



Yasuo Takeuchi

Director, Representative Executive Officer,
President and CEO

“ We will work together under Our Purpose to create high value-added innovations that contribute to a sustainable society.”

Evolving into a Global Medtech Company through Three Years of Transformation

Three years have passed since we first announced the *Transform Olympus* corporate transformation plan on our 100th anniversary in 2019. Since then, our management team and employees have been steadily implementing measures to promote transformation. Thanks to these efforts, our operating profit in fiscal year 2022 was 5.4 times higher than fiscal year 2019. During this period, we launched the EVIS X1 advanced endoscopy system and relocated the global headquarters of our Therapeutic Solutions Business to the U.S., the world's largest medical device market, and expanded our therapeutic product portfolio. Through these initiatives, we met our expected growth targets across our Medical Business. In just three years, our drastic corporate reforms have yielded benefits not only in terms of the organizational structure, but also in the mindsets of individual Olympus employees.

Our business environment has seen major changes in the healthcare industry. Health awareness has grown as a result of the global COVID-19 pandemic, and the world's aging population has been increasing pressure to reduce medical costs. In this environment, it is becoming increasingly important to improve patient outcomes by elevating the standard of care across the entire patient care pathway and help to bring better outcomes for patients. I believe that we can do more, such as further enhancing our business foundation and investing to ensure our continued evolution as a global medtech company that provides essential value to the world.

I would like to review what we have achieved over the past three years through our efforts to transform Olympus into a global medtech company. Olympus was founded as a technology-oriented company specializing in the manufacture of microscopes. For many years, Olympus developed its own unique operating models that were optimized for each region and group company. As a result, global coordination had been a challenge. Even

before I was appointed CEO, I felt strongly that Olympus had a lot to do to stand on par with other global medtech companies in terms of its management foundation, group governance, efficiency, and profitability. I saw a huge opportunity to improve our ability to quickly adapt to changes in the external environment, and the implications this had on our sustainable growth. That is why I believed that we first needed to build a robust management foundation that ensures adequate profitability, in order to overcome these challenges, achieve sustainable growth as a truly global medtech company, and continue to make people's lives healthier, safer and more fulfilling. The most important attribute for bringing about this large-scale corporate transformation is the ability to execute. We announced *Transform Olympus* in January 2019 aiming to reinforce our ability to execute, under which we have built a management foundation and organizational structure optimized for speed of execution. In addition to shifting to a centralized global group management and changing our governance structure with a Nominating Committee etc., we have also made progress on various initiatives, including a globally integrated HR management system. We have also promoted diversity, including within the Board of Directors and the executive team.

In November 2019, we announced a corporate strategy to achieve sustainable growth. Our strategic goal as one of the globally leading medtech companies is to deliver benefits to all our stakeholders and contribute to people's health by providing value-added innovations. We have made a clear commitment to achieving an annual revenue growth rate of 5–6% and an operating margin of over 20%, along with maintaining sustainable growth by becoming leaders in the therapeutic areas where we compete. I have high expectations that every Olympus employee will take ownership of this transformation. We have worked very hard to facilitate understanding of the purpose of the transformation, making it easier to visualize the goal by using specific KPIs wherever possible and linking the transformation to Our Purpose of “making people's lives healthier, safer and more fulfilling.” Achieving an operating margin of over 20% is one KPI we

announced to our stakeholders, including employees, as a milestone target in fiscal year 2023. When we first announced this target, some questioned whether it could be delivered in such a short period. However, I took a firm stance that we could achieve it if all of us in Olympus are committed to the corporate transformation—the concept I have been working on for long before my appointment as CEO—and strategy executions.

Now, let me share key achievements to date in relation to the four strategic pillars laid out in our corporate strategy. The first is to “Focus our corporate portfolio.” To this, we have made significant progresses. Olympus transferred its Imaging Business in 2021, completed the reorganization of the Scientific Solutions Business through a company split in April 2022, and signed the agreement to transfer the Scientific Solutions Business to a third party in August 2022, signaling progress in our transformation into a truly global medtech company. The second is “Further strengthen leadership in endoscopy.” As part of our efforts to strengthen the Medical Business, we have launched the EVIS X1 advanced endoscopy system and ENDO-AID, an AI-powered endoscopy computer-aided detection (CAD) platform. The third is “Focus and scale our TSD business.” To achieve this, we have enhanced business development capabilities, primarily in Therapeutic Solutions Business’ global headquarters in the U.S. With that we have expanded our product portfolio through M&A and made early-stage discovery of new business opportunities with a focus on GI-Endotherapy, Urology, and Respiratory. In addition, we are also ramping up capabilities in functions core to medtech such as medical affairs, quality assurance and regulatory affairs. The fourth and final key component is “Lead in next-gen minimally invasive surgery.” We will achieve this through R&D and product development of digital endosuites*. Over the past three years, we have

worked to achieve business growth and improve our profitability as a global medtech company by steadily implementing a variety of initiatives in these four strategic pillars.

Following the announcement of our corporate strategy, we were confronted by a range of issues that required action on a global scale, such as the COVID-19 pandemic and supply chain disruptions including shortages of semiconductors and other components. These challenging circumstances evoked change and an acceleration in our transformation towards becoming a truly global medtech company to ensure sustainable growth. We have worked steadily to implement numerous measures in line with *Transform Olympus* and our corporate strategy. Our business performance for fiscal year 2022 achieved revenue of ¥868.9 billion, with both the Medical Business and Scientific Solutions Business setting new records for revenue. As a result, our two-year average revenue growth rate from fiscal year 2020 was over 7%. We also achieved an adjusted operating margin of 19.3%, indicating steady progress towards our milestone target of 20% or higher by fiscal year 2023. Our efforts to transform Olympus were already in progress when the COVID-19 pandemic broke out, luckily by then, we had good structures and preparations in place that enabled better global coordination in a highly uncertain situation. Most importantly, Our Purpose of “making people’s lives healthier, safer and more fulfilling” was tested and it was proven that Olympus employees around the world are fully committed to fulfilling our ultimate purpose. I am confident that these are the reasons we have been able to achieve both steady top-line growth and improved profitability.

* A solution that could extend the reach of endotherapies while improving the patient experience, using artificial intelligence (AI) and other digital tools and technologies.

Medical Business Direction: Focus on Patient Care Pathway

In fiscal year 2023, we are all working together to achieve our target of an operating margin of over 20%. I am determined to make it a year in which Olympus shifts from the *transformation phase* to the *growth phase* as a global medtech company. As a company that has evolved as part of the Japanese manufacturing industry, I understand there are many hurdles for Olympus to overcome to compete in the global medtech market and achieve sustainable growth. However, we will shift our focus more on activities which stimulate growth and improve profitability, such as actively considering investments to strengthen our position in the future, and enhancing our corporate value as a global medtech company.

In December 2021, we announced our medical business direction. We explained the importance of focusing on the care pathways patients experience from prevention to screening, diagnosis, treatment and recovery. This includes supporting and improving personalized care for each patient, and strengthening the provision of solutions aimed at those care pathways. In the past, Olympus used technology to develop best-in-class medical devices as solutions for individual diseases; however, with stronger focus on patients’ and healthcare professionals’ needs, we would focus not only on optimizing the performance of our devices, but also on driving adoption of new approaches to improve patient outcomes. Going forward, we focus on the therapeutic areas where we can win and where we expect future growth opportunities. We will shift emphasis to delivering clinical and economic value across patient care pathways. I am confident this approach will expand business opportunities and enable us to maximize the value we deliver, and to achieve further growth.

This medical business direction is defined by three keywords: “Focus,” “Shape,” and “Enable.” First, we will Focus on the disease states in which we can have a market-leading impact – GI, Urology, and Respiratory. Second, we will Shape the future by investing in new ways to elevate the standard of care, leading to the enhancement of care pathways, the optimization of procedures, and the pursuit of next-generation product innovations. We see M&A as an essential tool in priority areas, and have focused our efforts on enhancing our business development structures and reinforcing our business portfolio. We will continue to consider the capabilities that we need, and proactively explore M&A as a growth option.

Olympus was initially founded as an optical equipment manufacturer to produce microscopes in Japan. By leveraging our core technologies, we were able to achieve growth by expanding our business portfolio to include cameras, medical devices, and various other products. Because of this historical background, our management infrastructure is not yet optimal for a global medtech

company, and further improvement is needed. The third keyword, Enable, refers to the enhancement of our operations. A particular priority will be the transition to a structure and operating model optimized for product development, quality assurance and regulatory affairs on a global scale. In addition, during the ongoing COVID-19 pandemic, we have actively developed and implemented educational programs and training exercises to support healthcare professionals in achieving excellent clinical results and to provide economic value. In April 2022, we increased the number of executive officers from five to six, this is meant to strengthen our management structure and organizational capabilities as a global medtech company. I see further enhancement of our global organizational structure and cross-functional collaboration as an absolute necessity for Olympus to continue to provide significant value to both patients and healthcare professionals. By steadily pursuing our medical business direction, we strive to ensure our growth as a global medtech company and continuously improve profitability.

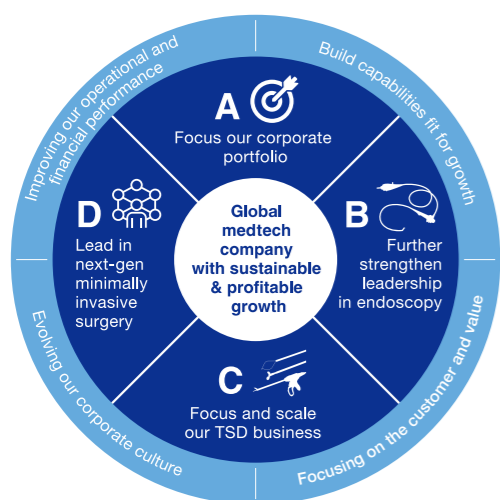
Helping to Create a Sustainable Society

At the heart of the *Transform Olympus* concept is our corporate philosophy, which consists of Our Purpose “making people’s lives healthier, safer and more fulfilling” and Our Core Values. We owe all the stakeholders supporting us till today for the fact that Olympus has been able to sustain its business for more than a century. When looking ahead to the next hundred years, it is important for all Olympus employees to live by Our Purpose and act with Our Core Values, so that we can continue to contribute to all of our stakeholders. In 2018, we redefined our corporate philosophy by introducing Our Purpose and Our Core Values, which helped all Olympus employees to consciously link their work to tangible contributions for patients and society. Since becoming CEO, I have been constantly contemplating ways to ensure Olympus continues sustainable growth. Our corporate transformation has been guided by our determination to fulfill Our Purpose and achieve growth as a leading global medtech company. Importantly, we continue our best efforts to build a better future together with all stakeholders.

With Our Purpose, we will continue delivering innovations that only Olympus can create and contributing to help solving social challenges facing our stakeholders including our employees and their families. All that, I believe, would pave a path to creating a sustainable society.



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“Olympus is committed to improving patient outcomes by contributing across the entire patient care pathway, delivering clinical and economic value.”