Division growth; Olympus has dramatically expanded the business with acquisitions, as well as through organic growth.

In April 2021, the new 150,000-square-foot facility in Westborough accommodated both the U.S. Therapeutic

Solutions Division employees and those formerly reporting to Image Stream Medical (ISM) facility located in Littleton, MA, with the exception of the manufacturing employees who remain in Littleton. The facility serves as one of several R&D hubs for Olympus, while enabling coordinated and agile management processes to support a global medical technology enterprise. Also, we enhance and develop the business development function to complete and grow the product portfolio through external partnerships, licensing and M&A.

At Olympus Westborough, the Olympus Continuum Training and Education Center offers hands-on learning opportunities led by top medical experts using advanced medical equipment in a wetlab setting, both in person and virtually via the MedPresence® telecollaboration platform. For interactions with customers and prospects, the Olympus OR Innovation Center showroom, also outfitted with the MedPresence platform, provides an immersive environment for in-person or virtual integrated OR demonstrations.



Olympus Continuum Training and Education Center



New Westborough office

Single-use Endoscope

Approach to Reusable and Single-use Endoscopy

As part of our corporate strategy unveiled in November 2019, a key strategic effort to further strengthen our leadership in endoscopy is to complement our reusable endoscopy product portfolio with single-use endoscopes. Reusable endoscopes will continue to be the first choice for a wide range of procedures due to the strong clinical need for

advanced imaging and maneuverability as well as their financial efficiency for hospitals. At the same time, as single-use endoscopy is quickly becoming a relevant option for selected procedures, the market for single-use endoscopes is expected to grow by 20-40% annually over the next couple of years.

Areas in which We Plan To Develop (or Launched) Single-use Endoscopes (As of September 2021)

Focus on the Customer

We recognize that single-use endoscopes are necessary for enhancing our endoscope portfolio to satisfy the demand from the market and customers.



Olympus' goal is to be the endoscopy partner of choice by providing the right endoscope for every patient, procedure and site of care around the world.

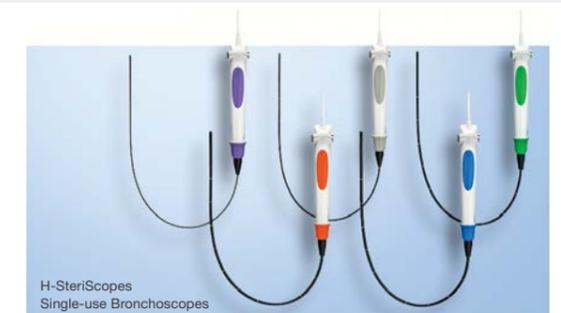
We will focus our single-use endoscope business in areas such as:



New Product Launch in the U.S.

In April 2021, Olympus announced the expansion of our respiratory portfolio with the launch of our first line of single-use bronchoscopes, the H-SteriScopes™.

Available in five models, this disposable bronchoscope includes premium features that will help clinicians target, diagnose and treat patients while enhancing workflow and productivity.



H-SteriScopes Single-use Bronchoscopes

The H-SteriScope portfolio is a collaboration between Veran Medical Technologies, Inc., a wholly owned Olympus subsidiary, and Hunan Vathin Medical Instrument Co., Ltd.