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Consolidated Financial Results for the 2nd Quarter of Fiscal 2021 and Full-Year Forecasts

Olympus Corporation | Executive Officer and Chief Financial Officer | Chikashi Takeda | November 13, 2020

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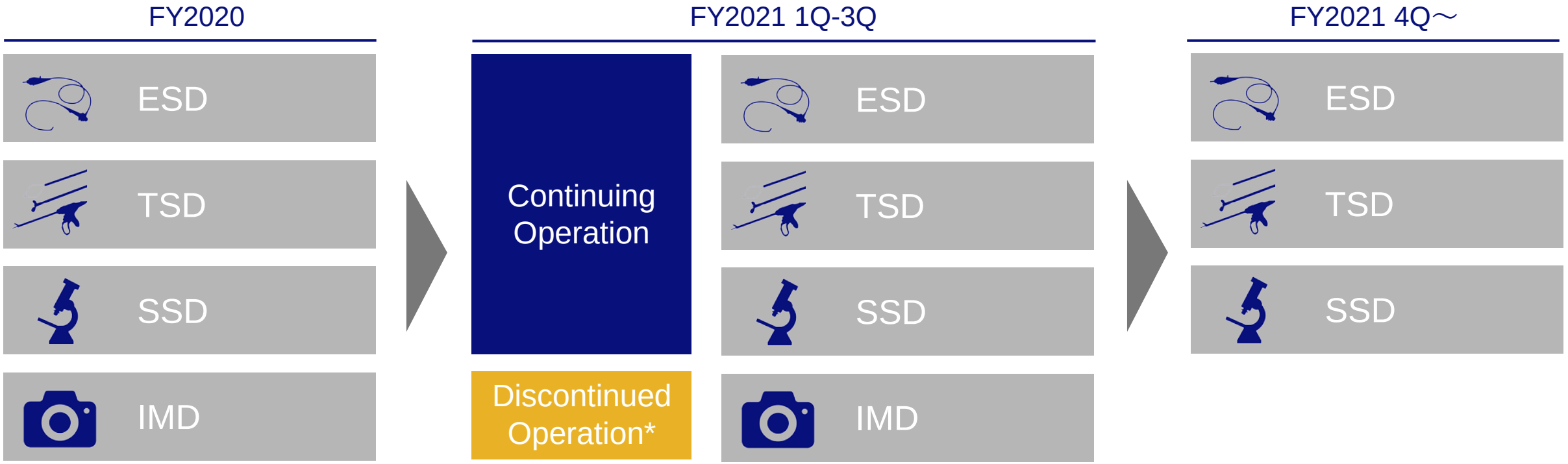
Changes in Reporting Structure

With the divestiture of the Imaging Business, it is disclosed as a discontinued operation from 2Q (based on IFRS)



- ☑ Profit (loss) from discontinued operation is disclosed in Consolidated Financial Results
- ☑ Performance of discontinued operation is disclosed as supplementary information

* On September 30, 2020, Olympus divested its Imaging Business to a newly established wholly owned subsidiary of the Company (the “New Imaging Company”), through an absorption-type split. In addition, the Company concluded a final agreement with Japan Industrial Partners, Inc. on September 30, 2020 concerning the transferal of 95% of the shares of the New Imaging Company to OJ Holdings, Ltd., a special purpose company established by JIP. Due to this, the Imaging Business has been classified as a discontinued operation from the second quarter under review. As a result, a portion of the Condensed Consolidated Statements of Profit or Loss, Condensed Consolidated Statements of Cash Flows and Significant Notes Thereto for the six months ended September 30, 2019 have been reclassified in line with the presentation style for the six months ended September 30, 2020.

Highlights

1H and 2Q Consolidated Financial Results

- ☑ Revenue: YoY decline in revenue slowed in 2Q, despite continuing COVID-19 headwinds
- ☑ Operating Profit: Achieved operating margin of approx. 10% in 1H due to SG&A streamlining even in difficult business environment
  Improved significantly to approx.15% in 2Q

Full-Year Performance Forecasts

- ☑ COVID-19 impact will continue to improve gradually by the end of the fiscal year, revenue are expected to decrease by approx. 8% and securing operating profit of approx. ¥60 billion
- ☑ Plans for expenses and investments assume that business activities will become more active along with the recovery trend. However, depending on changes in the situation, we will further strengthen cost control
- ☑ Year-end dividend is planned to be ¥10 from the viewpoint of stable shareholder return and continuity although loss will be posted due to expenses related to the divestiture of the Imaging Business

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01 Consolidated Financial Results and Business Review for the 2Q of Fiscal 2021 (FY Ending March 31, 2021)

2Q of Fiscal 2021 (1) Consolidated Financial Results

1 Revenue: Decreased in 1H but YoY decline slowed in 2Q (1Q: -19% → 2Q: -8% after FX adjustment)

2 Operating profit: 2Q profitability showed remarkable improvement, resulted in operating margin of approx. 10% in 1H and 15% in 2Q alone, driven by revenue recovery and SG&A streamlining

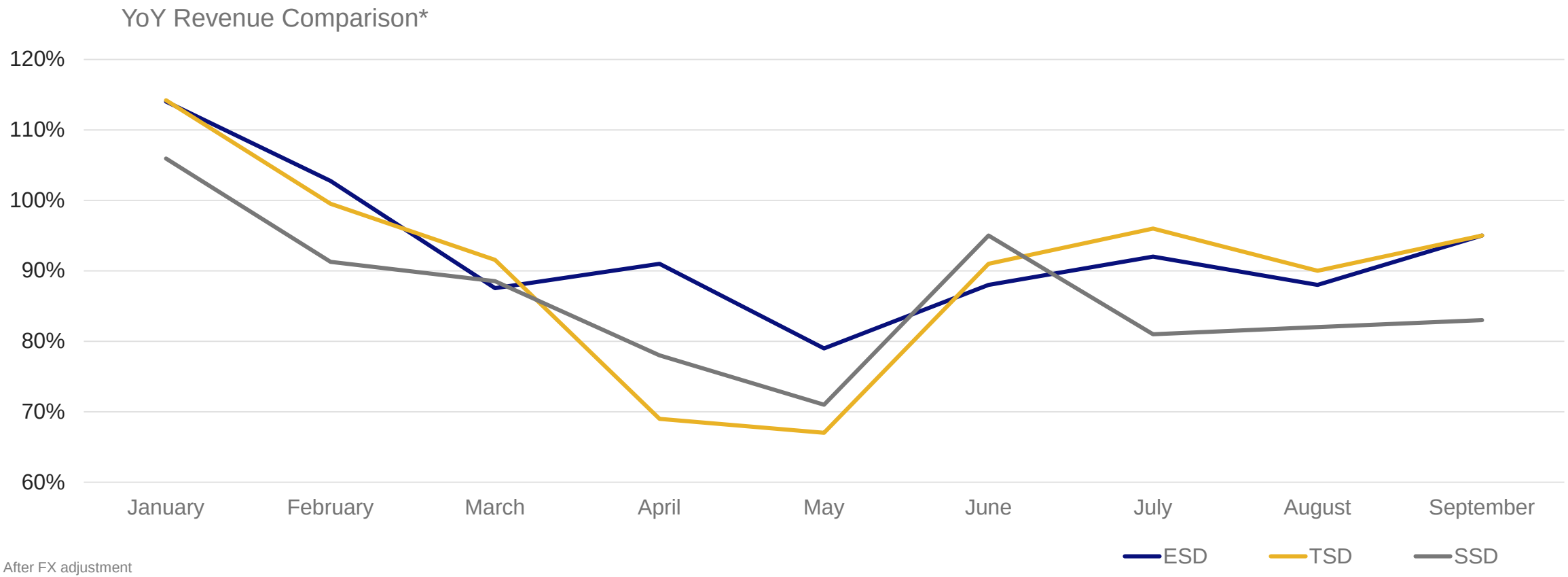
		1H (Apr. - Sep.)			Supplemental data		2Q (Jul. - Sep.)			
	(Billions of yen)	FY2020	FY2021	YoY	After FX adjustment	After FX and COVID-19 adjustment	FY2020	FY2021	YoY	After FX adjustment
*Continuing operation	Revenue	368.4	1 316.5	-14%	-13%	-46.0 billion	196.6	179.9	-8%	1 -8%
	Gross profit (% of revenue)	242.8 (65.9%)	196.0 (61.9%)	-19%	-17%	-	130.3 (66.3%)	110.7 (61.6%)	-15%	-13%
	Selling, general and administrative expenses (% of revenue)	185.0 (50.2%)	161.5 (51.0%)	-13%	-12%	-	89.4 (45.5%)	81.1 (45.1%)	-9%	-10%
	Other income and expenses	-2.0	-4.2	-	-	-	-1.6	-3.0	-	-
	Operating profit (% of revenue)	55.8 (15.2%)	2 30.3 (9.6%)	-46%	-38%	-13.0 billion	39.3 (20.0%)	2 26.6 (14.8%)	-32%	-25%
	Profit before tax (% of revenue)	53.5 (14.5%)	28.3 (9.0%)	-			38.0 (19.3%)	25.6 (14.3%)	-	
	Profit from continuing operation (% of revenue)	41.0 (11.1%)	25.9 (8.2%)	-¥15.1 billion			30.5 (15.5%)	26.1 (14.4%)	-¥4.4 billion	
Discontinued operation	Profit from discontinued operation	-5.0	-48.6	-¥43.6 billion			-3.0	-46.0	-¥43.0 billion	
Continuing operation	Profit (loss)	36.1	-22.7	-¥58.8 billion			27.4	-19.9	-¥47.4 billion	
	Profit (loss) attributable to owners of parent	36.1	-22.7	-¥58.8 billion			27.4	-20.0	-¥47.4 billion	
	EPS	¥27	-¥18				-	-		

* The figures from “Revenue” to Profit from continuing operation” represents continuing operation.

**Our calculations on the impact are based on the assumption that we would have achieved the same level of performance as the previous year if it is not for COVID-19, excluding FX impact, other income and expenses, and a one-off item (costs associated with voluntary recall of endoscopic products)..

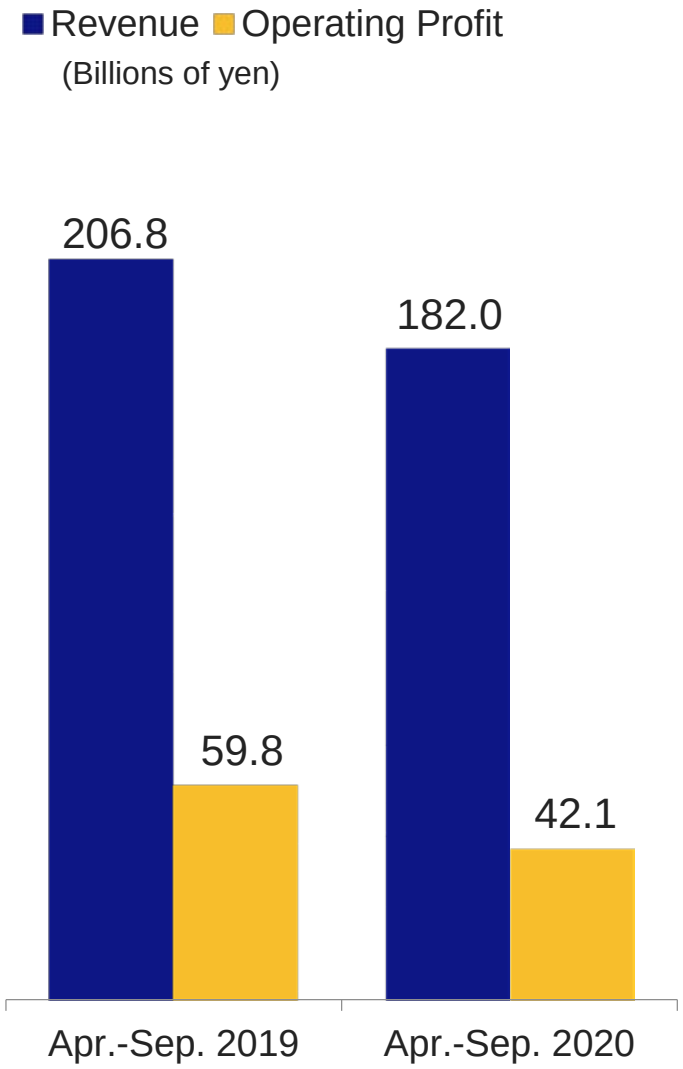
Updates: January to September

Medical revenue recovered to the previous year's levels in September



* After FX adjustment

2Q of Fiscal 2021 (2) Endoscopic Solutions Division (ESD)



Revenue

- 1H: Revenue decreased YoY due to COVID-19
- 2Q: YoY decline in revenue slowed from 1Q due to growth in Europe (+2% after FX adjustment), driven by UK and Eastern Europe

Operating profit

Despite recording ¥6 billion in COGS for the voluntary recall of endoscopic products, operating margin stood at approx. 24% after FX adjustment, supported by SG&A streamlining

1H (Apr. - Sep.)

(Billions of yen)	FY2020	FY2021	YoY	After FX adjustment
Revenue	206.8	182.0	-12%	-10%
Operating profit	59.8	42.1	-30%	-25%
Other income / expenses	-0.3	-0.5	-	-
Operating margin	28.9%	23.1%		24.3%

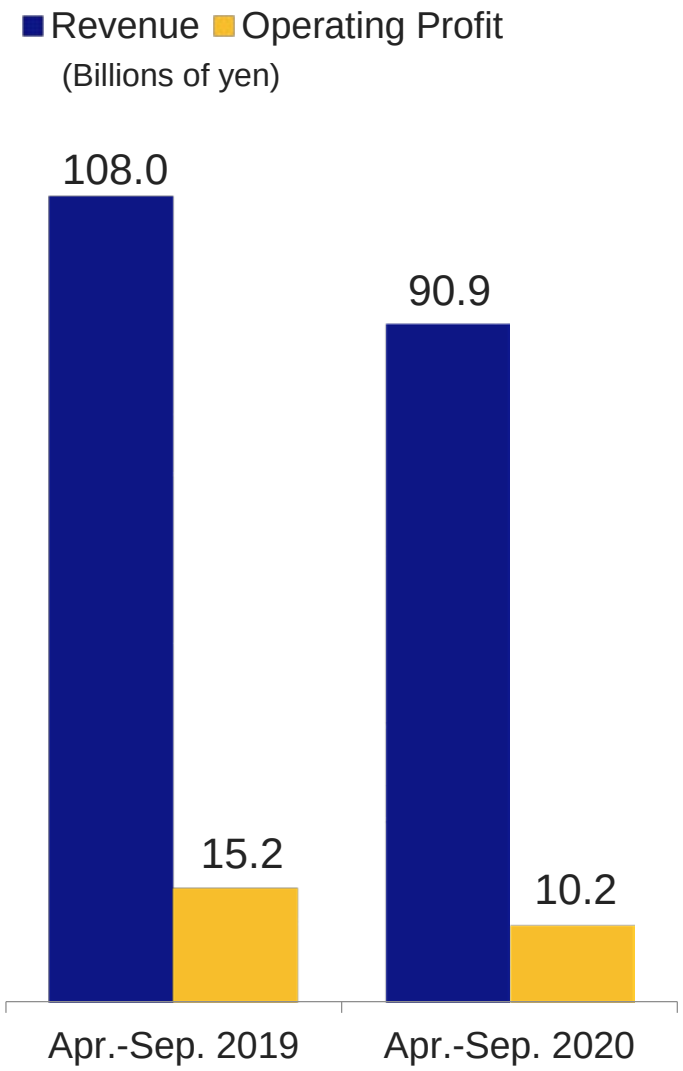
2Q (Jul. - Sep.)

FY2020	FY2021	YoY	After FX adjustment
111.4	102.8	-8%	-7%
37.9	27.4	-28%	-23%
-0.4	-0.2	-	-
34.0%	26.7%		28.2%

Reference

	FY2021 1Q	FY2021 2Q
YoY Revenue Comparison	-17%	-8%
After FX adjustment	-14%	-7%
Operating margin	18.5%	26.7%

2Q of Fiscal 2021 (3) Therapeutic Solutions Division (TSD)



Revenue

- 1H: Revenue decreased YoY due to COVID-19
- 2Q: Recovering from 1Q to 2Q (1Q: -24% → 2Q: -6% after FX adjustment) with the number of procedures coming back

Operating profit

Operating margin exceeded 12% after FX adjustment in 1H as a result of improved revenue and continued cost control. 2Q operating margin exceeded the previous year's level

1H (Apr. - Sep.)

(Billions of yen)	FY2020	FY2021	YoY	After FX adjustment
Revenue	108.0	90.9	-16%	-15%
Operating profit	15.2	10.2	-33%	-26%
Other income / expenses	-0.7	-0.4	-	-
Operating margin	14.1%	11.2%		12.3%

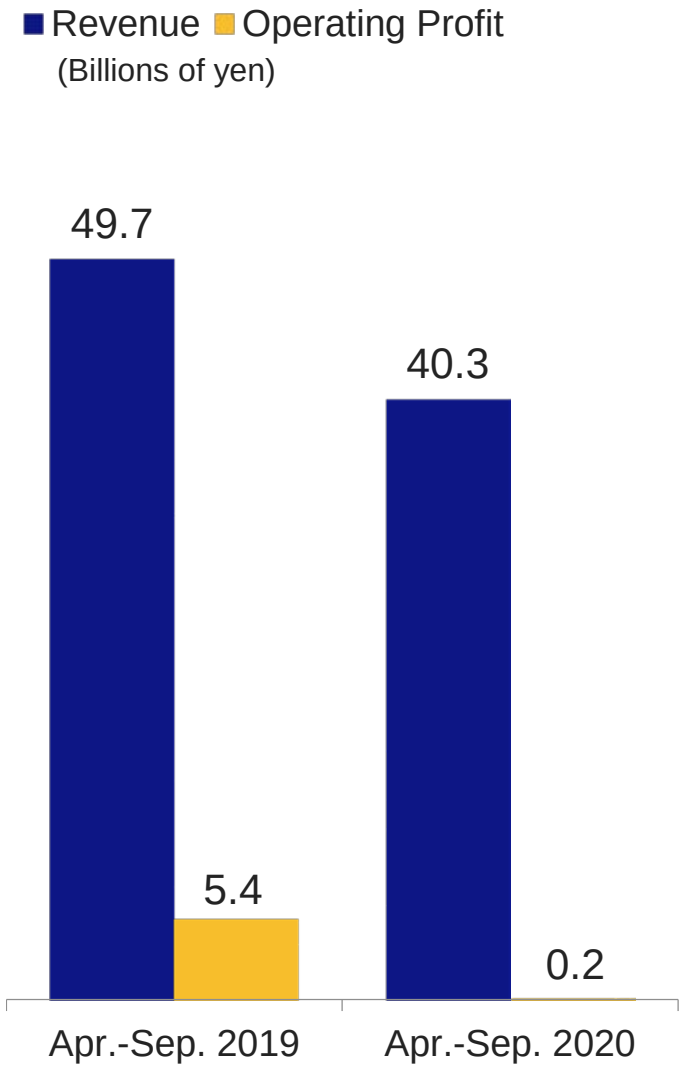
2Q (Jul. - Sep.)

FY2020	FY2021	YoY	After FX adjustment
56.0	52.8	-6%	-6%
9.5	8.8	-8%	0%
-0.6	-0.1	-	-
17.1%	16.6%		18.0%

Reference

	FY2021 1Q	FY2021 2Q
YoY Revenue Comparison	-27%	-6%
After FX adjustment	-24%	-6%
Operating margin	3.8.%	16.6%

2Q of Fiscal 2021 (4) Scientific Solutions Division (SSD)



- **Revenue** — 1H: China grew as electric components and semiconductor industries are booming there, but revenue decreased YoY due to COVID-19
- **Operating profit** — Declined revenue led to lower profitability, but operating margin improved to 10% after FX adjustment in 2Q

1H (Apr. - Sep.)

(Billions of yen)	FY2020	FY2021	YoY	After FX adjustment
Revenue	49.7	40.3	-19%	-17%
Operating profit	5.4	0.2	-96%	-83%
Other income / expenses	-0.2	0	-	-
Operating margin	10.8%	0.6%		2.2%

2Q (Jul. - Sep.)

FY2020	FY2021	YoY	After FX adjustment
27.1	22.6	-17%	-17%
3.7	1.8	-51%	-39%
-0.1	0.3	-	-
13.8%	8.1%		10.0%

Reference

	FY2021 1Q	FY2021 2Q
YoY Revenue Comparison	-21%	-17%
After FX adjustment	-18%	-17%
Operating margin	-	8.1%

Statement of Financial Position

- ☑ Stated line items for discontinued operations' assets held for sale and liabilities directly associated with assets held for sale
- ☑ Secured on-hand liquidity for stable business operations in light of the impact of COVID-19

(Billions of yen)	End of Mar. 2020	End of Sep. 2020	Change
Current assets	506.7	571.2	+64.5
Inventories	167.6	160.9	-6.7
Assets held for sale	6.3	32.6	+26.4
Non-current assets	509.0	502.4	-6.6
Property, plant and equipment	202.1	199.8	-2.3
Intangible assets and others	208.5	203.9	-4.6
Goodwill	98.3	98.7	+0.4
Total assets	1,015.7	1,073.5	+57.9

	End of Mar. 2020	End of Sep. 2020	Change
Current liabilities	333.8	303.6	-30.2
Bonds/loans payable	81.0	49.2	-31.8
Liabilities directly associated with assets held for sale	4.2	29.0	+24.8
Non current liabilities	309.9	442.3	+132.4
Bonds/loans payable	199.9	333.5	+133.6
Equity	372.0	327.6	-44.4
(Equity ratio)	36.5%	30.4%	-6.1pt
Total liabilities and equity	1,015.7	1,073.5	+57.9

Interest-bearing debt: ¥382.7 billion (up ¥101.8 billion from March 31, 2020)

Consolidated Cash Flows

- ☑ Considering time deposits of ¥40 billion, FCF is plus ¥7.2 billion
- ☑ Financial CF: Plus ¥81.2 billion due to increase in long-term borrowings and issuance of corporate bonds

		1H (Apr. - Sep.)		
	(Billions of yen)	FY2020	FY2021	Change
Continuing operation	Revenue	368.4	316.5	-51.9
	Operating profit	55.8	30.3	-25.5
	(% of revenue)	15.2%	9.6%	-5.6pt
Discontinued operation	CF from operating activities	67.3	37.4	-29.9
	CF from investing activities	-31.4	-70.2	-38.8
	Free cash flow	35.9	-32.8	-68.7
	CF from financing activities	-10.5	81.2	+91.8
	Cash and cash equivalents at end of period	135.5	210.5	+75.0

* Please refer to Appendix (P.26) for cash flow of discontinued operation.

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02 Forecasts for Fiscal 2021

Fiscal 2021 Consolidated Forecasts

1 Revenue：COVID-19 impact will continue to improve gradually by the end of the fiscal year, and revenue are expected to decrease by approx.8%

2 Operating Profit：Securing operating profit of approx. ¥60 billion by continuing to control SG&A expenses

	(Billions of yen)		FY2020 (Results)**	FY2021 (Forecasts)	Change	YoY	After FX adjustment
*Continuing operation	Revenue		755.2	1 697.0	-58.2	-8%	-7%
	Gross profit	(% of revenue)	482.8 (63.9%)	437.0 (62.7%)	-45.8	-9%	-8%
	Selling, general and administrative expenses	(% of revenue)	381.2 (50.5%)	366.0 (52.5%)	-15.1	-4%	-3%
	Other income and expenses		-9.4	-10.5	-	-	-
	Operating profit	(% of revenue)	92.2 (12.2%)	2 60.5 (8.7%)	-31.7	-34%	-31%
	Profit before tax	(% of revenue)	86.6 (11.5%)	58.5 (8.4%)			
	Profit from continuing operation		60.6 (8.0%)	47.5 (6.8%)			
Discontinued operation	Profit from discontinued operation		-8.9	-53.0			
Continuing operation	Profit (loss)		51.7	-5.5			
	Profit (loss) attributable to owners of parent	(% of revenue)	51.7 (6.5%)	-5.5 (-)			
	EPS		¥39	-¥4			

Dividend forecast in fiscal 2021

Year-end dividend of ¥10 per share

* The figures from “Revenue” to Profit from continuing operation” represents continuing operation.

**The figures for FY2020 are before the audit.

Fiscal 2021 Forecasts by Business Segment

1 ESD･TSD：The number of procedures is on a recovery trend and although revenues are expected to decrease by approx. 7%, the operating margin in ESD will be approx.22% and in TSD will be approx. 11%

2 SSD：Business activities are expected to gradually recover from the second half of the fiscal year, but profits will decline for the full year due to lower revenue by COVID-19

3 Elimination and Corporate：Expect investments for strengthening IT infrastructure and QA/RA functions

(Billions of yen)		FY2020 (Results)*	FY2021 (Forecasts)	Change	YoY	After FX adjustment
ESD	Revenue	425.7	1 395.0	-30.7	-7%	-6%
	Operating profit	109.4	88.0	-21.5	-20%	-18%
TSD	Revenue	216.1	1 202.0	-14.1	-7%	-6%
	Operating profit	26.2	23.0	-3.2	-12%	-12%
SSD	Revenue	105.2	2 93.0	-12.2	-12%	-11%
	Operating profit	10.0	3.5	-6.5	-65%	-60%
Others	Revenue	8.2	7.0	-1.2	-15%	-15%
	Operating profit	-2.9	-3.0	-0.1	-¥0.1 billion	-¥0.1 billion
Elimination and Corporate	Operating profit	-50.5	3 -51.0	-0.4	-¥0.4 billion	-¥0.5 billion
Consolidated Total	Revenue	755.2	697.0	-58.2	-8%	-7%
	Operating profit	92.2	60.5	-31.7	-34%	-31%
Discontinued operation	Revenue	42.2	20.0	-22.2	-53%	-53%
	Operating profit	-8.7	-53.0	-44.3	-¥44.3 billion	-¥44.5 billion

 * The figures for FY2020 are before the audit.

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03 Transforming into a Truly Global Medtech Company

Committed to Corporate Reforms

FY2021

Great chance to accelerate transformation to a truly global medtech company for sustainable growth

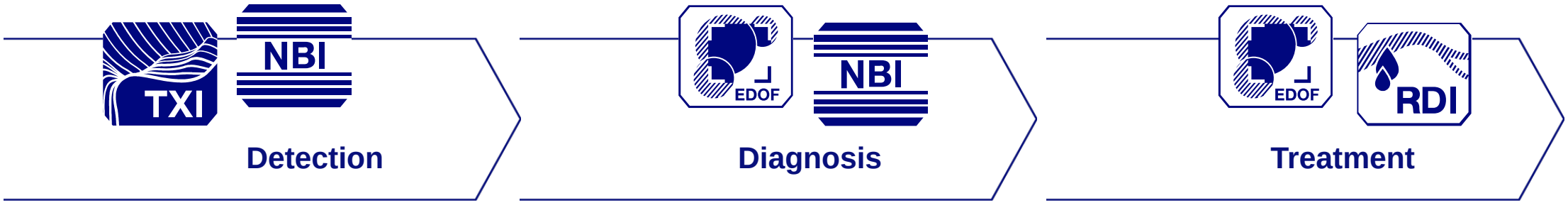
- Focus the corporate portfolio
- Structural reform of fixed costs
- Successful launch of next-gen GI endoscopy system EVIS X1
- Continued steady investment in product development for future growth
- Driving efficiency in our R&D operations

☑ Continue ongoing reforms in 2H following our achievements in 1H

- Olympus and Japan Industrial Partners signed the definitive agreement to transfer our Imaging Business
- EVIS X1 has been launched in EMEA, some parts of Asia, and Japan
- “ENDO-AID”, a CAD platform for our endoscopy system, has been launched in EMEA and some parts of Asia in early November.
- Acquired FH ORTHO which develops and manufactures orthopedic devices and instruments
- Started deliberation on reorganization of domestic sales functions in the Olympus Group to strengthen sales capabilities

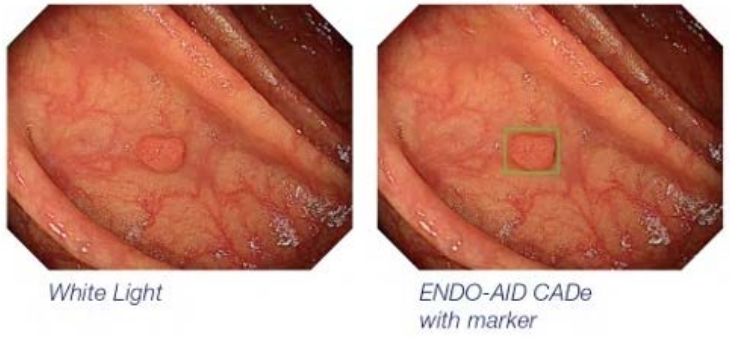
AI-Powered CAD for Our Next-Gen Endoscopy System EVIS X1

ENDO-AID enables us to provide innovative technologies in each stage from detection to treatment
Endoscopy system that sets new standards for endoscopic diagnosis and treatment



CADe

ENDO-AID, a CAD platform powered by AI that includes endoscopy application for the colon, has been launched in EMEA and some parts of Asia in early November.


White Light

ENDO-AID CADe with marker

The platform enables real-time display of automatically detected suspicious lesions and works in combination with EVIS X1.

It is expected to further strengthen our leadership in the GI endoscopy system with over 70% market share.

Initiatives in Medical Field for Sustainable Growth



Acquired FH ORTHO which develops and manufactures orthopedic devices and instruments

- The acquisition enables us to expand our orthopedic products that have been developed through Olympus Terumo Biomaterials Corp.* and to expand the business via FH ORTHO's existing global distribution channels.
- We have also developed the first ultrasound device indicated for arthroscopic surgery. These underscore our commitment to expanding in the growing field of orthopedic minimally invasive surgery (MIS).

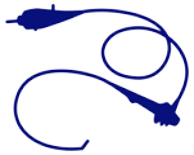


Started deliberation on reorganization of domestic sales functions in the Olympus Group to strengthen sales capabilities

- Plan to integrate the domestic sales functions of both Olympus Corp. and Olympus Medical Science Sales Corp. for Medical and Scientific Solutions Businesses.
- Aim to realize flexible resource assignment, enhance cooperation with business partners, implement unified sales policy across Japan, and retain highly capable talent

* Olympus is already active in orthopedics in Japan, where its joint venture Olympus Terumo Biomaterials Corp. distributes products such as bone substitutes and high tibial osteotomy (HTO) plates and screws.

Key Product Catalysts: Endoscopic Solutions Division (As of Nov.13, 2020)



Corporate Strategy of ESD : Further strengthen leadership in endoscopy



Maintain leadership in conventional endoscopy
through continued innovation and commercial excellence



Complement our portfolio with single-use endoscopes
to provide a comprehensive set of product offerings

Growth driver now

GI endoscopy
- EVIS LUCERA ELITE (Japan, China)
- EVIS EXERA III (US, EU)

Surgical endoscopy
- VISERA ELITE II (US, EU, Japan)
- VISERA ELITE (China)
- VISERA 4K UHD (US, EU, Japan, China)

Just launched / Coming soon

GI endoscopy
- EVIS X1 (EU, Japan)
- TJF-Q190V, duodenoscope (US)
- ENDO-AID, endoscopy CAD platform for EVIS X1(EU)

Beyond

GI endoscopy
- EVIS X1(US, China)
- 3D function for EVIS X1
- Single-use duodenooscope

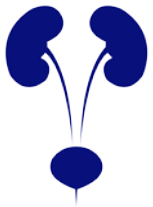
Surgical endoscopy
- VISERA ELITE II (China)
- New generation surgical endoscopy system(EU, Japan)

Key Product Catalysts: Therapeutic Solutions Division (As of Nov. 13, 2020)

Corporate Strategy of TSD : Focus and scale our TSD business



GI endotherapy
Expand and accelerate portfolio in existing product categories and explore growth opportunities in adjacent areas



Urology
Establish leadership in BPH and enhance position in stone management through portfolio expansion



Respiratory endotherapy
Strengthen leadership by capturing the BLVR* market and expand opportunities in early diagnosis and treatment of lung cancer

Growth driver now	Just launched / Coming soon	Beyond
GI endotherapy ▪ Visiglide series ▪ ESD Knife ▪ EZ Clip / QuickClip Pro ▪ EndoJaw **Urology** ▪ Resection electrode **Respiratory endotherapy** ▪ ViziShot series	**GI endotherapy** ▪ 5 products (US) ▪ 5 products (EU) ▪ 10 products (Japan) ▪ 5 products (China) **Urology** ▪ iTind, non-surgical device for Benign Prostatic Hyperplasia (US, EU) ▪ SOLTIVE SuperPulsed Laser System**, stone lithotripsy system (US, EU)	**GI endotherapy** ▪ Single-use cholangioscope **Urology** ▪ Single-use ureteroscope **Respiratory endotherapy** ▪ Single-use bronchoscope

* Bronchoscopic Lung Volume Reduction ** Please refer to Appendix (P.28) for the detail of SOLTIVE SuperPulsed Laser System.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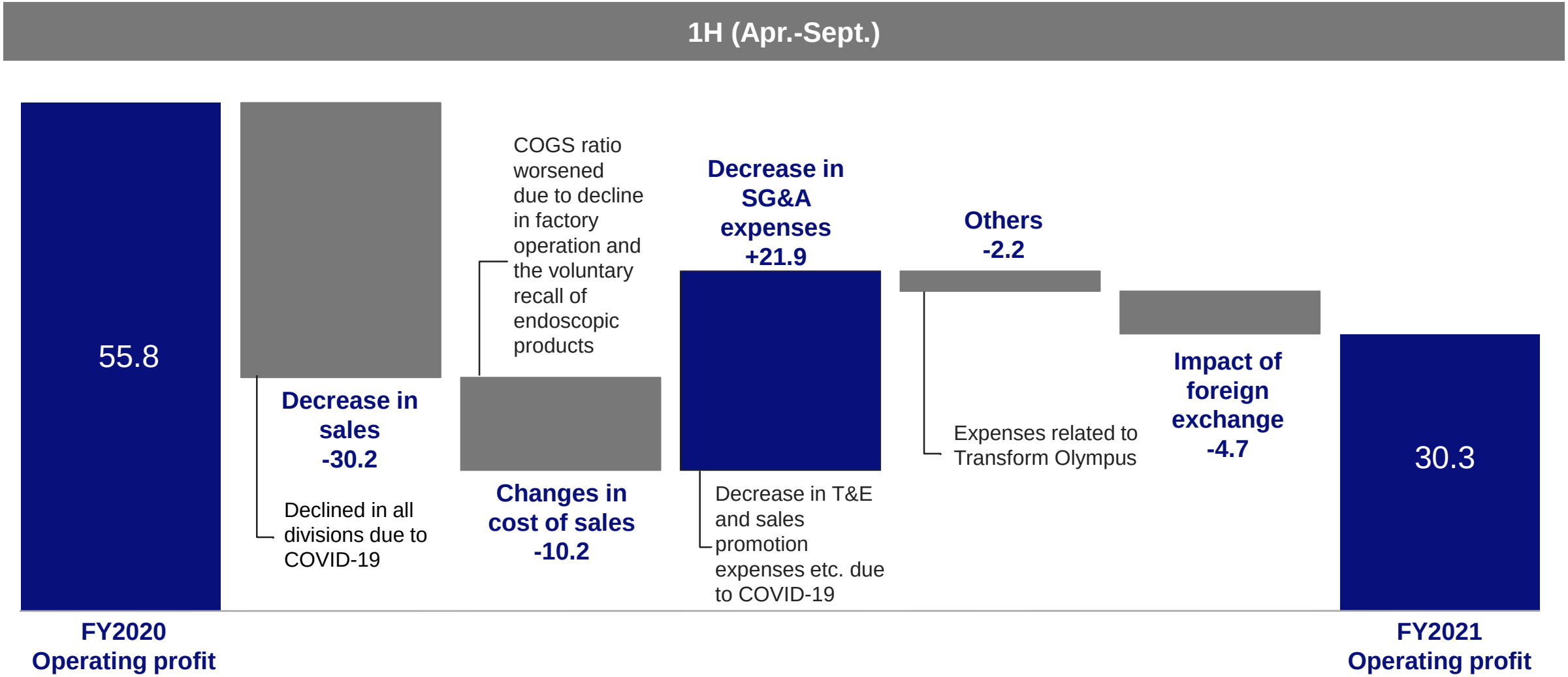
04 Appendix

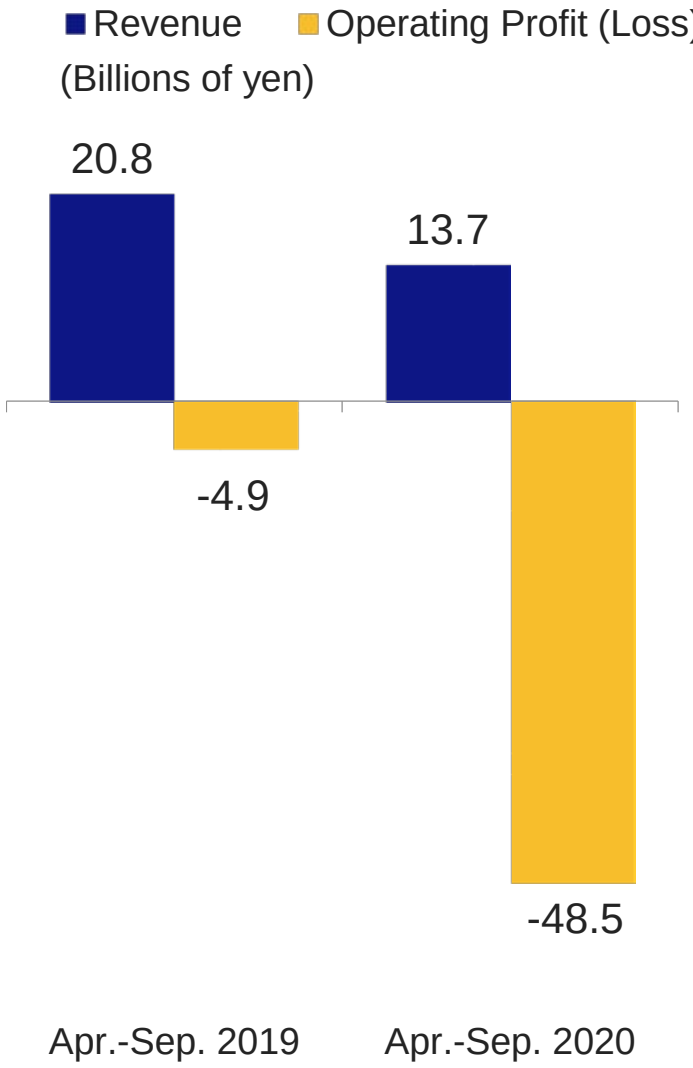
Supplementary Materials: 2Q of Fiscal 2021 Factors that Affected Consolidated Operating Profit



Supplementary Materials: 2Q of Fiscal 2021 Results by Segment

(Billions of yen)		1H (Apr. - Sep.) FY2020	1H (Apr. - Sep.) FY2021	1H (Apr. - Sep.) YoY	1H (Apr. - Sep.) After FX adjustment	2Q (Jul. – Sep.) FY2020	2Q (Jul. – Sep.) FY2021	2Q (Jul. – Sep.) YoY	2Q (Jul. – Sep.) After FX adjustment
ESD	Revenue	206.8	182.0	-12%	-10%	111.4	102.8	-8%	-7%
	Operating profit	59.8	42.1	-30%	-25%	37.9	27.4	-28%	-23%
TSD	Revenue	108.0	90.9	-16%	-15%	56.0	52.8	-6%	-6%
	Operating profit	15.2	10.2	-33%	-26%	9.5	8.8	-8%	0%
SSD	Revenue	49.7	40.3	-19%	-17%	27.1	22.6	-17%	-17%
	Operating profit	5.4	0.2	-96%	-83%	3.7	1.8	-51%	-39%
Others	Revenue	3.8	3.2	-16%	-16%	2.1	1.6	-21%	-21%
	Operating profit	-1.3	-1.0	+¥0.4 billion	+¥0.4 billion	-0.7	-0.4	+¥0.2 billion	+¥0.2 billion
Elimination and Corporate	Operating profit	-23.3	-21.2	+¥2.0 billion	+¥1.9 billion	-11.3	-11.0	+¥0.3 billion	+¥0.3 billion
Consolidated Total	Revenue	368.4	316.5	-14%	-13%	196.6	179.9	-8%	-8%
	Operating profit	55.8	30.3	-46%	-37%	39.3	26.6	-32%	-25%
Discontinued operation	Revenue	20.8	13.7	-34%	-33%	10.8	8.0	-26%	-26%
	Operating profit	-4.9	-48.5	-¥43.6 billion	-¥43.8 billion	-3.1	-46.0	-¥42.9 billion	-¥43.0 billion

2Q of Fiscal 2021 Discontinued Operation (IMD)



Revenue 1H: Revenue significantly declined due to COVID-19

Operating profit Operating loss was posted due mainly to expenses related to the divestiture of the Imaging business (43.7 billion yen)

	1H (Apr. - Sep.)				2Q (Jul. - Sep.)			
(Billions of yen)	FY2020	FY2021	YoY	After FX adjustment	FY2020	FY2021	YoY	After FX adjustment
Revenue	20.8	13.7	-34%	-33%	10.8	8.0	-26%	-26%
Operating profit	-4.9	-48.5	-¥43.6 billion	-¥43.8 billion	-3.1	-46.0	-¥42.9 billion	-¥43.0 billion
Other income / expenses	-1.0	-43.9	-	-	-0.5	-43.6	-	-
Operating margin	-	-		-	-	-		-

Reference

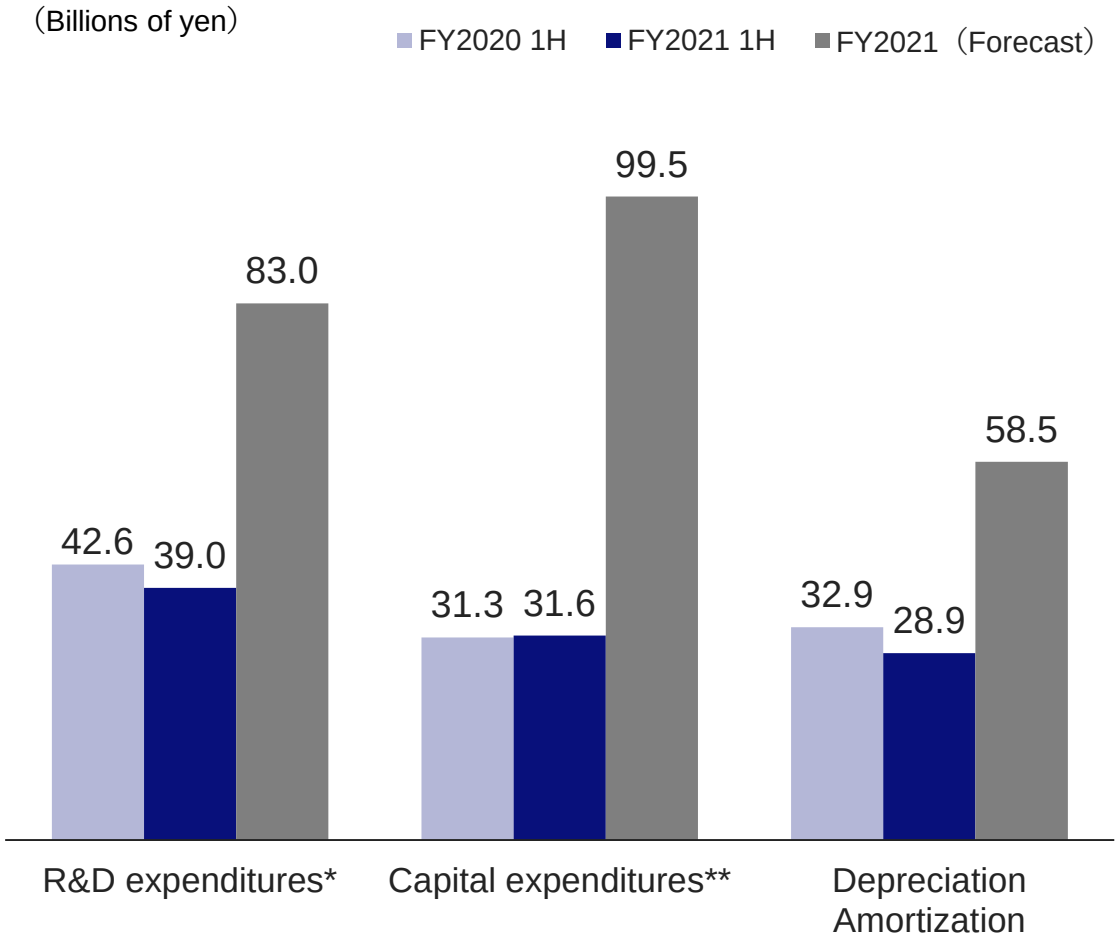
	FY2021 1Q	FY2021 2Q
YoY Revenue Comparison	-41%	-26%
After FX adjustment	-39%	-26%
Operating margin	-	-

Cash flow of discontinued operation 1H (Apr. - Sep.)

	FY2020	FY2021	Change
CF from operating activities	-1.3	-2.2	-0.9
CF from investing activities	-1.5	-0.5	+0.9
CF from financing activities	-0	-0.1	-0

Supplementary Materials: Expenditures etc.

1H Results and Full-year Forecasts



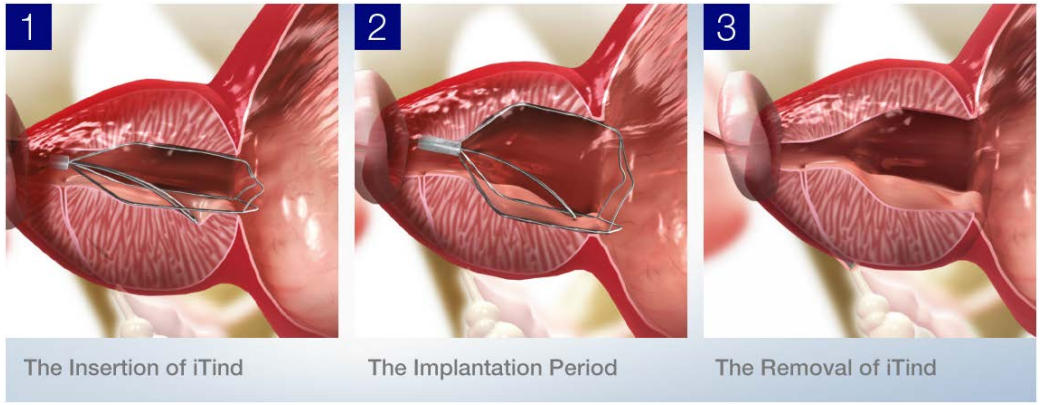
(Billions of yen)	FY2020 1H	FY2021 1H
R&D expenditures* (a)	42.6	39.0
Capitalization of R&D expenditures (b)	8.4	7.4
R&D expenses in P/L (a-b)	34.2	31.6

(Billions of yen)	FY2020 1H	FY2021 1H
Amortization	3.3	3.9
	End of Jun, 2020	End of Sep, 2020
R&D assets	49.2	51.3

* Capitalization of R&D expenditures (b) are included in R&D expenditures.
** Capitalization of R&D expenditures (b) are included in capital expenditures.
In addition, the Olympus Group has adopted IFRS 16 "Leases" from the fiscal year 2020, and right-of-use assets below are included in capital expenditures.
(FY2020 1H: ¥5.2 billion, FY2021 1H: ¥8.4 billion, FY2021 Forecast: ¥34.0 billion)

Supplementary Materials: New Products in Urology

iTind



Product summary:	▪ iTind is a non-surgical device for the minimally invasive treatment of Benign Prostatic Hyperplasia (BPH). ▪ This novel device strengthens the already robust Olympus urology portfolio by offering expanded options in enhanced patient care.
Launch area:	▪ US, EU

SOLTIVE SuperPulsed Laser System



SOLTIVE Premium SuperPulsed Laser System (right)
SOLTIVE Pro SuperPulsed Laser System (left)

Product summary:	▪ The SOLTIVE SuperPulsed Laser System is a new application of thulium fiber laser technology designed for stone lithotripsy and soft tissue applications. ▪ Efficient stone dusting contributes to shortening surgery time and decreasing the burden on patients.
Launch area:	▪ US, EU