Becoming a Truly Global Medtech Company

Olympus is aiming to transform into a truly global medtech company. In January 2019, we announced our corporate transformation plan, *Transform Olympus*. In November of the same year, we announced our corporate strategy in which we presented our goal to achieve an adjusted operating margin*1 of over 20% in fiscal year 2023, a level equivalent to that of competitor global medtech companies. We will introduce our previous steps and future initiatives toward becoming a truly global medtech company.

FY2020 (Result)

Adjusted operating margin **13.5%**

Initiatives and Priority Measures

- Achieved significant SG&A efficiency (¥32.5 billion reduction, or 7% decrease, from fiscal year 2019)
- Steadily progressed the corporate transformation plan, *Transform Olympus*
- Broadened perspectives in management and accelerated management action as a result of diversifying the Board of Directors and migration to a company with a Nominating Committee, etc.
- Development of next-generation gastrointestinal endoscopy system in the Endoscopic Solutions Business
- Built a business base for the Therapeutic Solutions Business and invested resources in key focus areas
- Integrated global group management, and strengthened business execution
- Established the globally integrated HR management that enables optimal talent allocation at the global level
- Recruited and placed human resources, regardless of nationality, age, or gender, within the Olympus Group, and actively hired external personnel with a wide range of experience, knowledge, and abilities (appointment of CMO, CQO, and other global talent from outside Japan)

Supporting Financial Indicators (Result)*1

Adjusted FCF	¥71.1 billion
Adjusted ROIC	10.7%
Adjusted EPS	¥45.49

FY2021 (Result)

Adjusted operating margin **14.1%**

Initiatives and Priority Measures

- Made steady progress on the corporate transformation plan, *Transform Olympus*
- Formulated five materiality items that moves us toward sustainable business growth and a sustainable society
- Completed the transfer of the Imaging Business to Japan Industrial Partners, Inc. in January 2021
- Launched the EVIS X1 advanced endoscopy system—the first new model in about eight years—in Europe, Japan, and some parts of Asia
- Conducted multiple M&A to drive growth in the Medical Business (GI endoscopy: Arc Medical Design Ltd.; Respiratory: Veran Medical Technologies, Inc.; Orthopedic: FH ORTHO SAS; Surgical: Quest Photonic Devices B.V.)
- Reorganized the product development structure (a system in which specialized functions, such as quality, R&D and manufacturing, strengthen their cooperation from the early stage to develop products that are safer and more effective)
- Implemented "Career Support for External Opportunity" in Japan

Supporting Financial Indicators (Result)*1

Adjusted FCF growth	+11.6% (¥79.4 billion)
Adjusted ROIC	10.3%
Adjusted EPS growth	+37.2% (¥62.42)

FY2022 (Result)

Adjusted operating margin **19.3%**

Initiatives and Priority Measures

- Continued to foster a culture of corporate transformation by promoting top-down and bottom-up initiatives through *Transform Olympus*, our corporate transformation plan
- Implemented ESG initiatives that contribute to a sustainable society (Selected as Dow Jones Sustainability World Index (DJSI World))
- Decided to reorganize Scientific Solutions Business through Company Split and accelerated efforts to implement Company Split. (In August 2022, Olympus decided to transfer all shares of its subsidiary Evident Corporation, which is engaged with the Scientific Solutions Business, to third party. The transfer is scheduled in January 2023)
- Continued to expand sales of EVIS X1 advanced endoscopy system through launch execution in current markets and preparation of launch into new markets including the U.S. and China
- Established Olympus Innovation Ventures, a corporate venture capital fund
- Formulated strategic initiatives for the Medical Business (Olympus Investor Day 2021)
- To develop safer and more effective products, we strengthened cross-functional collaboration among specialized functions, such as QARA, R&D, and manufacturing from the early stages of product development

Supporting Financial Indicators (Result)*1

Adjusted FCF growth	+35.9% (¥131.3 billion)
Adjusted ROIC	17.1%
Adjusted EPS growth	+46.6% (¥97.73)

FY2023 (Forecast)

Adjusted operating margin **22.4%**

Revenue CAGR*2 **over 10%**

Initiatives and Priority Measures

- Focus on the diseases on which we can have a market-leading impact
  - See page 47 for future measures in Endoscopic Solutions Business
  - See page 51 for future measures in Therapeutic Solutions Business
- Shape the future by investing in new ways to elevate the standard of care
- Enable our organization to better execute globally and at pace
- Strengthen ESG initiatives for sustainable growth

Supporting Financial Indicators (Forecast)*1

Adjusted FCF growth	—
Adjusted ROIC	—
Adjusted EPS growth	+43.2% (¥133.47)

Financial Guidance and Supporting Financial Indicators*1

		FY2023 Targets
Financial guidance	Adjusted operating margin	> 20%
Supporting financial indicators	Adjusted FCF growth	> 20%*2
	Adjusted ROIC	> 20%
	Adjusted EPS growth	> 25%*2

*1 The following adjustments are made to each indicator. M&A relates to fiscal year 2020 and later (after the launch of our corporate strategy in 2019).
- Adjusted Operating profit and EPS: Operating Profit excludes "Other income/expenses." No adjustments are made for the impact of exchange rate fluctuations; actual exchange rates are used.
- Adjusted ROIC: "Other income and other expenses" and "Depreciation and amortization of intangible fixed assets related to M&A" are deducted from operating profit after tax. (Tax rate: Japan's statutory effective tax rate of about 30% is used.) "M&A-related assets (goodwill and intangible assets related to M&A)" is deducted from working capital. No adjustments are made for the impact of exchange rate fluctuations, and actual exchange rates are used.
- Adjusted FCF: "Cash inflows and outflows of other income and other expenses," "M&A-related expenditure," and "Business restructuring-related expenditure" are deducted. No adjustments are made for the impact of exchange rate fluctuations, and actual exchange rates are used.

*2 CAGR from fiscal year 2021 to fiscal year 2023, starting from fiscal year 2020