

Message from the CFO



My mission is to accelerate Olympus' further transformation and growth by offering my many years of experience and knowledge I have gained in a different industry."



Tatsuya Izumi
Executive Officer and
Chief Financial Officer

Taking on New Global Business Challenges

I was appointed Olympus CFO in April 2024. Previously, I had been engaged in business at a general trading company. It has been my experience that although general trading companies conduct business on a global basis, some have a centralized business model in which almost all important decisions are made in Japan. By comparison, Olympus manufactures many of its products in Japan and has highly competitive products including gastrointestinal endoscopes, while more than 80% of our revenues are generated overseas. Turning to the management team, you can see that roughly half of the Board of Directors and Executive Officers are of nationalities other than Japanese, which I believe makes us a very unique company with unique strengths. This approach to global business by Olympus fascinated me, and I decided to take on new challenges here. As I considered my career, I was impressed by the growth potential based on our strong position in GI endoscopy as well as Our

Purpose of "making people's lives healthier, safer and more fulfilling," which is inextricably linked to Olympus' business, all of which resonated with me.

I believe that Olympus stands on a solid business foundation and can grow even further if we enhance our management practices. There was a risk in changing careers, but I decided that Olympus was worth it. Although there were also risks for Olympus to bring in a CFO from outside, it needed a change. The success of *Transform Olympus*, which has achieved transformation in a short period of time, including transferring our original Scientific Solutions Business and Imaging Business to external parties, is proof of this desire for change. I am looking forward to contributing to Olympus by offering my many years of experience and knowledge in finance in another industry and assisting Olympus achieve further transformation on its way to becoming a leading global MedTech company.

Risk Management Remains Essential for Sustainable Growth

At my previous company, it was burdened by large amounts of interest-bearing debt and inefficient assets

in the late 1990s, and therefore it was forced to make radical management reforms. The management team

implemented reform measures to strengthen its financial position and adopt more sophisticated risk management. As a member of the risk management team, I promoted a management method called "risk capital management" to ensure the efficient utilization of limited management resources.

Our business conditions are completely different than a general trading company, including the nature of the risks we face. However, I believe that we will be able to increase our growth rate and profitability through more sophisticated risk management. Investment-related risk management is particularly important. For example, our actual operating profit for fiscal year 2024 fell significantly short of the forecast announced in February 2024, and the main reason for

this was investment-related risk management. It is important for risk management to pay careful attention to details such as the "figures" of business performance and activities. Olympus' mission is contributing to patients and healthcare, and "Patient Focus" remains an unwavering value, but as a listed company that raises funds from the stock market and financial institutions, our commitment to the "figures" is also important. Since our employees are very earnest and tend to focus solely on putting patients first, I believe that my role as CFO is to create a mechanism and to foster an environment that ensures they also focus on the figures. This is an important factor for realizing sustainable growth.

Transforming the Role of the Finance Function

Olympus conducts business globally, but the business situations differ from region to region. Therefore, we make management and operational decisions in each country and region while managing from the head office. It is important to gather the necessary information in a timely manner and make decisions swiftly across Olympus. Even now, we have a business finance unit, and finance is closely working with not only business but also a variety of functions. We also have finance talent assigned to manufacturing and R&D functions, and this structure allows us to understand the actual situation. I believe that it is an important role for the CFO to manage effectively to create a virtuous cycle that will lead to further growth.

To strengthen risk management, we have been further deepening collaboration among business finance, accounting, finance, tax, and other corporate functions, and we will build a system to gather

information and manage it closer to the business.

At Olympus, the corporate planning team draws up a qualitative strategy, while the finance team fulfills a central role with the "figures," such as setting and managing quantitative goals. The finance function plays an important role, and I believe that not only collecting information but also supporting the business will lead to improved companywide performance.

In recent years, Olympus has conducted strategic M&A, some of which did not unfold as planned and led to significant losses. With regard to M&A, I am proactively involved in deals from a CFO's standpoint to support M&A that will contribute to further growth and ensure that the M&A team is able to adequately collect and analyze information.

My Goals as CFO

As the CFO, I have set myself two goals. The first is to improve the operating margin to an even higher level. Our financial targets announced in our company strategy include revenue growth and adjusted operating margin. As a CFO, I can only contribute to a limited extent to the sales growth rate, but adjusted operating margin is an indicator to which I can contribute. In our meetings with institutional investors, we have received positive feedback on having achieved an adjusted operating margin of 20%, but I also hear comments such as "Why only 20%?" Personally, I believe that it is

possible for us to achieve a higher operating margin because of our gross profit and competitive edge since we have products such as gastrointestinal endoscopes that have a leading global market position. Currently, we aim to achieve an adjusted operating margin of 19.6% in fiscal year 2025 and approximately 20% in fiscal year 2026, but we will need more structural transformation to improve further. We are monitoring and analyzing cash flows from various aspects and are considering measures to further increase our operating margin over the next few years.

Message from the CFO

My second goal as CFO is to enhance our corporate value. Increasing revenue growth and adjusted operating margin should contribute to enhancing corporate value, but I also believe that it is necessary to focus on other factors to increase corporate value. From a financial perspective, this means increasing cash flow and lowering costs of capital. We have been setting adjusted operating margin, excluding other income and expenses, which are temporary fluctuation items, as a target to promote our transformation. For the next phase, however, it would be ideal to instill an awareness of the importance of cash flows, which is directly linked to corporate value, in the entire company. Regardless of which division, I believe that if each employee remains aware of how they affect cash flows and acts accordingly, we will be able to move forward together in aligning our efforts to increase corporate value, and we will be able to proceed to the next level. Therefore, while financial targets of our current company strategy are revenue growth, adjusted operating margin, and adjusted EPS growth, I also believe that cash flows are an effective indicator of growth.

On the other hand, in terms of the cost of capital, it is important to address certain risks in order to

mitigate them. Various data shows that companies with higher risks have a higher cost of capital and lower corporate value. Naturally, the cost of capital will be higher for companies facing uncertainties, making it more difficult for stock prices to rise. I recognize that one of a CFO's important roles is to lower the cost of capital and increase corporate value by improving risk management and heightening predictability. Olympus has been strengthening its risk management system year by year, and systems are in place, but it remains essential to instill a mindset of reducing risks in all levels of the organization. Over the next few years, I would like to raise awareness throughout Olympus.

To lower the cost of capital, it is also important to actively engage in dialogue with investors. I recognize that it is crucial to improve budget control based on investors' feedback. Presently, we are making progress in implementing measures to strengthen our budget control, such as linking financial indicators to Executive Officer compensation. To gain the trust of the stock market, I believe that reviewing our budget formulation processes, setting appropriate forecasts consistent with the goals of the executive team, and making prompt decisions will contribute to sustainable growth.

Capital Allocation Policy from Long-term Perspectives

With regard to capital allocation, we prioritize investments for growth, such as in existing businesses or strategic M&A. Going forward, it remains our firm policy to continue business investment for growth as a top priority. Fiscal year 2024 would have been a time when we should have actively invested in M&A and other areas to grow our Medical Business. However, we allocated our resources to strengthen quality assurance and regulatory affairs, which limited the amount of capital available for investment opportunities. Therefore, in accordance with our capital allocation policy, we repurchased our shares to a total of ¥180 billion in fiscal year 2024 to return surplus funds to shareholders. We have further completed the share repurchase of ¥100 billion by November 2024 in fiscal year 2025.

As we expect to have stable cash flows, we will proactively invest in M&A, capital expenditures, IT infrastructure, and other areas that will lead to sustainable growth. When investment opportunities are scarce, we will flexibly repurchase our shares.

In financing, we are particularly conscious of credit ratings. As of March 2024, we have a rating of BBB+ from Standard & Poor's (S&P), and we should maintain this rating. As we steadily grow our business, we need to leave room for leverage if a major investment opportunity arises, so a certain level of credit rating is necessary. I believe that the current rating is at a good, well-balanced level in terms of capital efficiency and management stability, and I am continuing to keep a close eye on it to keep it maintained.

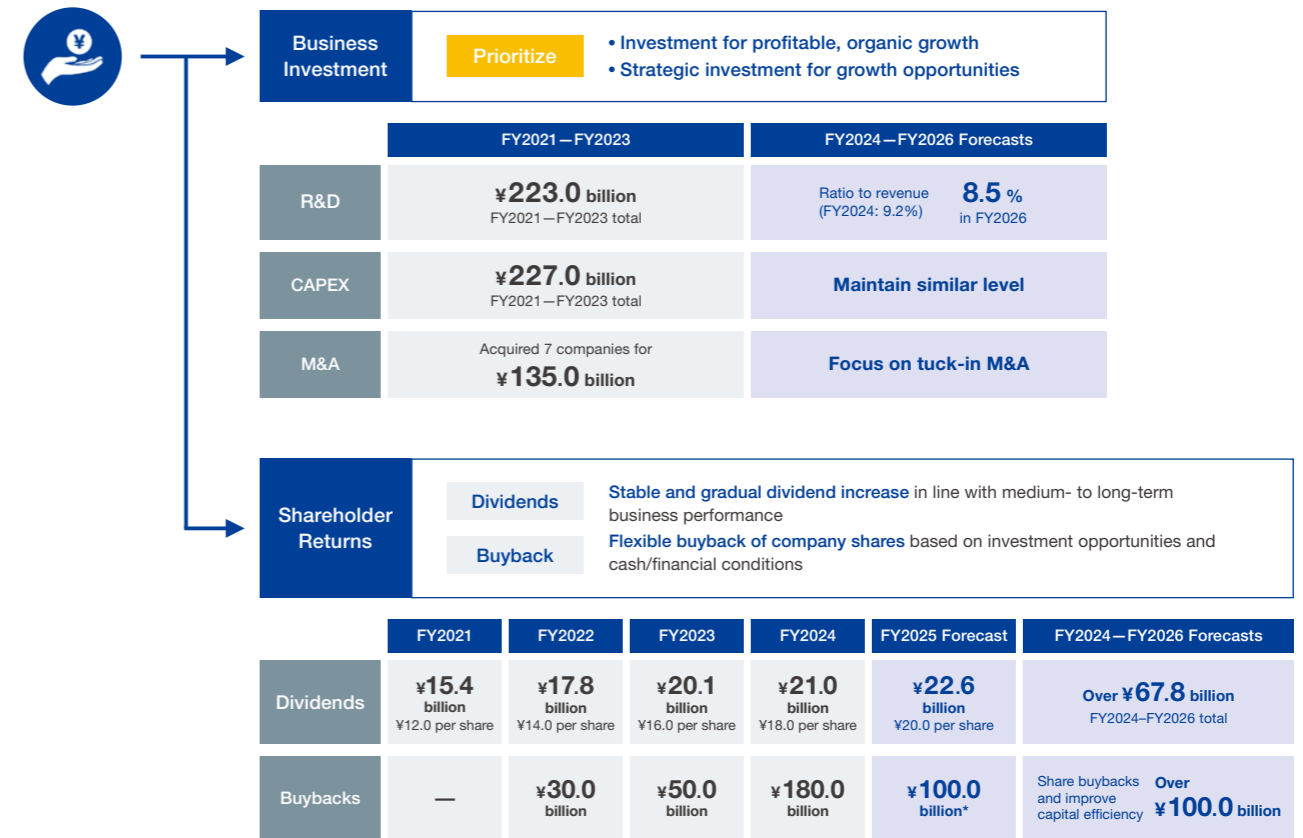
Reflecting Stakeholder Feedback in Management

Another important role for a CFO is to explain and help our stakeholders understand our company. In the same way, I believe that it is also an important role to listen to the opinions and feedback from our stakeholders, including how they view our company and what their expectations are. It is my belief that listening to their feedback and incorporating it into management will earn us greater trust from our stakeholders and contribute to increasing our corporate value.

I would like to hear from investors, analysts, and other stakeholders if they have any suggestions for how we can improve in light of various other companies' or industries' best practices. I believe that one of my high-priority roles is to organize these suggestions in my own way and address those that should be adopted by Olympus to increase our corporate value through two-way dialogue.

Capital Allocation Announced in May 2023

Regarding capital allocation, we are prioritizing business investments. Under our company strategy, we will continue to proceed with business investments and M&A, focusing on disease states where Olympus can have market-leading impact and contribute to elevating the standard of care. In addition to investments for business growth, we will also invest in sustainable growth, such as strengthening QARA functions. Through appropriate financial management, we will see a stable and gradual dividend increase, and consider flexible buyback of company shares based on investment opportunities and cash/financial conditions.



* The share repurchase of ¥100 billion has been completed by November 2024.