OLYMPUS



Consolidated Financial Results for the 3rd Quarter of Fiscal 2021 and Full-Year Forecasts

Olympus Corporation | Executive Officer and Chief Financial Officer | Chikashi Takeda | February 12, 2021

Disclaimer

- This material contains forward-looking statements that reflect management's current views, plans, and expectations based on information available at the time of preparation. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, future business decisions, and other internal and external factors that may cause the Company's actual results, performance, achievements, or financial position to be materially different from any future results expressed or implied by these forward-looking statements.
- Additionally, this information is subject to change without notice. Accordingly, other information should be used in addition to this material when making investment decisions.
- Olympus Corporation assumes no responsibility for any damage resulting from the use of this material.

Highlights

Consolidated Financial Results (3Q)

- ☑ Revenue: Returned to growth in 3Q, driven by strong performance in mainstay ESD
- ☑ Operating profit: 3Q OPM reached to approx.18%, a further improvement from 2Q, led by continued SG&A control as well as strong revenue

Full-year Performance Forecasts

- ☑ Revenue and OP revised upward based on strong performance in 3Q
- ☑ In 4Q, we expect gradual revenue growth and will continue our efforts to control SG&A expenses and implement investments and measures to further improve OPM in the next fiscal year and beyond

OLYMPUS

01 Consolidated Financial Results and Business Review for the 3Q of Fiscal 2021 (FY Ending March 31, 2021)

3Q of Fiscal 2021 (1) Consolidated Financial Results

1 Revenue: Continued to recover. YTD revenue still down, but 3Q turned positive due to strong performance in mainstay ESD

2 Operating profit: YTD operating profit still down, but 3Q up sharply due to revenue recovery and SG&A streamlining, resulting in 3Q OPM of approx.18%

		1Q-3Q (Apr. – Dec.)			Supplemental data		3Q (Oct. – Dec.)			
	(Billions of yen)	FY2020	FY2021	YoY	After FX adjustment	After FX and COVID-19 adjustment**	FY2020	FY2021	YoY	After FX adjustment
*Continuing operation	Revenue	561.3	1 513.6	-9%	-7%	- ¥39.0 billion	192.9	197.1	1 +2%	+4%
	Gross profit (% of revenue)	367.6 (65.5%)	323.5 (63.0%)	-12%	-10%	-	124.8 (64.7%)	127.1 (64.7%)	+2%	+3%
	Selling, general and administrative expenses (% of revenue)	278.2 (49.6%)	250.2 (48.7%)	-10%	-9%	-	93.2 (48.3%)	88.7 (45.0%)	-5%	-4%
	Other income and expenses	-4.7	-8.6	-	-	-	-2.8	-4.4	-	-
	Operating profit (% of revenue)	84.7 (15.1%)	2 64.7 (12.6%)	-24%	-17%	- ¥3.0 billion	28.9 (15.0%)	2 34.4 (17.5%)	+19%	+23%
	Profit before tax (% of revenue)	80.5 (14.3%)	61.9 (12.1%)	-			27.1 (14.0%)	33.6 (17.0%)	-	
	Profit from continuing operation (% of revenue)	65.5 (11.7%)	53.9 (10.5%)	- ¥11.6 billion			24.5 (12.7%)	28.1 (14.2%)	+¥3.6 billion	
Discontinued operation	Profit(loss) from discontinued operation	-6.4	-52.3	- ¥45.9 billion			-1.4	-3.8	- ¥2.3 billion	
Continuing operation	Profit	59.1	1.6	- ¥57.5 billion			23.1	24.3	+¥1.2 billion	
	Profit attributable to owners of parent	59.1	1.6	- ¥57.5 billion			23.1	24.3	+¥1.3 billion	
	EPS	¥45	¥1				-	-		

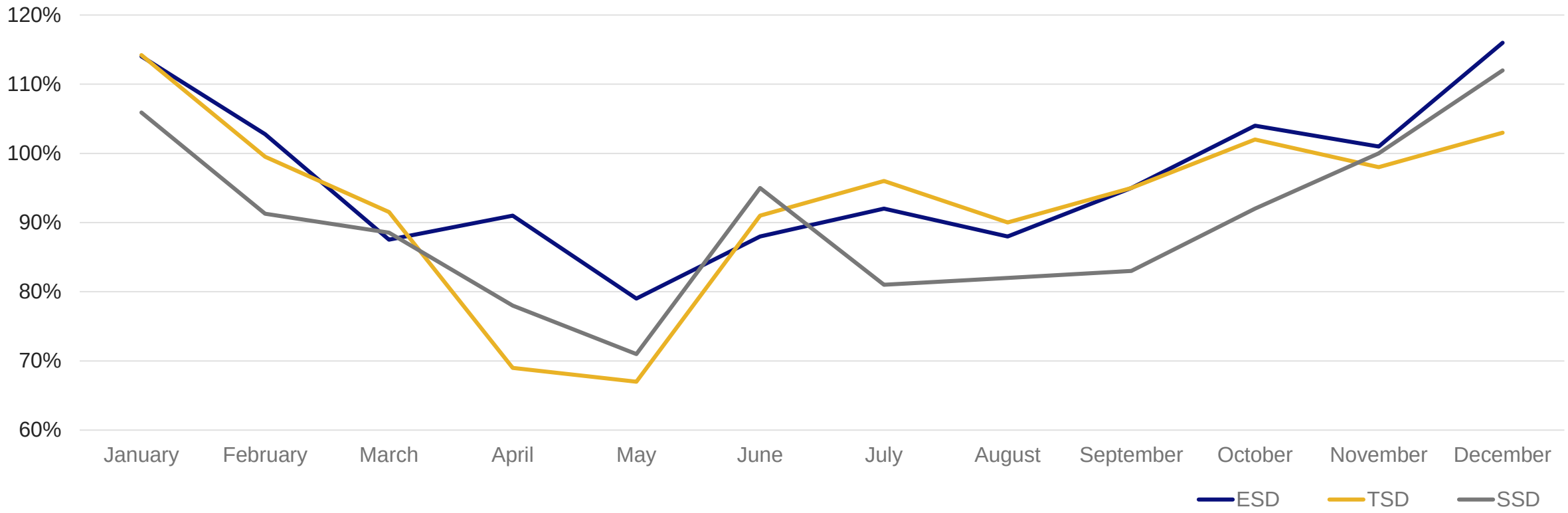
*The figures from “Revenue” to “Profit” from continuing operation” represents continuing operation.

**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 one-off items (costs associated with voluntary recall of endoscopic and endotherapy products).

Updates: January to December

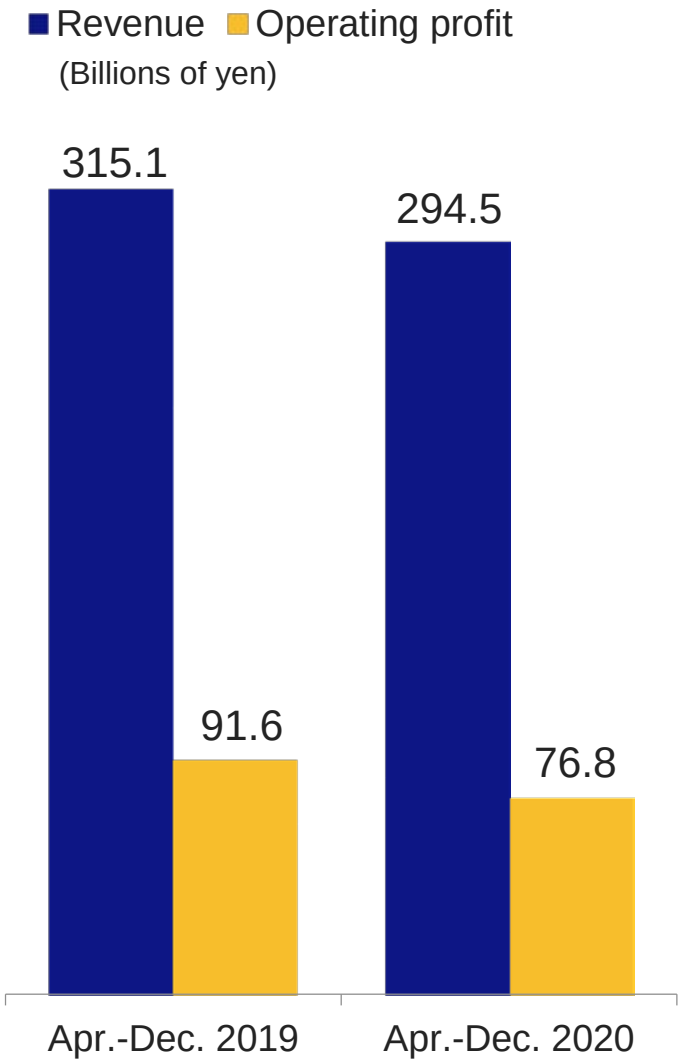
Revenue continued to recover in 3Q. ESD and SSD achieved double-digit growth in Dec.
Strong performance in ESD led by Europe and China and in SSD increased sales of biological and industrial microscopes in China

YoY Revenue Comparison*



*After FX adjustment

3Q of Fiscal 2021 (2) Endoscopic Solutions Division (ESD)



Revenue

- YTD: Decreased due to COVID-19
- 3Q: Increased, due to double-digit growth in Europe led by the UK, Eastern Europe, and Japan, where we experienced a decline last year following the tax hike

Operating Profit

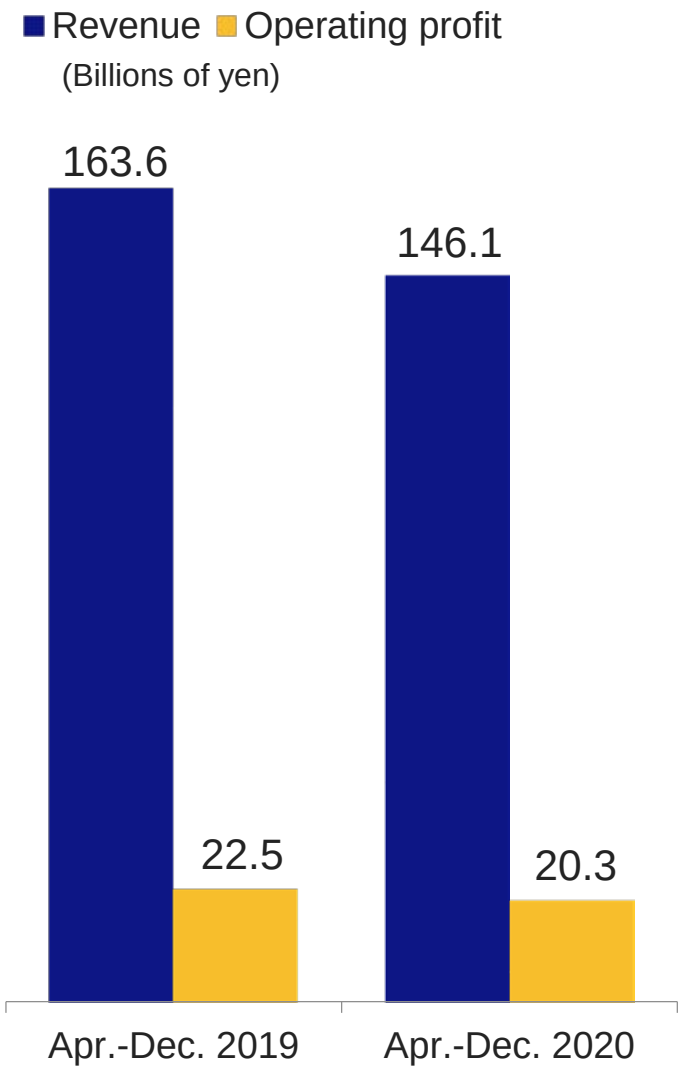
- YTD: Profitability improved from 2Q to 3Q due to revenue recovery
- 3Q: OPM reached to approx. 31% due to revenue recovery and SG&A streamlining

	1Q-3Q (Apr. - Dec.)				3Q (Oct. - Dec.)			
(Billions of yen)	FY2020	FY2021	YoY	After FX adjustment	FY2020	FY2021	YoY	After FX adjustment
Revenue	315.1	294.5	-7%	-5%	108.3	112.4	+4%	+6%
Operating profit	91.6	76.8	-16%	-12%	31.8	34.7	+9%	+11%
Other income / expenses	-0.6	-1.3	-	-	-0.4	-0.8	-	-
Operating margin	29.1%	26.1%		26.8%	29.3%	30.9%		30.9%

Reference

	FY2021 1Q	FY2021 2Q	FY2021 3Q
YoY revenue comparison	-17%	-8%	+4%
After FX adjustment	-14%	-7%	+6%
Operating margin	18.5%	26.7%	30.9%
After FX adjustment	19.5%	28.2%	30.9%

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



Revenue

- YTD: Decreased due to COVID-19
- 3Q: Almost flat YoY, led by growth in APAC and Japan, and continued recovery in the number of procedures

Operating profit

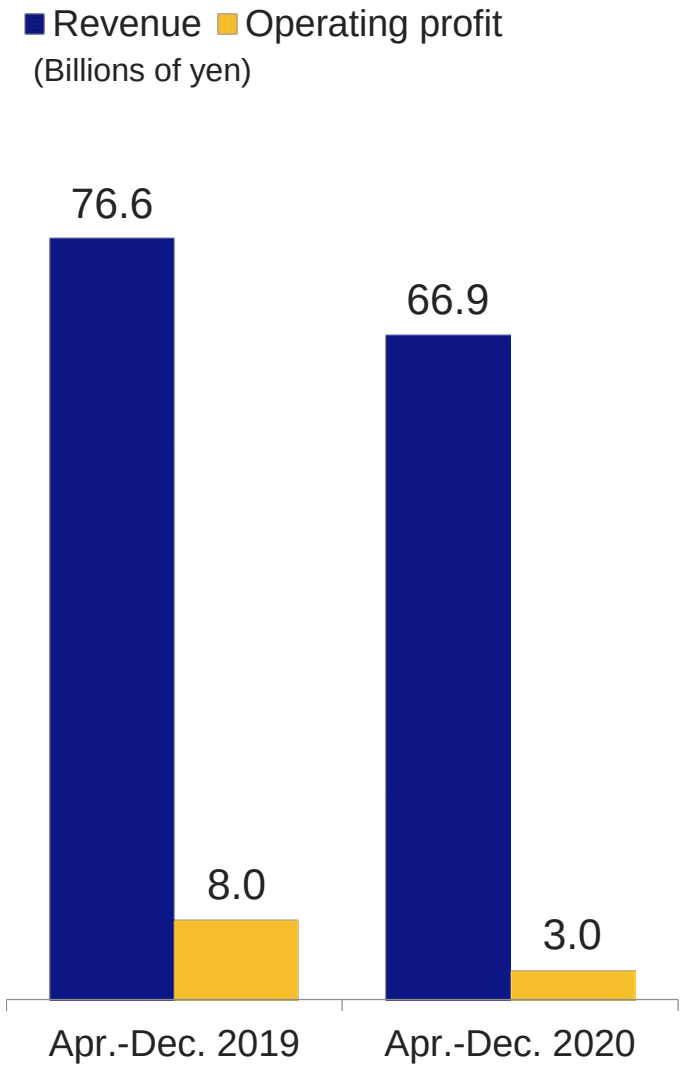
- YTD: Decreased due to lower revenue and the costs associated with voluntary recall for endotherapy devices (approx. ¥2 billion)
- 3Q: OPM significantly improved to approx. 18% due to revenue recovery and SG&A streamlining

	1Q-3Q (Apr. - Dec.)				3Q (Oct. - Dec.)			
(Billions of yen)	FY2020	FY2021	YoY	After FX adjustment	FY2020	FY2021	YoY	After FX adjustment
Revenue	163.6	146.1	-11%	-9%	55.6	55.2	-1%	+1%
Operating profit	22.5	20.3	-10%	-4%	7.3	10.1	+38%	+40%
Other income / expenses	-1.1	-0.7	-	-	-0.4	-0.3	-	-
Operating margin	13.8%	13.9%		14.6%	13.2%	18.3%		18.4%

Reference

	FY2021 1Q	FY2021 2Q	FY2021 3Q
YoY revenue comparison	-27%	-6%	-1%
After FX adjustment	-24%	-6%	+1%
Operating margin	3.8.%	16.6%	18.3%
After FX adjustment	4.5.%	18.0%	18.4%

3Q of Fiscal 2021 (4) Scientific Solutions Division (SSD)



Revenue

- YTD: Decreased due to lower CAPEX in the aerospace sector and constraints on sales activities, partially offset by China's brisk demand in biological and industrial microscopes
- 3Q: Almost flat YoY due to improved market conditions in budget execution and capital expenditures and strong sales of biological microscopes

Operating profit

- YTD: Decreased due to lower revenue and a decline in operating levels at manufacturing bases
- 3Q: Increased due to SG&A streamlining and an improvement in other income and expenses

	1Q-3Q (Apr. - Dec.)				3Q (Oct. - Dec.)			
(Billions of yen)	FY2020	FY2021	YoY	After FX adjustment	FY2020	FY2021	YoY	After FX adjustment
Revenue	76.6	66.9	-13%	-11%	26.9	26.6	-1%	+1%
Operating profit	8.0	3.0	-63%	-54%	2.6	2.7	+4%	+7%
Other income / expenses	-0.5	0	-	-	-0.2	0	-	-
Operating margin	10.5%	4.4%		5.5%	9.8%	10.3%		10.3%

Reference

	FY2021 1Q	FY2021 2Q	FY2021 3Q
YoY revenue comparison	-21%	-17%	-1%
After FX adjustment	-18%	-17%	+1%
Operating margin	-	8.1%	10.3%
After FX adjustment	-	10.0%	10.3%

Statement of Financial Position

- ☑ Goodwill increased due to M&As
- ☑ 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 Dec. 2020	Change
Current assets	506.7	553.9	+47.2
Inventories	167.6	159.5	-8.1
Assets held for sale	6.3	25.0	+18.8
Non-current assets	509.0	551.3	+42.3
Property, plant and equipment	202.1	207.6	+5.5
Intangible assets and others	208.5	210.7	+2.2
Goodwill	98.3	132.9	+34.6
Total assets	1,015.7	1,105.2	+89.6

	End of Mar. 2020	End of Dec. 2020	Change
Current liabilities	333.8	295.6	-38.2
Bonds/loans payable	81.0	26.3	-54.7
Liabilities directly associated with assets held for sale	4.2	25.0	+20.8
Non current liabilities	309.9	453.8	+143.8
Bonds/loans payable	199.9	333.2	+133.3
Equity	372.0	355.8	-16.1
(Equity ratio)	36.5%	32.1%	-4.4pt
Total liabilities and equity	1,015.7	1,105.2	+89.6

Interest-bearing debt: ¥359.5 billion (up ¥78.6 billion from March 31, 2020)

Consolidated Cash Flows

- ☑ FCF: Minus ¥26 billion due to outflow of ¥40 billion for M&As.
  Considering time deposits of ¥40 billion, actual FCF is plus ¥14 billion
- ☑ Financial CF: Plus ¥52 billion due to long-term borrowings and the issuance of corporate bonds

1Q-3Q (Apr. - Dec.)

(Billions of yen)	FY2020	FY2021	Change
Continuing operation — Revenue	561.3	513.6	-47.8
Continuing operation — Operating profit	84.7	64.7	-20.0
Continuing operation — (% of revenue)	15.1%	12.6%	-2.6pt
Discontinued operation — CF from operating activities	105.7	89.0	-16.7
Discontinued operation — CF from investing activities	-45.0	-115.0	-70.0
Discontinued operation — Free cash flow	60.7	-26.0	-86.7
Discontinued operation — CF from financing activities	-29.0	52.0	+80.9
Cash and cash equivalents at end of period	144.8	187.7	+42.8

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

OLYMPUS

02 Forecasts for Fiscal 2021

Fiscal 2021 Consolidated Forecasts

1. Revenue and operating profit were revised upward in light of the strong performance in 3Q
2. Approx. ¥12 billion is included in other expenses related to the implementation of the career support for the external opportunity
3. Net profit turned black of ¥8.5 billion

(Billions of yen)	FY2021 (Forecasts announced on Nov. 13)		FY2021 (New Forecasts)	Change	% change from previous forecasts	FY2020 (Actual)**
Revenue	697.0	1	720.0	+23.0	+3%	755.2
Gross profit (% of revenue)	437.0 (62.7%)		455.5 (63.3%)	+18.5	+4%	482.8 (63.9%)
Selling, general and administrative expenses (% of revenue)	366.0 (52.5%)		354.0 (49.2%)	-12.0	-3%	381.2 (50.5%)
Other income and expenses	-10.5	2	-22.0	-	-	-9.4
Operating profit (% of revenue)	60.5 (8.7%)	1	79.5 (11.0%)	+19.0	+31%	92.2 (12.2%)
Profit before tax (% of revenue)	58.5 (8.4%)		75.5 (10.5%)			86.6 (11.5%)
Profit from continuing operation	47.5 (6.8%)		60.5 (8.4%)			60.6 (8.0%)
Profit (loss) from discontinued operation	-53.0		-52.0			-8.9
Profit	-5.5		8.5			51.7
Profit attributable to owners of parent (% of revenue)	-5.5 (-)	3	8.5 (1.2%)			51.7 (6.5%)
EPS	-¥4		¥7			¥39

*Continuing operation

Continuing operation / Discontinued operation

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.

OLYMPUS

Fiscal 2021 Forecasts by Business Segment

1. ESD, SSD: Revenue and operating profit were revised upward in light of 3Q results
2. TSD: Operating profit was revised upward in light of significant profit increase in 3Q
3. Elimination and Corporate: While controlling SG&A expenses, including expenses related to the implementation of the career support for the external opportunity

(Billions of yen)		FY2021 (Forecasts announced on Nov. 13)		FY2021 (New Forecasts)	Change	% change from previous forecasts
ESD	Revenue	395.0	1	415.0	+20.0	+5%
	Operating profit	88.0		105.0	+17.0	+19%
TSD	Revenue	202.0		202.0	0	0%
	Operating profit	23.0	2	25.0	+2.0	+9%
SSD	Revenue	93.0	1	94.0	+1.0	+1%
	Operating profit	3.5		4.0	+0.5	+14%
Others	Revenue	7.0		9.0	+2.0	+29%
	Operating profit	-3.0		-2.5	+0.5	+¥0.5 billion
Elimination and Corporate	Operating profit	-51.0	3	-52.0	-1.0	-¥1.0 billion
Consolidated Total	Revenue	697.0		720.0	+23.0	+3%
	Operating profit	60.5		79.5	+19.0	+31%
Discontinued operation	Revenue	20.0		21.0	+1.0	+5%
	Operating profit	-53.0		-52.0	+1.0	+¥1.0 billion

OLYMPUS

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

☑ Steadily implementing measures and will continue to promote corporate reforms

- Completed the transfer of Imaging Business to Japan Industrial Partners
- Launched next-gen GI endoscopy system, EVIS X1, in Europe, Japan, and some parts of Asia (Also, launched ENDO-AID, an endoscopy CAD platform)
- Conducted multiple M&As to drive medical growth (GI: Arc Medical Design, Respiratory: Veran Medical Technologies, Orthopedic: FH ORTHO, Surgical: Quest Photonic Devices B.V.)
- Implemented the “Career Support for the External Opportunity” in Japan
- Reorganization of domestic sales functions to strengthen sales capabilities

Key Product Catalysts: Endoscopic Solutions Division (As of Feb.12, 2021)



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	Just launched / Coming soon	Beyond
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)	**GI endoscopy** ▪ EVIS X1 (EU, Japan) ▪ TJF-Q190V, duodenoscope (US) ▪ ENDO-AID, endoscopy CAD platform for EVIS X1 (EU) **Surgical endoscopy** ▪ VISERA ELITE II 3D/IR (US) ▪ VISERA ELITE II 3D (China)	**GI endoscopy** ▪ EVIS X1 (US, China) ▪ 3D function for EVIS X1 ▪ Single-use duodenoscope **Surgical endoscopy** ▪ VISERA ELITE II IR (China) ▪ New generation surgical endoscopy system (EU, Japan)

~6%

revenue growth CAGR in ESD**

*Europe and Japan: Launched full system including 3D/IR function, US: Launched only 2D functions **CAGR for FY2021 to FY2023, starting from FY2020

Acquired Quest Photonic Devices B.V. to Bolster Surgical Endoscopy Capabilities

Acquisition of advanced fluorescence imaging technologies
Promote R&D for next-gen molecular imaging technologies

Technological evolution of surgical imaging — **Present**

Higher resolution and 3D

Fluorescence imaging

- Using near-infrared light in combination with fluorescent dye to let doctors see tissues such as blood vessels

VISERA ELITEII



Laparoscopy

Spectrum®



Laparotomy & Laparoscopy

OLYMPUS + Quest medical imaging



Strengths of Quest

- Advanced fluorescence imaging technologies
- Working with biotechnology companies that are developing next-gen molecular imaging dyes

Molecular imaging

- Visualizing cancer cells by combining fluorescent dye with specific antibodies and exploiting the natures of drugs accumulating in specific organs, etc.

Research and development →

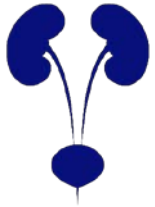
Key Product Catalysts: Therapeutic Solutions Division (As of Feb. 12, 2021)



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

Growth driver now

GI endotherapy
- Visiglide series
- ESD Knife
- EZ Clip / QuickClip Pro
- EndoJaw

Urology
- Resection electrode

Respiratory
- ViziShot series
- Spiration Valve System

Just launched / Coming soon

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)

Respiratory
- Veran Electromagnetic Navigation system (US)
- Single-use bronchoscope (US)

Beyond

GI endotherapy
- Single-use cholangioscope

Urology
- Single-use ureteroscope

Respiratory
- Veran Electromagnetic Navigation system(EU)
- Single-use bronchoscope

~8%

revenue growth CAGR in TSD**

*Bronchoscopic Lung Volume Reduction
**CAGR for FY2021 to FY2023, starting from FY2020

OLYMPUS

Olympus Opportunities in Respiratory

Grow Respiratory Portfolio with Acquisition of Veran Medical Technologies

- ☑ Olympus' endoscope technologies will combine perfectly with VMT's electromagnetic system to help improve the diagnosis of early lung cancer





Electromagnetic Navigation System

- ☑ Olympus' acquisition of VMT includes a 5-year agreement with Hunan Vathin, which includes both the distribution of single-use bronchoscopes in the U.S. and co-development activities for specialized single-use bronchoscopes

VERAN MEDICAL TECHNOLOGIES × VATHIN Vathin Medical

Olympus Approach to Reusable and Single-use Endoscope

As a market leader in endoscopes, Olympus will continue to build a comprehensive portfolio of reusable and single-use endoscopes to provide optimal solutions addressing customer needs



There are high needs for reusable endoscope that balance cost and technology such as advanced observation performance, insertability into the body and operability in treatment.



The single-use endoscope market is growing, especially in areas where there is a clear need and the value of single-use endoscopes.

We will add a lineup of single-use endoscopes in these areas.

- ☑ Infection control requirements
- ☑ Durability requirements
- ☑ Procedure-specific requirements

→ Duodenoscopes

→ Cholangioscopes / Ureteroscopes

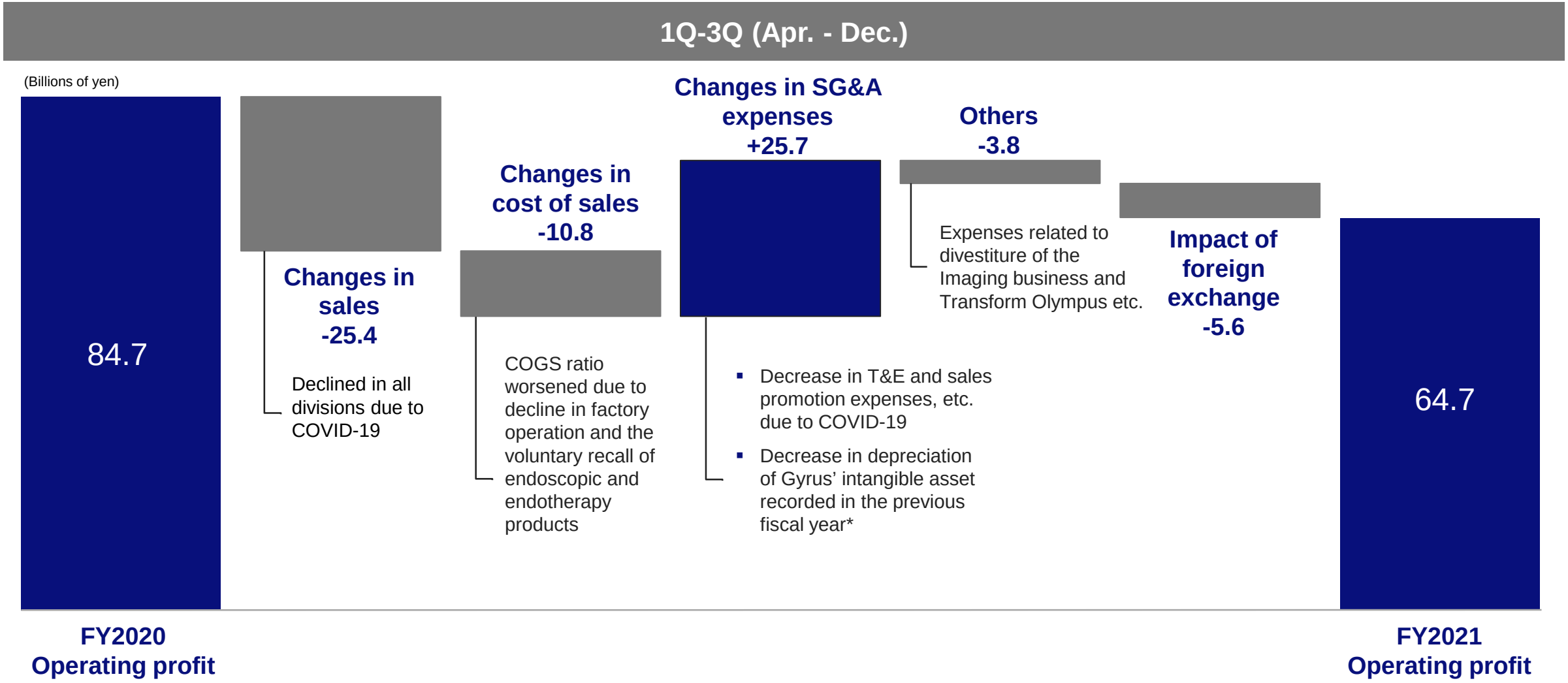
→ Bronchoscopes


OLYMPUS

OLYMPUS

04 Appendix

Supplementary Materials: 3Q of Fiscal 2021 Factors that Affected Consolidated Operating Profit

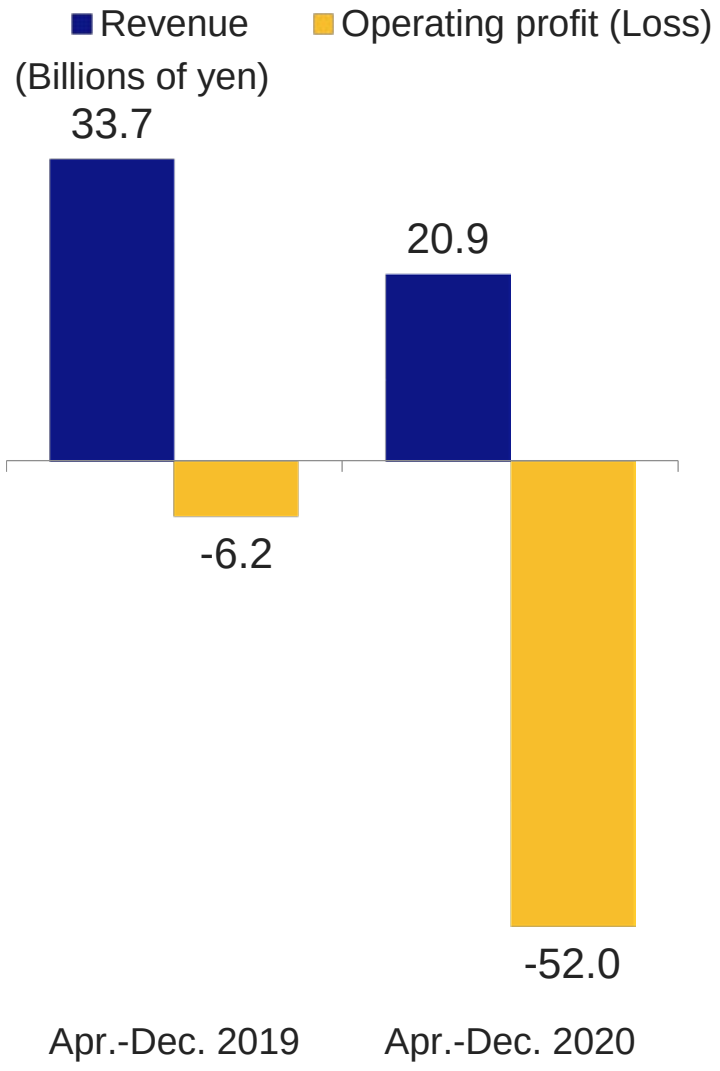


* Amortization of Gyrus' intangible asset was finished in FY2020

Supplementary Materials:3Q of Fiscal 2021 Results by Segment

(Billions of yen)		1Q-3Q (Apr. - Dec.) FY2020	1Q-3Q (Apr. - Dec.) FY2021	1Q-3Q (Apr. - Dec.) YoY	1Q-3Q (Apr. - Dec.) After FX adjustment	3Q (Oct. - Dec.) FY2020	3Q (Oct. - Dec.) FY2021	3Q (Oct. - Dec.) YoY	3Q (Oct. - Dec.) After FX adjustment
ESD	Revenue	315.1	294.5	-7%	-5%	108.3	112.4	+4%	+6%
	Operating profit	91.6	76.8	-16%	-12%	31.8	34.7	+9%	+11%
TSD	Revenue	163.6	146.1	-11%	-9%	55.6	55.2	-1%	+1%
	Operating profit	22.5	20.3	-10%	-4%	7.3	10.1	+38%	+40%
SSD	Revenue	76.6	66.9	-13%	-11%	26.9	26.6	-1%	+1%
	Operating profit	8.0	3.0	-63%	-54%	2.6	2.7	+4%	+7%
Others	Revenue	6.0	6.0	0%	0%	2.1	2.8	+30%	+30%
	Operating profit	-1.9	-1.5	+¥0.4 billion	+¥0.4 billion	-0.6	-0.6	0	0
Elimination and Corporate	Operating profit	-35.5	-33.8	+¥1.7 billion	+¥1.7 billion	-12.3	-12.5	-¥0.3 billion	-¥0.2 billion
Consolidated Total	Revenue	561.3	513.6	-9%	-7%	192.9	197.1	+2%	+4%
	Operating profit	84.7	64.7	-24%	-17%	28.9	34.4	+19%	+23%
Discontinued operation	Revenue	33.7	20.9	-38%	-38%	12.9	7.2	-45%	-45%
	Operating profit	-6.2	-52.0	- ¥45.8 billion	- ¥45.9 billion	-1.3	-3.5	- ¥2.2 billion	- ¥2.2 billion

Supplementary Materials: 3Q of Fiscal 2021 Discontinued Operation (IMD)



Revenue 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 (44.7 billion yen)

1Q-3Q (Apr. - Dec.)

(Billions of yen)	FY2020	FY2021	YoY	After FX adjustment
Revenue	33.7	20.9	-38%	-38%
Operating profit	-6.2	-52.0	- ¥45.8 billion	- ¥45.9 billion
Other income / expenses	-1.4	-44.7	-	-
Operating margin	-	-		-

3Q (Oct. - Dec.)

FY2020	FY2021	YoY	After FX adjustment
12.9	7.2	-45%	-45%
-1.3	-3.5	- ¥2.2 billion	- ¥2.2 billion
-0.3	-0.8	-	-
-	-		-

Reference

	FY2021 1Q	FY2021 2Q	FY2021 3Q
YoY Revenue Comparison	-41%	-26%	-45%
After FX adjustment	-39%	-26%	-45%
Operating margin	-	-	-

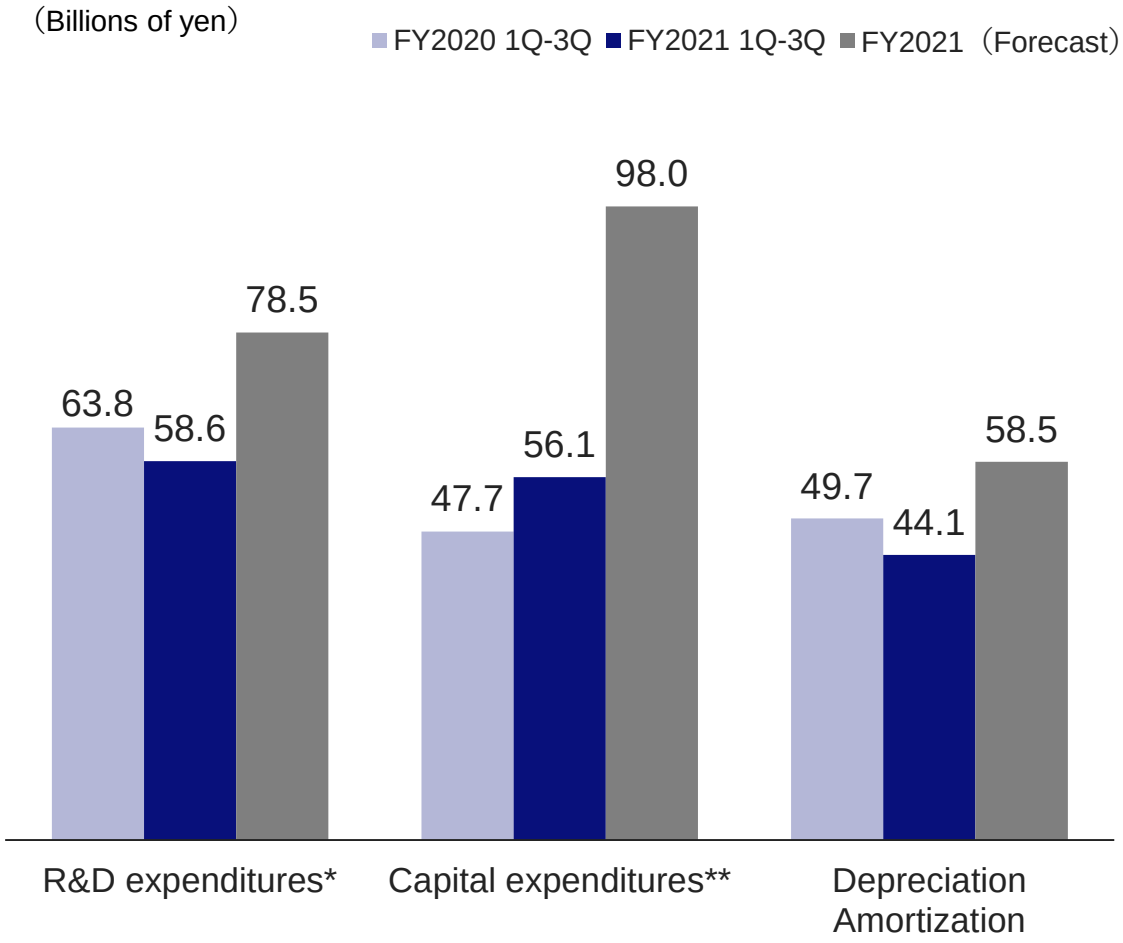
Cash flows of discontinued operation

1Q-3Q (Apr. –Dec.)

	FY2020	FY2021	Change
CF from operating activities	-3.4	-3.0	+0.5
CF from investing activities	-2.0	-0.9	+1.2
CF from financing activities	0	-0.1	-0

Supplementary Materials: Expenditures etc.

1Q-3Q(9 months) Results and Full-year Forecasts



(Billions of yen)	FY2020 1Q-3Q	FY2021 1Q-3Q
R&D expenditures* (a)	63.8	58.6
Capitalization of R&D expenditures (b)	14.4	11.6
R&D expenses in P/L (a-b)	49.5	47.0

(Billions of yen)	FY2020 1Q-3Q	FY2021 1Q-3Q
Amortization	5.1	6.4
	End of Sep. 2020	End of Dec. 2020
R&D assets	51.3	53.1

*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 1Q-3Q: ¥6.9 billion, FY2021 1Q-3Q: ¥17.8 billion, FY2021 Forecast: ¥37.0 billion)