



Consolidated Financial Results for the 1st Quarter Fiscal 2021

Olympus Corporation | Executive Officer and Chief Financial Officer | Chikashi Takeda | August 5, 2020

(Slide 1)

- Greetings, I am Chikashi Takeda, Chief Financial Officer of Olympus Corporation.
- I would like to thank you all for participating in this conference call for the consolidated financial results for the first quarter of fiscal 2021.
- I will begin with a summary of financial results.

Disclaimer

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Highlights

1Q Consolidated Financial Results

- ✓ Revenue: Decreased significantly in all divisions due to COVID-19
But YoY decline in revenue slowed from May to June
- ✓ Operating profit: Achieved profitability even in challenging environment by
controlling expenses
Mainstay Endoscopic Solutions Division (ESD) generated profit

Full-Year Performance Forecasts

- ✓ Consolidated performance forecasts remain undecided
Outlook remains uncertain due to continued spread of COVID-19 and it is difficult to
make a reasonable estimate on our financial forecasts

(Slide 3)

- Please turn to slide 3.
- This slide highlights our consolidated financial results for the first quarter of fiscal 2021.
- Revenue and operating profit were negatively impacted by COVID-19.
- Although revenue decreased significantly in all divisions, YoY decline in revenue slowed from May to June.
- In operating profit, we achieved profit even in a challenging environment, driven by mainstay Endoscopic Solutions Division, accompanied with controlling expenses.
- While full-year forecasts have yet to be determined, both revenue and operating profit were higher than our preliminary plan.
- Outlook remains uncertain due to continued global spread of COVID-19 and therefore it is difficult to make a reasonable estimate on our financial forecasts.

01

**Consolidated Financial Results and
Business Review for the 1Q of
Fiscal 2021 (FY Ending March 31, 2021)**

(Slide 4)

- I will now explain our consolidated financial results and business review for the first quarter.

1Q of Fiscal 2021 (1) Consolidated Financial Results

- 1 Revenue: Decreased in all divisions due to COVID-19
- 2 Operating profit: Maintained profitability driven by ESD despite challenging environment

| (Billions of yen) | 1Q (Apr. to Jun.) | | | | Supplemental data | |
|---|-------------------|-----------------|----------------|-----------------------------------|--|--|
| | FY2020 | FY2021 | YoY | After foreign exchange adjustment | After foreign exchange and COVID-19 adjustment | |
| Revenue | 181.9 | 142.4 | -22% | -19% | -¥34.0 billion | |
| Gross profit (% of revenue) | 116.7 (64.2%) | 87.3 (61.3%) | -25% | -22% | - | |
| Selling, general and administrative expenses (% of revenue) | 101.1 (55.6%) | 84.6 (59.4%) | -16% | -14% | - | |
| Other income and expenses | -0.9 | -1.4 | - | - | - | |
| Operating profit (% of revenue) | 14.7 (8.1%) | 1.2 (0.8%) | -92% | -80% | -¥11.0 billion | |
| Profit before tax (Profit before tax Rate) | 13.6 (7.5%) | 0.2 (0.1%) | -98% | | | |
| Profit(loss) attributable to owners of parent (Profit attributable to owners of parent Rate) | 8.6 (4.7%) | -2.7 (-) | -¥11.4 billion | | | |
| EPS | ¥6 | -¥2 | | | | |
| Yen/U.S. dollar | ¥110 | ¥108 | | | | |
| Yen/U.S. Euro | ¥123 | ¥118 | | | | |
| JPY/CNY | ¥16 | ¥15 | | | | |

| |
|------------------------------|
| Dividend forecast for FY2021 |
| Undecided |

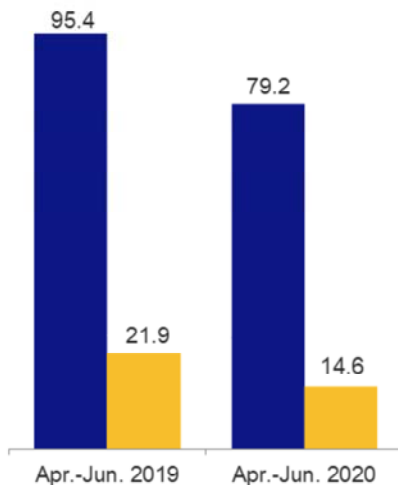
(Slide 5)

- Please turn to slide 5.
- Consolidated revenue amounted to ¥142.4 billion, down 19% excluding FX impact. Revenue was down in all divisions due to COVID-19.
- Gross profit was ¥87.3 billion. The COGS ratio increased due mainly to a decline in factory operation owing to COVID-19.
- SG&A expenses totaled ¥84.6 billion. Although T&E, sales promotion and other expenses decreased because of being unable to do normal activities owing to COVID-19, the SG&A ratio increased as revenue declined.
- Operating profit was in the positive at ¥1.2 billion, driven by mainstay Endoscopic Solutions Division.
- COVID-19 is estimated to impact revenue by ¥34 billion and operating profit by ¥11 billion.
- Each division was impacted around April and May. In particular, Therapeutic Solutions Division, which focuses on single-use devices, posted a significant decline in revenue since its sales are dependent on the number of procedures.
- Our calculations on the impact are based on the assumption that we would have at least achieved the same level of performance as the previous year if it is not for COVID-19, excluding FX impact and other income and expenses.
- Loss attributable to owners of parent was ¥2.7 billion as tax expenses exceeded due to the quarterly financial reporting, but this is expected to be averaged throughout the year.

1Q of Fiscal 2021 (2) Endoscopic Solutions Division (ESD)



■ Revenue ■ Operating Profit
(Billions of yen)



✓ Revenue

Revenue decreased due to COVID-19, but China showed growth of 3% (excl. FX)

✓ Operating profit

Achieved operating margin of approx. 20% (excl. FX) despite challenging environment

| (Billions of yen) | 1Q (Apr. to Jun.) | | YoY | After foreign exchange adjustment |
|---------------------------|-------------------|--------|------|-----------------------------------|
| | FY2020 | FY2021 | | |
| Revenue | 95.4 | 79.2 | -17% | -14% |
| Operating profit | 21.9 | 14.6 | -33% | -27% |
| Other income and expenses | 0.2 | -0.4 | - | - |
| Operating margin | 23.0% | 18.5% | | 19.4 % |

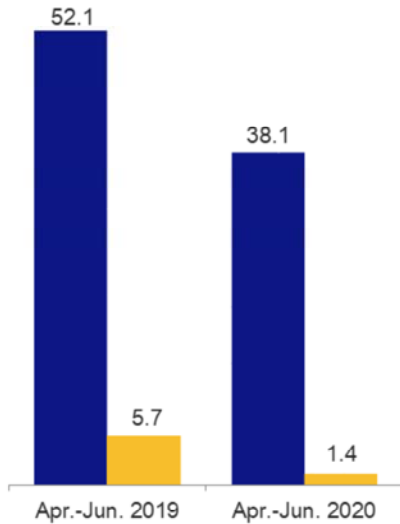
(Slide 6)

- From slide 6, I will go into details about the results of each segment.
- Let's begin with the Endoscopic Solutions Division.
- Revenue amounted to ¥79.2 billion, down 14% excluding FX impact.
- We conducted online-based sales activities and training and seminars to respond to COVID-19. Performance was negatively affected by restrictions on sales promotions such as visits to customers and medical institutions, and by delayed or canceled business negotiations, as well as a decline in the number of procedures.
- Although we faced difficult conditions in all regions, in China revenue was up 3% excluding FX impact.
- In Europe, performance continued to be solid in Russia, where a government-led cancer project is being implemented, resulting in a mere 3% decline in revenue excluding FX impact. This decline was smaller than that in other regions.
- Operating profit was ¥14.6 billion by controlling SG&A expenses. The operating margin stood at 19.4% excluding FX impact.

1Q of Fiscal 2021 (3) Therapeutic Solutions Division (TSD)



■ Revenue ■ Operating Profit
(Billions of yen)



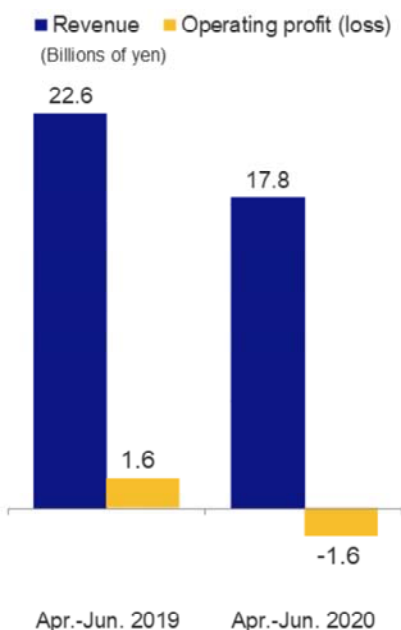
- ☑ Revenue Revenue decreased in all regions with the number of elective procedures down
- ☑ Operating profit (loss) Despite lower revenue, cost reductions led to profitability

| (Billions of yen) | 1Q (Apr. to Jun.) | | YoY | After foreign exchange adjustment |
|---------------------------|-------------------|--------|------|-----------------------------------|
| | FY2020 | FY2021 | | |
| Revenue | 52.1 | 38.1 | -27% | -24% |
| Operating profit | 5.7 | 1.4 | -74% | -69% |
| Other income and expenses | 0 | -0.3 | - | - |
| Operating margin | 10.9% | 3.8% | | 4.5% |

(Slide 7)

- Slide 7 shows the results of the Therapeutic Solutions Division.
- Revenue amounted to ¥38.1 billion, down 24% excluding FX impact.
- This decline was due to changes in operations at medical facilities aimed at preventing from the spread of COVID-19, and a decline in the number of procedures as patients refrained from visiting hospitals, as well as restrictions on sales promotion activities.
- There were some regional differences in performance. In the US, revenue declined a considerable 36% excluding FX impact, while Japan down 14% and China down a similar 11%.
- Operating profit was in the positive at ¥1.4 billion due in part to a reduction in expenses. The operating margin stood at 4.5% excluding FX impact.

1Q of Fiscal 2021 (4) Scientific Solutions Division (SSD)



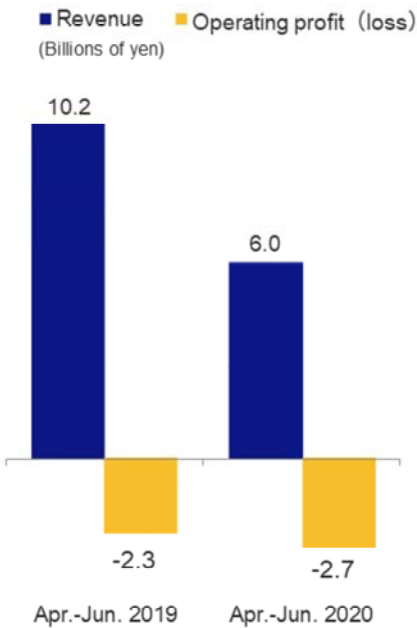
- Revenue** Revenue decreased due to COVID-19, but China showed growth
- Operating profit (loss)** Operating loss was posted due mainly to lower revenue

| (Billions of yen) | 1Q (Apr. to Jun.) | | YoY | After foreign exchange adjustment |
|---------------------------|-------------------|--------|---------------|-----------------------------------|
| | FY2020 | FY2021 | | |
| Revenue | 22.6 | 17.8 | -21% | -18% |
| Operating profit(loss) | 1.6 | -1.6 | -¥3.2 billion | -¥3.0 billion |
| Other income and expenses | -0.2 | -0.3 | - | - |
| Operating margin | 7.3% | - | | |

(Slide 8)

- Please turn to slide 8. Let's take a look at the Scientific Solutions Division.
- Revenue amounted to ¥17.8 billion, down 18% excluding FX impact.
- Revenue were down on the whole due to COVID-19. But China showed revenue growth, driven by industrial products such as industrial microscopes and non-destructive testing equipment.
- Operating loss of ¥1.6 billion was recorded due mainly to lower revenue.

1Q of Fiscal 2021 (5) Imaging Division (IMD)



- Revenue Revenue decreased due to COVID-19
- Operating profit (loss) Operating loss expanded due mainly to lower revenue

1Q (Apr. to Jun.)

| (Billions of yen) | FY2020 | FY2021 | YoY | After foreign exchange adjustment |
|---------------------------|--------|--------|--------------|-----------------------------------|
| Revenue | 10.2 | 6.0 | -41% | -39% |
| Mirrorless | 7.7 | 4.8 | -38% | -36% |
| Compact | 1.2 | 0.6 | -52% | -51% |
| Others | 1.3 | 0.7 | -46% | -44% |
| Operating profit (loss) | -2.3 | -2.7 | ¥0.4 billion | ¥0.5 billion |
| Other income and expenses | -0.5 | -0.2 | - | - |
| Operating margin | - | - | - | - |

(Slide 9)

- Slide 9 show the results for the Imaging Division.
- Revenue amounted to ¥6.0 billion, down 39% YoY, excluding FX impact.
- Operating loss was ¥2.7 billion.
- COVID-19 had significant impact on revenue, resulting in widening operating loss.

Statement of Financial Position

- ☑ Secured cash balance for stable business operations
- ☑ Bonds/loans increased due to increase in long-term borrowings and issuance of CP

| (Billions of yen) | End of Mar. 2020 | End of June 2020 | Change | | End of Mar. 2020 | End of June 2020 | Change |
|-------------------------------|---------------------|---------------------|--------------|-------------------------------------|---------------------|---------------------|--------------|
| Current assets | 506.7 | 604.4 | +97.7 | Current liabilities | 333.8 | 344.4 | +10.6 |
| Inventories | 167.6 | 183.3 | +15.7 | Bonds/loans payable | 81.0 | 111.9 | +30.9 |
| Non-current assets | 509.0 | 494.7 | -14.3 | Non current liabilities | 309.9 | 392.7 | +82.8 |
| Property, plant and equipment | 202.1 | 201.3 | -0.8 | Bonds/loans payable | 199.9 | 284.0 | +84.1 |
| Intangible assets and others | 208.5 | 196.0 | -12.5 | Equity | 372.0 | 362.0 | -10.0 |
| Goodwill | 98.3 | 97.4 | -1.0 | (Equity ratio) | 36.5% | 32.8% | -3.7pt |
| Total assets | 1,015.7 | 1,099.1 | +83.4 | Total liabilities and equity | 1,015.7 | 1,099.1 | +83.4 |

Interest-bearing debt: ¥395.9 billion (up ¥115.0 billion from March 31, 2020)

(Slide 10)

- Slide 10 shows our financial position as of June 30, 2020.
- With no end to COVID-19 in sight, we had additional funding and increased liquidity to ensure stable business operations. As a result, cash, corporate bonds and loans increased.
- In addition, inventories increased by ¥15.7 billion. This was mainly because revenue did not grow as planned due to COVID-19.
- The equity ratio was 32.8%, down 3.7 percentage points from the end of the previous fiscal year, due to an increase in liabilities.

Consolidated Cash Flows

- ☑ FCF: Minus ¥3.9 billion due to lower operating profit
- ☑ Financial CF: Plus ¥111.8 billion due to increase in long-term borrowings

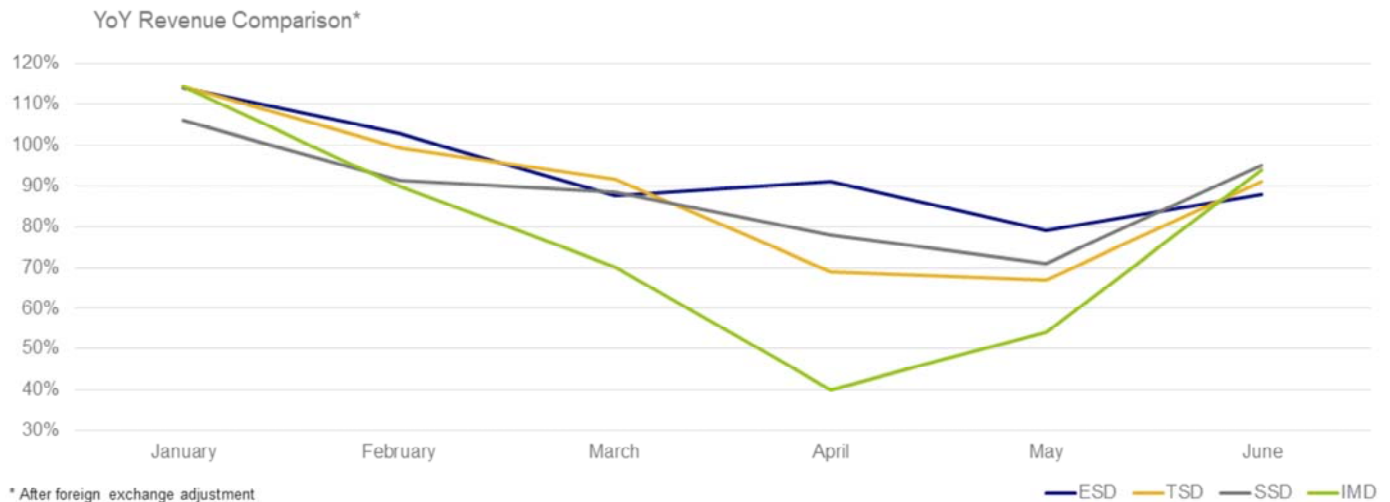
| (Billion of yen) | 1Q (Apr. - Jun.) | | Change | |
|--|------------------|--------|--------|--------|
| | FY2020 | FY2021 | | |
| Revenue | 181.9 | 142.4 | -39.5 | |
| Operating profit | 14.7 | 1.2 | -13.5 | |
| | (% of revenue) | 8.1% | 0.8% | -7.3pt |
| CF from operating activities | 28.4 | 8.4 | -20.0 | |
| CF from investing activities | -15.5 | -12.3 | +3.2 | |
| Free cash flow | 12.9 | -3.9 | -16.8 | |
| CF from financing activities | -11.3 | 111.8 | +123.1 | |
| Cash and cash equivalents at end of period | 113.7 | 270.7 | +156.9 | |

(Slide 11)

- Slide 11 shows the status of cash flows.
- Cash flow from operating activities decreased by ¥20.0 billion YoY to ¥8.4 billion against the backdrop of a decline in operating profit owing to COVID-19.
- Cash flow from investing activities decreased ¥3.2 billion YoY due primarily to the decrease of purchases of demo and loaner products in Medical.
- This led to free cash flow of minus ¥3.9 billion, down by ¥16.8 billion.
- Cash flow from financing activities amounted to ¥111.8 billion, up ¥123.1 billion, due to increase in long-term borrowings and issuance of CP.
- As a result, cash and cash equivalents at the end of the first quarter stood at ¥270.7 billion.

Updates: January to June

Revenue has been on a downward trend since February due to COVID-19, but the decline slowed from May to June. It is difficult to make a reasonable estimate on our financial forecasts



(Slide 12)

- Please turn to slide 12. I will explain the status of monthly revenue.
- This graph shows the revenue trend by division from January to June 2020, in comparison with previous year's as a baseline of 100%. Revenue was on a downward trend until the end of April due to COVID-19. But the rate of decline slowed in all divisions from May to June.
- In addition, I refer to the situation in July. As a reference on preliminary reports, Endoscopic Solutions Division is recovering slightly compared to June, and Therapeutic Solutions Division is recovering to the level of the previous year. However, the decline in Scientific Solutions Division and Imaging Division is expanding again.
- There are signs of COVID-19 widespread again around the world, and the situation differs depending on the region.
- As such, it is difficult to make a reasonable estimate on financial forecasts, and our full-year forecasts have yet to be determined.

Initiatives for New Normal

Accelerate new-normal initiatives in sales promotion activities to support HCPs and customers

MedPresence*

- Real-time virtual collaboration solution for clinical uses with high IT security technology
- Enterprise medical virtual presence solution, that enables teams to quickly bring needed expertise into a procedure space from across the organization, around the world, and at any time safely and securely



Online training and demonstrations

- Online training, demonstrations, seminars, etc. to support HCPs and customers even in COVID-19 pandemic environment
- Pursue new approaches to customers centered on digitization



Online demonstration for microscope



Online seminar for medical device

*Introduced in the US and Europe

(Slide 13)

- Please turn to slide 13.
- The COVID-19 pandemic is changing the way we interact with HCPs and customers. Let me share two examples of how Olympus has been responding to New Normal.
- First, MedPresence. It is a newly developed service by utilizing technologies of Image Stream Medical that we acquired in 2017.
- MedPresence is an enterprise medical virtual presence solution enabling surgical teams – specialists, application trainers, or manufacturer’s representatives – to quickly bring needed expertise into a procedure space from across the hospital’s network, around the world, and at any time virtually.
- The access to real-time endoscopy images and room context differentiates MedPresence from consumer meeting technologies, as well as its security features and U.S. patent.
- EU and US COVID-19 emergency response is to offer a 90-day free trial of the telecollaboration service. Our aim is to help them preserve PPE and limit their clinical teams and patients exposure to the virus.
- The second example is online training, demonstrations and seminars.
- Due to COVID-19, face-to-face interactions with customers have been kept under restrictions.
- In response, we have been providing many online demonstrations and seminars.
- While the spread of COVID-19 and the launch of EVIS X1 overlapped, the face-to-face events were canceled, we are planning new Webinar-style doctor events as well as enriching the demonstration videos of EVIS X1 that are easy to use in online communication.
- We will continue to pursue new approaches centered on digitization and accelerate our efforts toward New Normal.

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



- Olympus and Japan Industrial Partners signed a memorandum of understanding to transfer Olympus's Imaging Business
- EVIS X1 has been launched in EMEA (Europe, Middle East & Africa), Australia, India and Hong Kong on April 23 and in Japan on July 3

(Slide 14)

- Please turn to slide 14.
- We are committed to steadily implementing corporate reforms in fiscal 2021. Key progress made to date can be summarized in the following two points.
- First, on June 24 we signed a memorandum of understanding regarding the transfer of the Imaging Business with Japan Industrial Partners (JIP), which has a strong track record in business revitalization. The new Co, as the successor to such brands as OM-D, PEN and ZUIKO, will continuously provide better products and services to customers.
- Second, we launched EVIS X1, a next-gen GI endoscopy system. Sales started in some parts of Europe and Asia on April 23 and in Japan on July 3.
- We will create clinical value and establish the golden standard in endoscopic examination and treatment by providing new functions of EVIS X1 and a comprehensive product portfolio centered on the globally unified platform.

Continue investments needed for sustainable growth



Securing liquidity of approx. ¥350-400 billion*

- Cash balance: approx. ¥270 billion**
- Issued ¥50 billion of corporate bonds (5yr and 10yr) in July
- In addition, commitment line of credit: approx. ¥100 billion



Strengthen business development activities

- Consider necessary M&A while strengthening financial flexibility

* As of the end of July 2020 **As of the end of June 2020

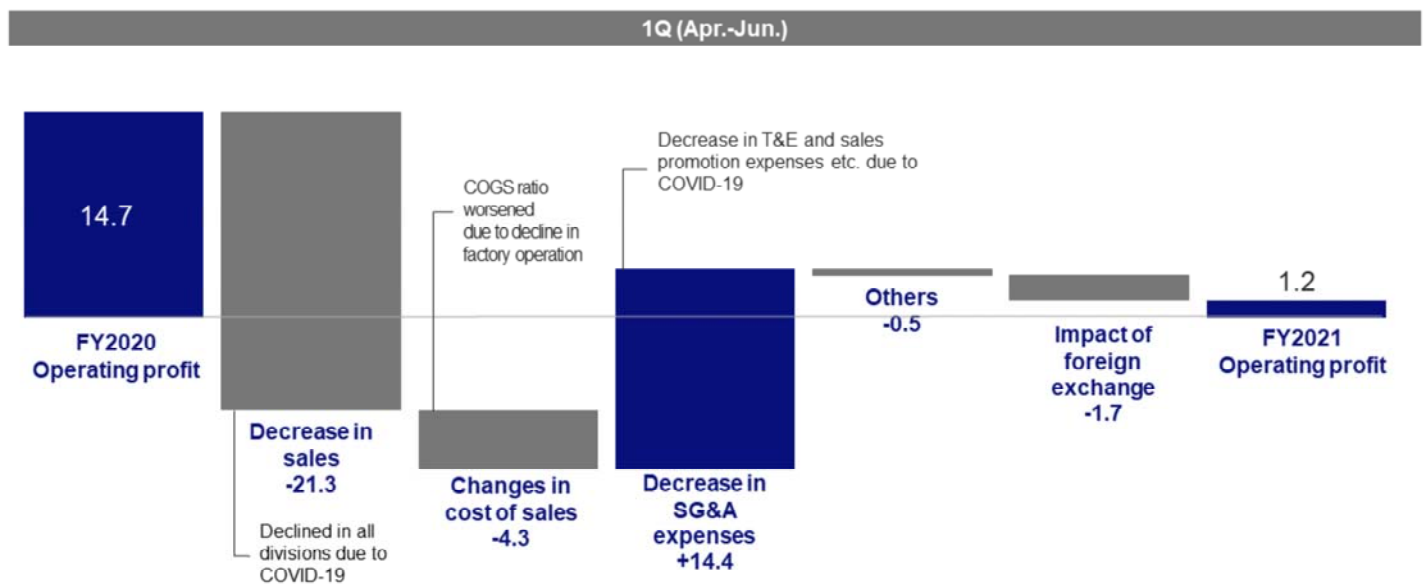
(Slide 15)

- Please turn to slide 15.
- At slide 10, I explained that we increased liquidity to ensure stable business operations. We issued ¥50 billion of corporate bonds in July.
- We have also secured a commitment line of ¥100 billion with Japanese banks.
- In addition, we have set our sights on investments for sustainable growth despite the ongoing impact of COVID-19.
- We continue to strengthen our business development functions.
- We are dedicated to reinforcing our core competency in early diagnosis and minimally invasive treatment and increasing corporate value, by proactively utilizing M&A opportunities focused on priority areas defined in new corporate strategies, which was announced last November.
- This wraps up my presentation. Thank you for listening.

OLYMPUS

02 Appendix

Supplementary Materials: 1Q of Fiscal 2021 Factors that Affected Consolidated Operating Profit



Supplementary Materials: 1Q of Fiscal 2021 by Segment

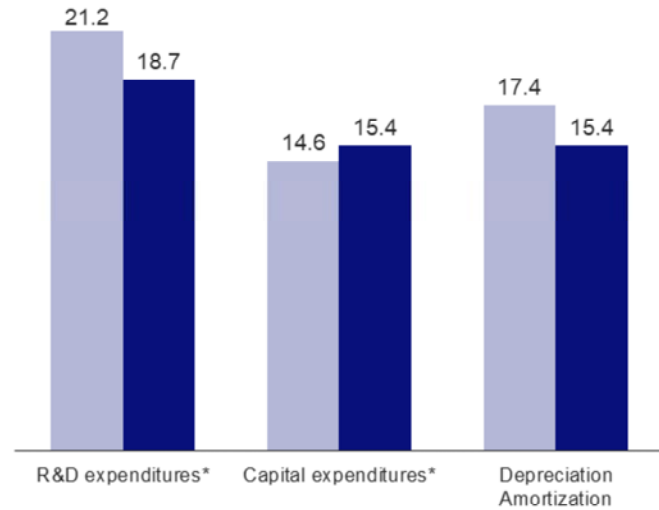
| Billions of yen | | 1Q (Apr. to Jun.) | | | | Supplemental data |
|---------------------------|------------------|-------------------|--------|---------------|-----------------------------------|--|
| | | FY2020 | FY2021 | YoY | After foreign exchange adjustment | After foreign exchange and COVID-19 adjustment |
| ESD | Revenue | 95.4 | 79.2 | -17% | -14% | - |
| | Operating profit | 21.9 | 14.6 | -33% | -27% | - |
| TSD | Revenue | 52.1 | 38.1 | -27% | -24% | - |
| | Operating profit | 5.7 | 1.4 | -74% | -69% | - |
| SSD | Revenue | 22.6 | 17.8 | -21% | -18% | - |
| | Operating profit | 1.6 | -1.6 | -¥3.2 billion | -¥3.0 billion | - |
| IMD | Revenue | 10.2 | 6.0 | -41% | -39% | - |
| | Operating profit | -2.3 | -2.7 | -¥0.4 billion | -¥0.5 billion | - |
| Others | Revenue | 1.6 | 1.3 | -18% | -18% | - |
| | Operating profit | -0.6 | -0.4 | +¥0.2 billion | +¥0.2 billion | - |
| Elimination and Corporate | Operating profit | -11.5 | -10.1 | +¥1.4 billion | +¥1.3 billion | - |
| Consolidated Total | Revenue | 181.9 | 142.4 | -22% | -19% | -¥34.0 billion |
| | Operating profit | 14.7 | 1.2 | -92% | -80% | -¥11.0 billion |

Supplementary Materials: Expenditures etc.

1Q (Apr. to Jun.)

(Billions of yen)

■ FY2020 ■ FY2021



(Billions of yen)

| | FY2020 | FY2021 |
|--|--------|--------|
| R&D expenditures* (a) | 21.2 | 18.7 |
| Capitalization of R&D expenditures (b) | 3.3 | 3.4 |
| R&D expenses in P/L (a-b) | 17.9 | 15.3 |

(Billions of yen)

| | FY2020 | FY2021 |
|--------------|------------------|------------------|
| Amortization | 1.7 | 2.0 |
| | End of Mar, 2020 | End of Jun, 2020 |
| R&D assets | 47.7 | 49.2 |

*Capitalization of R&D expenditures (b) are included in R&D expenditures and capital expenditures.