

## Message from the CFO



“ We will enhance our finance function and work to maximize the value we provide to stakeholders.”

Chikashi Takeda

Executive Officer and  
Chief Financial Officer (CFO)

### Changing to a Resilient Mindset Has Driven Improvements in Business Performance

Fiscal year 2022 was the second year of the three-year period through to fiscal year 2023, which is considered a milestone in our corporate strategy announced in November 2019. The first half of fiscal year 2021, which was the first year of our corporate strategy, was significantly impacted by the unforeseen global COVID-19 pandemic. However, from the latter half of the fiscal year, the market environment recovered and we were able to achieve significant sales growth in fiscal year 2022. The adjusted operating margin in fiscal year 2022 was 19.3%, marking significant progress toward achieving our milestone of an operating margin of over 20% by fiscal year 2023.

We were able to achieve top-line growth in all our businesses. This is because our products are highly evaluated in the market, such as the flagship product of the Endoscopic Solutions Business, the EVIS X1 system, and products in the Therapeutic Solutions Business' three focus areas, such as Urology. In terms of costs, while continuing to invest in building new operating models and in growth, the impact of various measures meant to improve efficiency and promoted in our corporate transformation plan, *Transform Olympus*, can be confirmed in our financial statements since improvements can be clearly seen.

We also believe changes in employee mindset have driven our positive financial results. As it turned out, the timing of us undertaking reforms under both *Transform Olympus* and our corporate strategy coincided with the COVID-19 pandemic. Even in such unprecedented times, there are customers who need our products and this has enabled us to reconfirm Our Purpose as well as the high level of trust, respect, and expectations those customers hold for our Company and the products we have built up over the years. Under these tough operating conditions, there has been a spike in the number of situations that, after first questioning what is needed to make our operations

more efficient and effective, require quick action. We have experienced the fruits of our various efforts in this regard and have a growing awareness of our financial milestone. I believe we have acquired the ability to adapt to changes resiliently and flexibly in various situations both so that each employee can know their role and so that we better understand the expectations of our stakeholders.

See page 12 “Steps toward Becoming a Truly Global Medtech Company”

### Priority Measures as Finance Function Transitions to the Next Phase

We have been changing our operating model in various functions. In terms of our finance function, we have undertaken various initiatives to deliver added value to both internal and external stakeholders. In fiscal year 2022, we took steps to redefine our finance function and restructure our organization based on the two keywords of “globalization” and “business partners.” We have shifted our finance function, which was previously operating on a regional basis, to a framework that works with other divisions and functions within Olympus to build a global framework for business collaboration. Starting with the budget formulation process for fiscal year 2023, we have already been able to respond appropriately and in a timely manner to each business and each function from a global perspective. We formed a diverse team in terms of nationality and gender, and we strongly believe this greater diversity and pool of talented individuals will enable us to achieve a “quick win” by building on small successes at earlier stages and will form a solid foundation from which we can continue to add value.

One of our vital missions as a listed company is to provide sufficient information to capital markets and to have investors properly evaluate our corporate value. Conducting dialogue with capital markets and enhancing information disclosure are final parts to the End-to-End roles and

responsibilities of finance, and we regard this as one of the most important aspects. Since my appointment as CFO, I have undertaken several initiatives, including expanding information disclosure for product pipelines and sub-segments, to bring us closer to our goal of becoming a global medtech company. As indicated by our ability to maintain a price earnings ratio (PER) of 20 times or greater in fiscal year 2022, our stock price incorporates expectations of future value. Of course, there is still a need to improve information on pipelines in the medium to long term. To do this, we will pay attention to changes in the market, enhance our information disclosure and engage in dialogue to meet the high expectations of securities analysts and investors with specialized knowledge of the healthcare industry and who have a strong interest in Olympus.

### Financial Strategy and Allocation of Management Resources to Achieve Sustainable Growth

To increase corporate value, we must be strongly aware of how we can maximize current and future cash flows, while also considering the value of time. In addition to improving profitability, we are reviewing and tackling challenges involving the balance sheet from a zero basis. First, we re-identified assets that were not generating sufficient value and accelerated efficiency measures. Over the past two years, we have reduced about 90% of cross shareholdings as well as sold real estate and land. We have also taken measures such as transferring some businesses and functions with limited growth opportunities. At the same time, we recognize there is room for improvement in our cash conversion cycle (CCC), especially in terms of inventory. However, bearing in mind special characteristics of the medical business, we must also consider the risk of not being able to deliver our products to patients in need due to inventory shortages. Since last fiscal year, supplying parts such as semiconductors has been unstable and because of this, we are also faced with the issue of determining appropriate levels of inventory. We are constantly considering how to deal with this situation.

Regarding capital allocation, we announced this policy at our Investor Day in December 2021. We are prioritizing business investments in areas our unique strengths enable us to add value, to ensure sustainable growth and to increase shareholder value. Over the past two years, we have undertaken M&A of five companies, mostly in priority areas for the Medical Business. Going forward, in line with our corporate strategy, we will continue to promote business investment and M&A centered on the Medical Business, especially our three focus areas of GI-Endotherapy, Urology, and Respiratory. In the future, we will expand the scope of our investments to include larger companies. With a view to

utilizing our sufficient space for leverage, we issued U.S. dollar-denominated corporate bonds last year and are promoting further diversification of financing methods.

We are aiming to gradually increase dividends. In fiscal year 2022 we increased our dividend by ¥2 from the previous fiscal year, to ¥14. In fiscal year 2022, we canceled approximately 72 million treasury shares in June 2021 and repurchased approximately 12.7 million treasury shares (approximately ¥30 billion) between December 2021 and February 2022. Going forward, while continuing to increase dividends, we will consider flexible repurchasing of treasury shares based on a strong awareness of financial discipline and on forecasts for supply and demand of funds.

### Maximizing the Value We Provide to All Our Stakeholders

To ensure that growing corporate value is sustainable, we need to receive ongoing support from all stakeholders, including patients, healthcare professionals, investors, and employees. The Company is aiming to achieve sustainable growth with solid financial positioning by choosing to understand, create, and deliver the value demanded by each stakeholder and since corporate value is ultimately evaluated based on factors such as free cash flow, our goal is to maximize these. In the process of reaching this point, we need to consider various factors. It is necessary to build win-win systems and relationships with stakeholders such as employees and partners that are sufficiently commensurate with the value provided. When deciding whether or not to work with us, we are aware our employees in particular are placing increasing importance on factors other than compensation and fringe benefits, such as the social value of our products and services, organizational health including work styles, and professional development initiatives. We will achieve sustainable profitability through disciplined investments and by delivering differentiated products and solutions to improve patient outcomes. Ongoing efforts to increase our corporate resilience are also vital in being chosen by stakeholders, as things often do not go as expected. We will aim to sustainably grow and maximize our corporate value by always keeping in mind our unwavering commitment to deliver value to all stakeholders and continue to be chosen by them, while paying attention to their changing needs.

Regarding the executive officer compensation for fiscal year 2023, it was structured to include a higher proportion of long-term incentive compensation. In addition, the relative total shareholder return (TSR) weight, which is used as an indicator, has been increased from 40% to 60%. This is a threefold increase from two years ago when it was 20%. We understand the greatest expectation of shareholders for management is to improve corporate and shareholder value.