# 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

(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 second quarter of fiscal 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.
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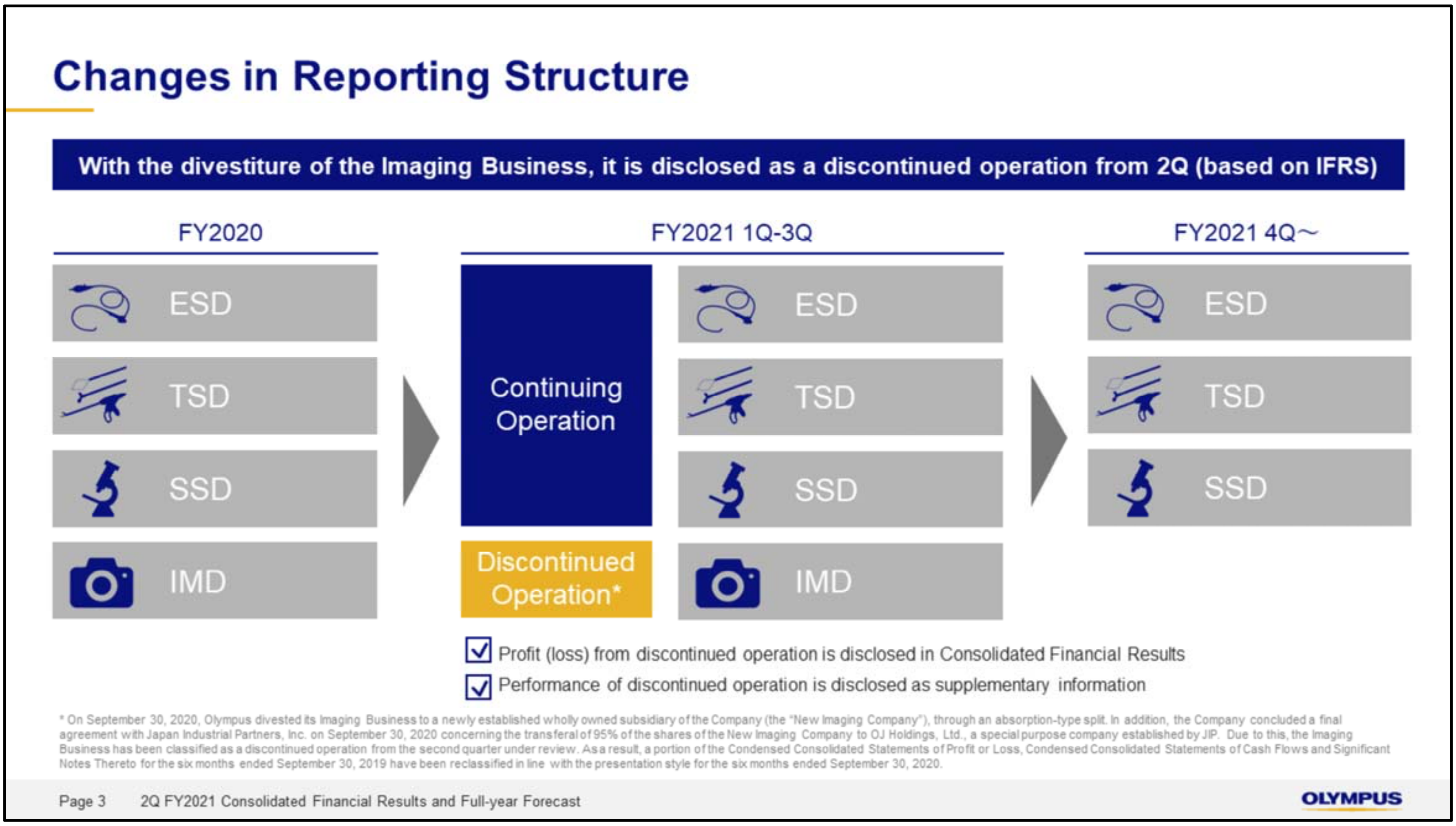
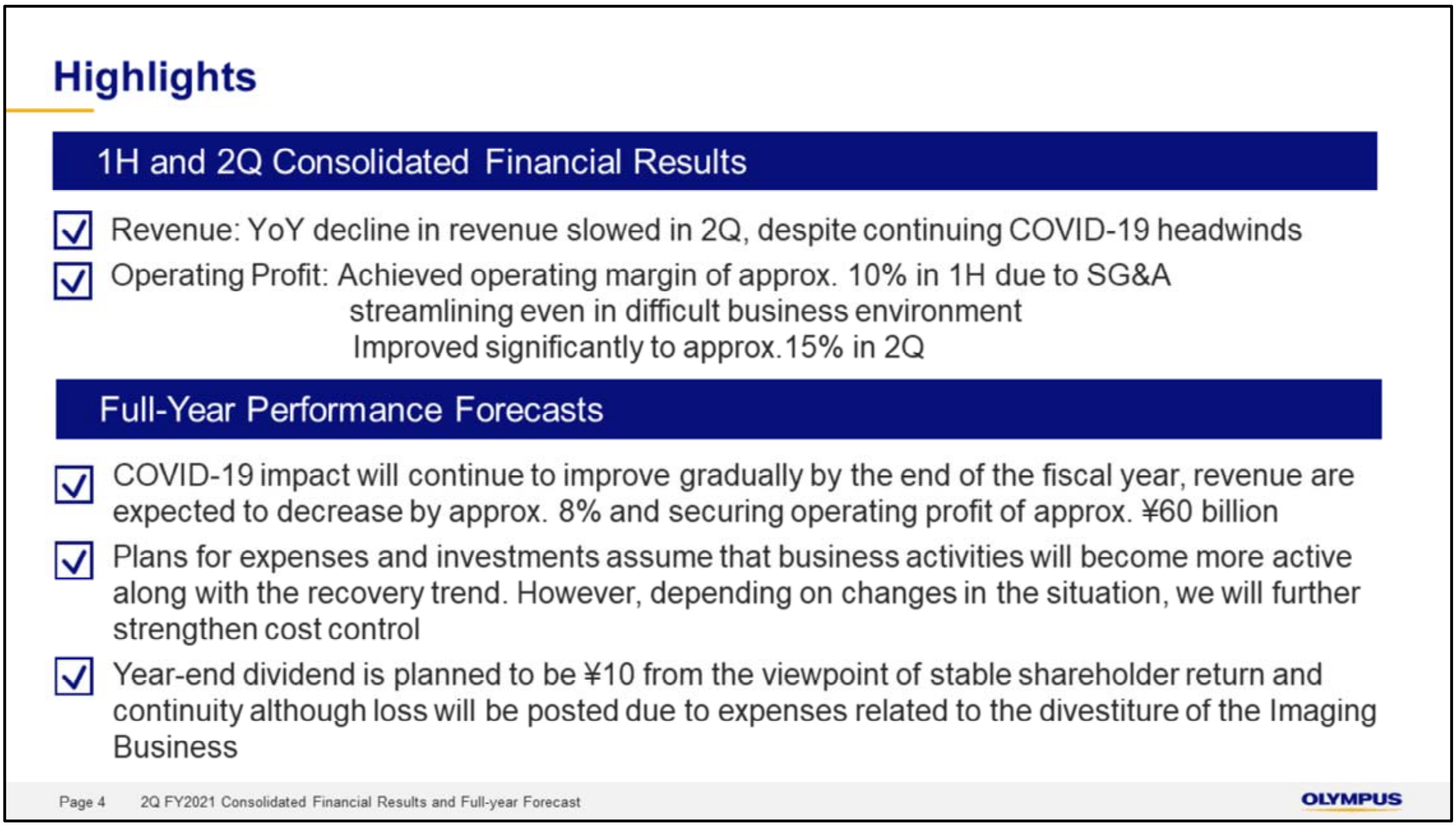



(Slide 3)

- Please turn to slide 3.
- First, I would like to explain the changes in our reporting structure.
- On September 30, Olympus signed the definitive agreement regarding the divestiture of the Imaging Business.
- Based on IFRS, the Imaging Business will be classified as a discontinued operation from this fiscal year.
- For that reason, today I will focus on continuing operation, excluding the discontinued operation.
- Please feel free to refer to the Appendix which includes information about discontinued operation.
- Let me now provide an overview of our financial results.




(Slide 4)

- Please turn to slide 4.
- This slide highlights our financial results for the second quarter of fiscal 2021.
- Although consolidated revenue declined in the first half of the year due to COVID-19, in the second quarter we saw a recovery trend and YoY decline in revenue slowed compared with the first quarter.
- Operating profit improved significantly, driven by improved revenue and lower SG&A expenses owing to activity constraints and strict cost control.
- The operating margin was approx. 10% in the first half, improving to approx. 15% in the second quarter alone.
- Moving on to full-year forecasts.
- We expect revenue to continue its gradual recovery toward the end of the fiscal year, with an eventual annual decline of only approx. 8%. Operating profit is expected to reach approx. ¥60 billion.
- Regarding SG&A expenses and investments, we are forecasting on the premise that business activities will become more active based on the ongoing recovery trend.
- Currently, COVID-19 is resurging mainly in Europe and the US, so we will continue to monitor the situation.
- Depending on changes in the situation, we will further strengthen cost control and aim to achieve the full-year forecasts.
- In terms of the bottom line, although we expect to record a loss for the current fiscal year due in part to expenses related to the divestiture of the Imaging Business, in the interest of maintaining stable shareholder return, we expect an annual dividend of ¥10.

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

(Slide 5)

- I will now explain the consolidated financial results and provide a business review for the second quarter.

# 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)..

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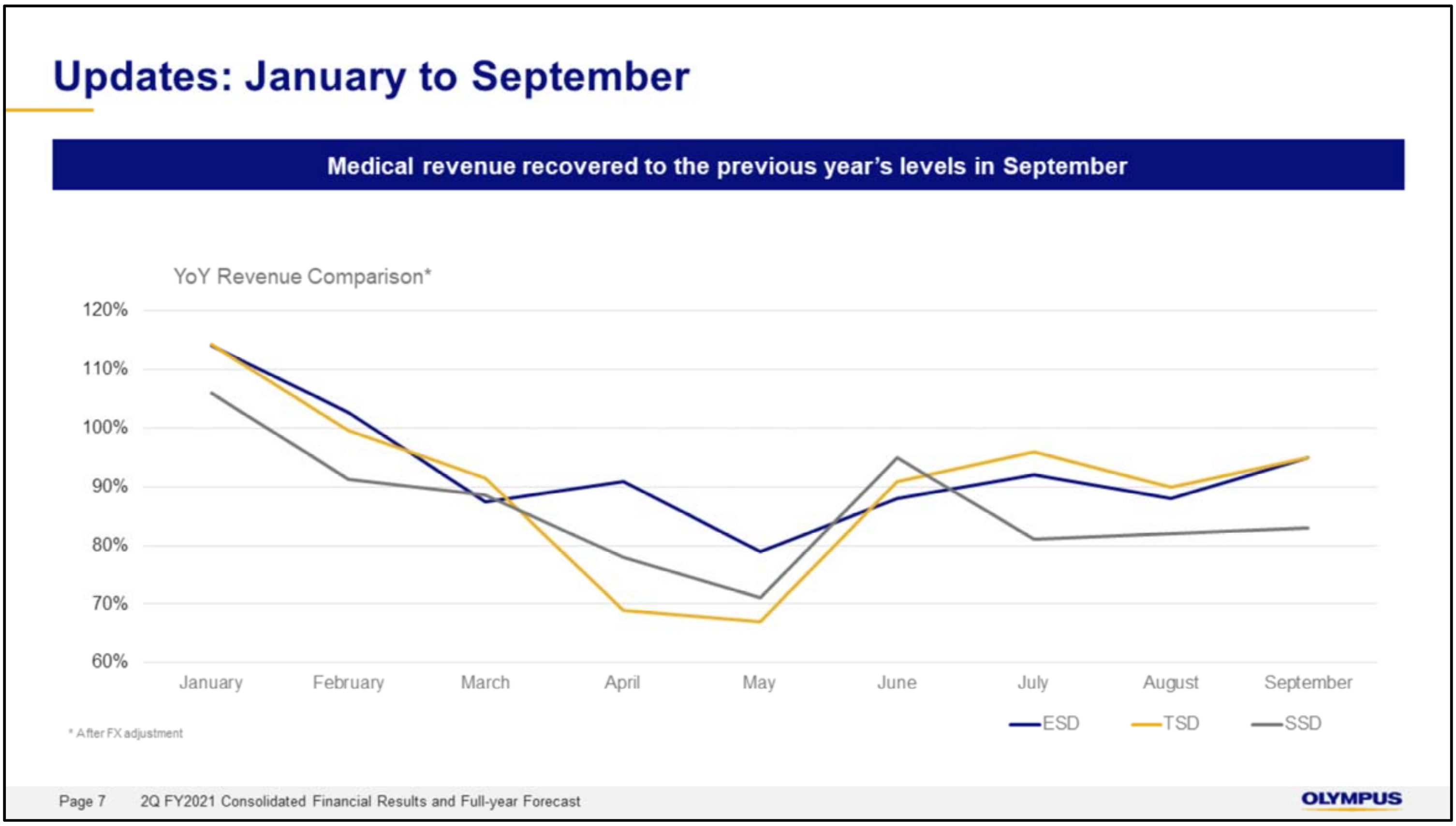
(Slide 6)

- Please turn to slide 6.
- This is an overview of the consolidated financial results.
- First, I would like to explain the changes in the reporting structure in the profit and loss statement.
- As shown on the left side, "Revenue" down to "Profit from continuing operation" only lists figures for continuing operation and excludes the discontinued operation.
- These changes have also been presented retroactively for the results for FY2020.
- Consolidated revenue in the first half amounted to ¥316.5 billion, marking a decline due to COVID-19.
- After FX adjustment, the decline was 13%.
- 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 item.
- Gross profit was ¥196.0 billion. The COGS ratio rose due mainly to a decline in factory operation owing to COVID-19, combined with ¥6.0 billion in expenses recorded for the voluntary recall of endoscopic products, which was disclosed in August.
- SG&A expenses totaled ¥161.5 billion. In addition to the strict controls we implemented, T&E, sales promotion and other expenses decreased because of inability to do normal activities owing to COVID-19.
- Operating profit was ¥30.3 billion. While this represents a decline, we managed to achieve an operating margin of approx. 10% in the first half amid a challenging business environment.
- Looking only at the second quarter, YoY decline in revenue shrank considerably to 8% after reaching 19% in the first quarter, a remarkable recovery.
- Profitability also improved considerably, with the operating margin at approx. 15% at the end of the second quarter.
- Profit from continuing operation was ¥25.9 billion, a decline of ¥15.1 billion.
- Total loss for the first half, including both continuing and discontinued operations, was ¥22.7 billion, due mainly to a ¥47.0 billion loss recorded in connection with signing the definitive agreement on the divestiture of the Imaging Business.

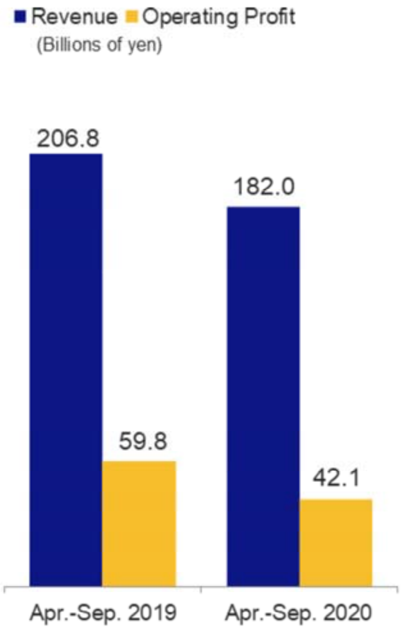



(Slide 7)

- Slide 7 shows the status of monthly revenue.

- This graph shows the revenue trend by division from January to September 2020, in comparison with previous year's as a baseline of 100%.
- All divisions have continued to recover after bottoming out in May.
- Medical revenue recovered to the previous year's levels in September.
- As for October, both Endoscopic Solutions Division and Therapeutic Solutions Division returned to growth YoY, according to preliminary data for your reference.
- Meanwhile, in the Scientific Solutions Division, YoY decline in revenue shrank slightly.
- Although these results show that we are trending toward a gradual recovery at the moment, we are seeing a resurgence of COVID-19 infections in Europe and the US, and performance after November remains uncertain.
- We will continue to monitor the impact of COVID-19 closely and operate in a way that ensures we can respond to any changes.

## 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.) | | | | 2Q (Jul. - Sep.) | | | |
|---|---|---|---|---|---|---|---|---|
| (Billions of yen) | FY2020 | FY2021 | YoY | After FX adjustment | FY2020 | FY2021 | YoY | After FX adjustment |
| 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% |
| Other income / expenses | -0.3 | -0.5 | - | - | -0.4 | -0.2 | - | - |
| Operating margin | 28.9% | 23.1% | | 24.3% | 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% |

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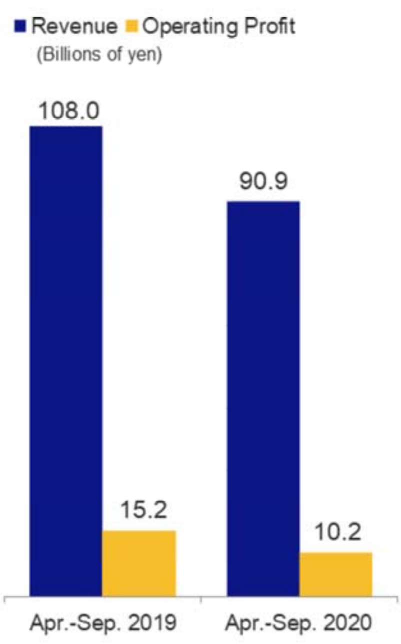
(Slide 8)

- Please turn to slide 8.
- Now we will go into details about each business segment.
- First, the Endoscopic Solutions Division.
- Revenue was ¥182.0 billion, down 10% excluding FX impact.
- In the first half, COVID-19 caused restrictions on business activities such as sales promotion and training, as well as a decrease in the number of procedures and a reduced willingness to invest in CAPEX in hospitals.
- However, YoY decline in revenue improved from the first to second quarters.
- In particular, Europe grew 2% in the first half and 6% in the second quarter excluding FX impact, driven by the UK, where the government has been strengthening its healthcare system, and Eastern Europe, where we were able to win bids for some large projects.
- Operating profit was ¥42.1 billion due to SG&A streamlining despite recording costs for the voluntary recall of endoscopic products, and this resulted in an operating margin of 24.3% excluding FX impact.

## 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.) | | | | 2Q (Jul. - Sep.) | | | |
|---|---|---|---|---|---|---|---|---|
| (Billions of yen) | FY2020 | FY2021 | YoY | After FX adjustment | FY2020 | FY2021 | YoY | After FX adjustment |
| 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% |
| Other income / expenses | -0.7 | -0.4 | - | - | -0.6 | -0.1 | - | - |
| Operating margin | 14.1% | 11.2% | | 12.3% | 17.1% | 16.6% | | 18.0% |

Reference

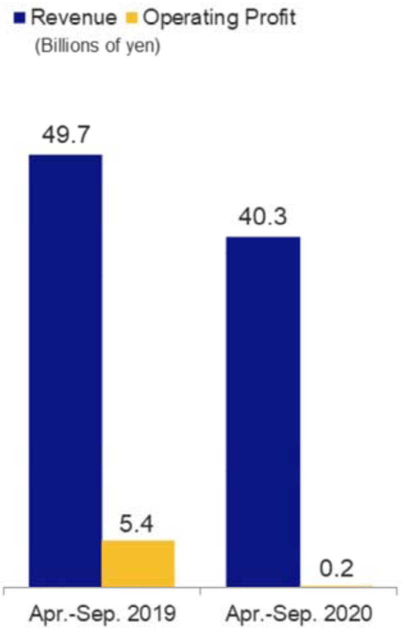
| | FY2021 1Q | FY2021 2Q |
|---|---|---|
| YoY Revenue Comparison | -27% | -6% |
| After FX adjustment | -24% | -6% |
| Operating margin | 3.8.% | 16.6% |



(Slide 9)

- Please turn to slide 9 for the results of the Therapeutic Solutions Division.
- Revenue was ¥90.9 billion, down 15% excluding FX impact.
- In the first half, COVID-19 caused a decline in the number of procedures and restrictions on sales promotion activities.
- In response to a recovery in the number of procedures in the second quarter, YoY decline in revenue improved markedly from the first quarter to 6%. Performance was particularly strong in Europe, which grew 9% in the second quarter.
- Operating profit was ¥10.2 billion due to a smaller decline in revenue and cost reductions, resulting in an operating margin of 12.3% excluding FX impact.
- The operating margin of the second quarter was 18% excluding FX impact, exceeding the previous year's level.

## 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.) | | | | 2Q (Jul. - Sep.) | | | |
|---|---|---|---|---|---|---|---|---|
| (Billions of yen) | FY2020 | FY2021 | YoY | After FX adjustment | FY2020 | FY2021 | YoY | After FX adjustment |
| 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% |
| Other income / expenses | -0.2 | 0 | - | - | -0.1 | 0.3 | - | - |
| Operating margin | 10.8% | 0.6% | | 2.2% | 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% |



(Slide 10)

- Please turn to slide 10 for the Scientific Solutions Division.
- Revenue was ¥40.3 billion, down 17% excluding FX impact.
- In China, sales of industrial microscopes increased, driven in particular by demand for 5G-related electronic components and semiconductor markets, resulting in positive growth. However, total revenue declined due to COVID-19.
- Operating profit was ¥200 million, due primarily to declined revenue.
- Operating margin in the second quarter saw a significant improvement, ending at 10% excluding FX impact.

## 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)**



(Slide 11)

- Slide 11 shows our financial position as of September 30, 2020.
- Please note that we distinguish line items regarding assets and liabilities for the discontinued operation, namely "assets held for sale" and "liabilities directly associated with assets held for sale."
- To ensure stable business operation in light of the COVID-19 impact and enhance liquidity in hand, cash and deposits, and bonds and loans payable increased.
- The equity ratio was 30.4%, down 6.1 percentage points from the end of the previous fiscal year, due to an increase in liabilities and the loss of the first half.

## 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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(Slide 12)

- Please turn to slide 12 for the status of cash flows.
- Cash flow from operating activities decreased by ¥29.9 billion to ¥37.4 billion, against the backdrop of a decline in operating profit owing to COVID-19.
- Cash flow from investing activities appears to have decreased considerably, but includes time deposits of ¥40.0 billion. Purchase of property, plant and equipment and the capitalization of R&D expenditures both declined, leading to real free cash flow of plus ¥7.2 billion.
- Cash flow from financing activities rose by ¥91.8 billion to ¥81.2 billion due to funds raised through long-term loans and corporate bonds.
- As a result, cash and cash equivalents as of September 30, 2020 stood at ¥210.5 billion.


(Slide 13)

- Next I would like to explain our forecasts for the full year fiscal 2021.



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# 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.

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(Slide 14)

- Please turn to slide 14 for our forecasts for the full year fiscal 2021.
- The expected exchange rates that form the premise for forecasts, in light of recent trends in FX market, are ¥106 per dollar and ¥122 per euro.
- The COVID-19 impact is expected to continue to improve gradually toward the end of the fiscal year, and we forecast that YoY decline in revenue for the full year will be limited to approx. 8%.
- We expect SG&A expenses to decrease compared with the previous year, but looking only at the second half, SG&A expenses are expected to rise.
- Remote activities and work from home style have been established amid continued restrictions on business activities, and we will continue to strengthen control of SG&A expenses.
- However, we assume that activities will become more active in the second half and beyond. In addition, we expect expenses for strengthening our IT infrastructure and QA/RA functions in the second half, as well as reduced capitalization of R&D expenditures compared with the previous year.
- As a result, operating profit is expected to reach approx. ¥60 billion, with operating margin at approx. 9%.
- Total loss of ¥5.5 billion is expected due to the loss associated with the divestiture of the Imaging Business.
- Despite these difficult forecasts, we expect year-end dividend for fiscal 2021 to be ¥10, unchanged from the previous year, from the viewpoint of maintaining stable dividends.
- While we have prepared these forecasts based on circumstances as they now stand, as COVID-19 infections are on the rise particularly in Europe and the US, outlook remains uncertain.
- We will continue to monitor the COVID-19 impact closely and make appropriate course corrections so that we can respond to changes as they arise.

## 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 |

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(Slide 15)

- Please turn to slide 15 for our forecasts by business segment.
- Despite some regional differences, the number of procedures is on a recovery trend in both ESD and TSD, and we expect revenue to decrease approx. 7% for the full year.
- While COGS ratio will increase YoY, SG&A expenses will decline.
- We expect to achieve operating margins of approx. 22% and 11% in ESD and TSD, respectively.
- With regard to SSD, although we expect business activities to gradually recover from the second half, we believe the recovery will lag behind the medical business.
- For the full year, both revenue and profit will decline, but we still expect to remain in the black.
- In terms of elimination and corporate, we expect to incur costs to strengthen IT infrastructure and enhance QA/RA functions in the second half, and currently forecast around the same levels as the previous year.

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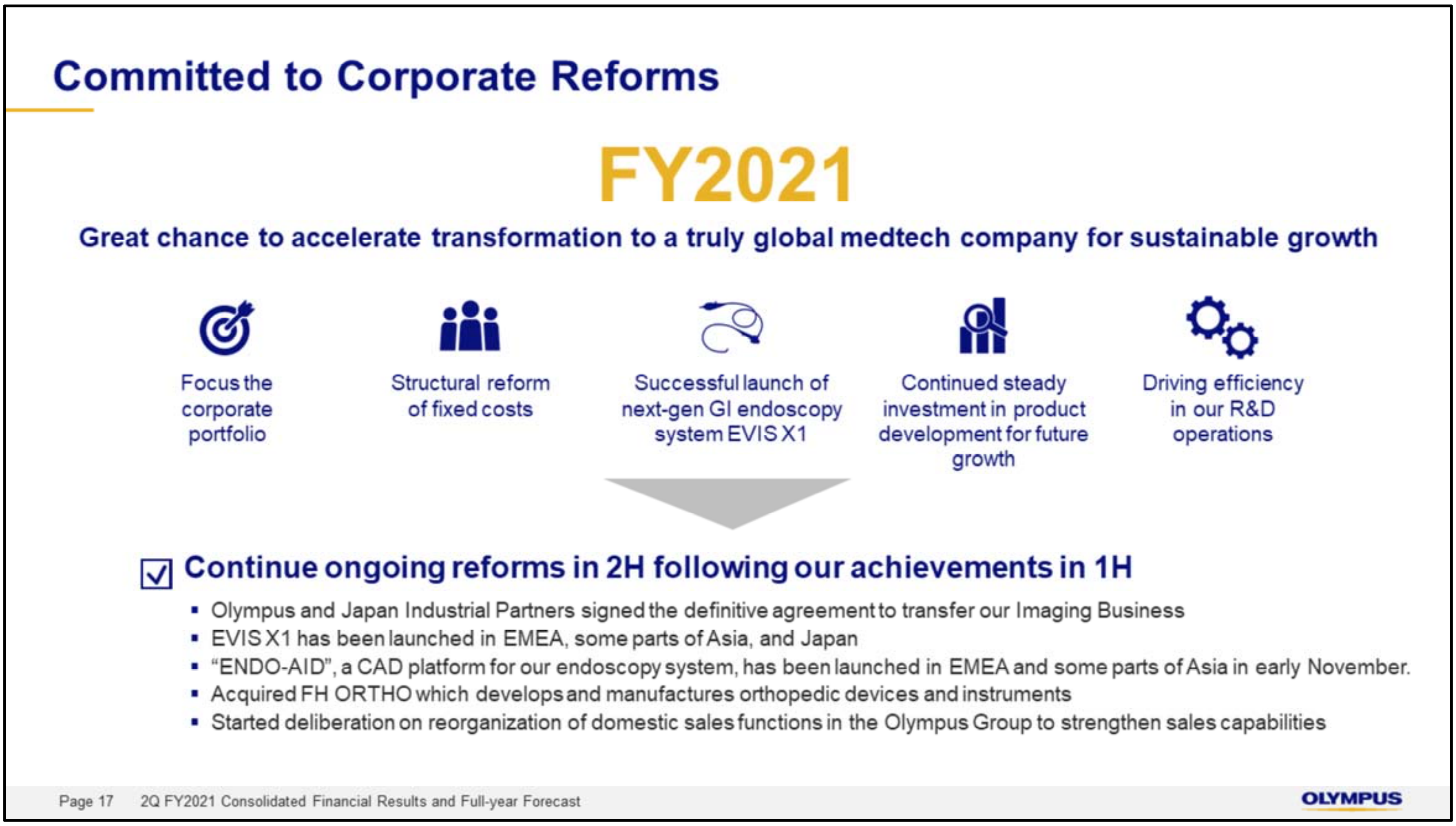
# 03 Transforming into a Truly Global Medtech Company

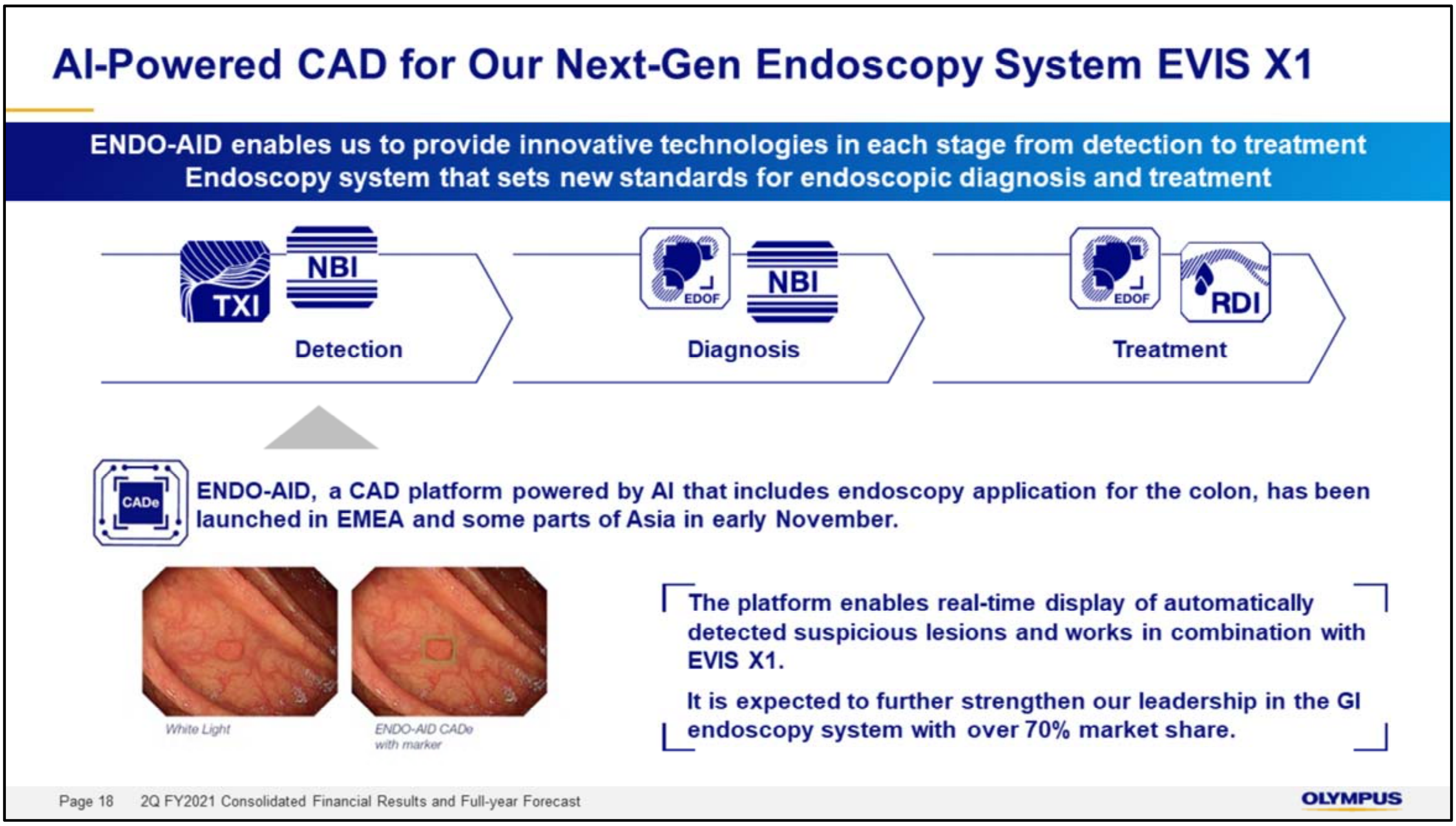
(Slide 16)

- Lastly, I would like to highlight some of the initiatives we are pursuing to transform into a truly global medtech company.



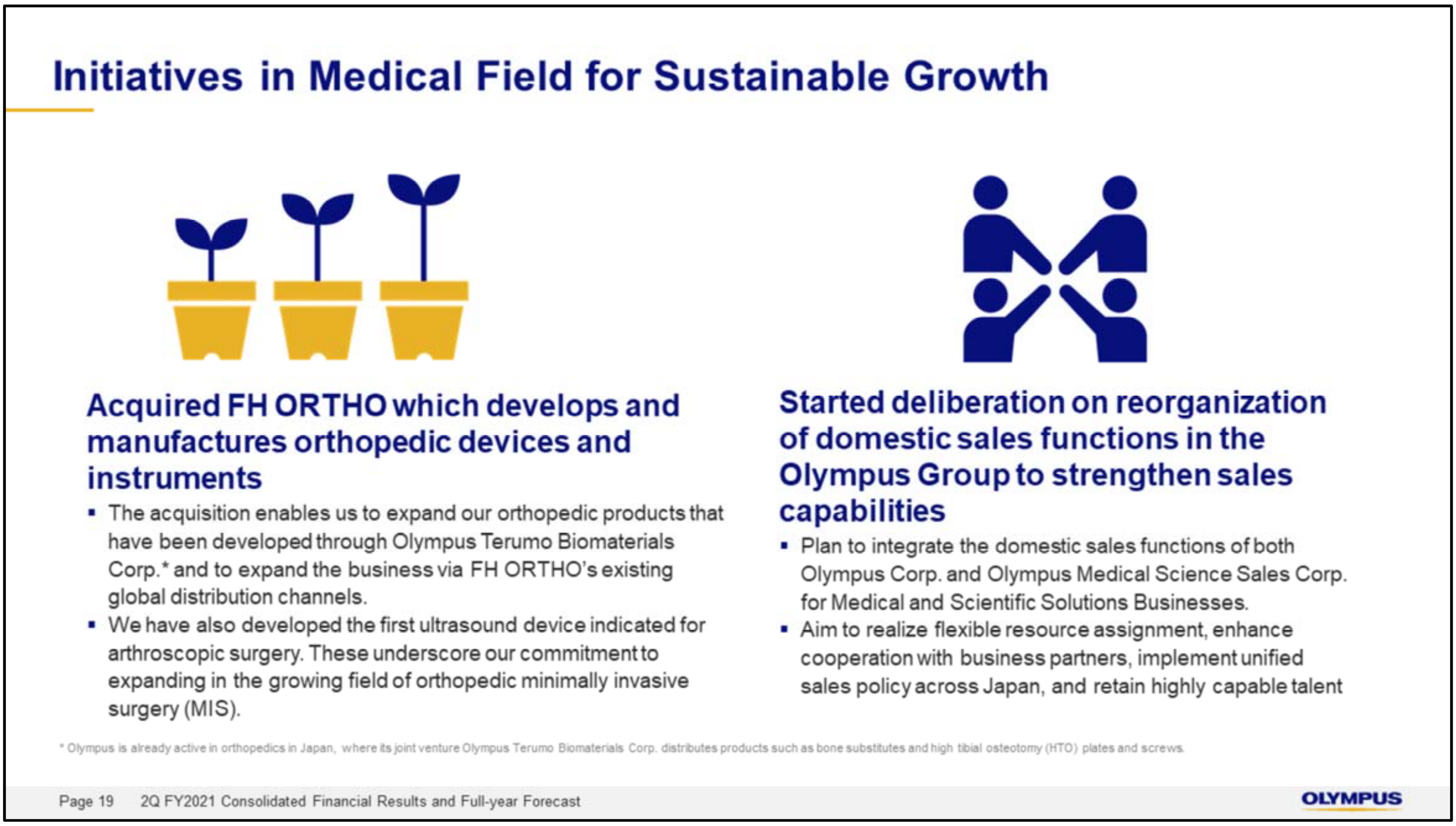

(Slide 17)

- Please turn to slide 17.
- In the first half of the year, we steadily implemented corporate reform initiatives.
- We will continue to move forward with these corporate reform efforts in the second half, with executive officers taking a leading role.
- On the following slides I will explain our progress in the second quarter.



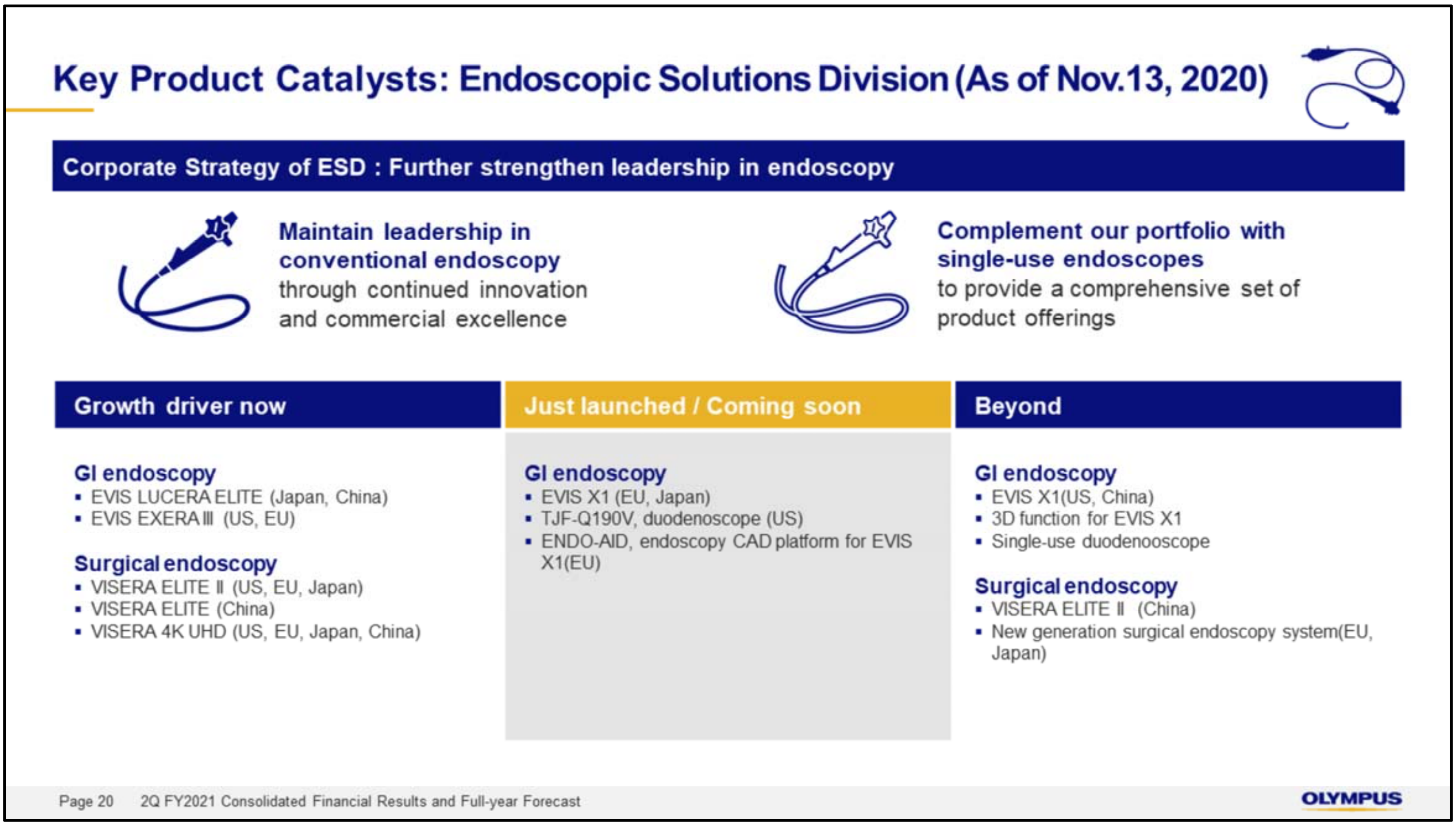

(Slide 18)

- Please turn to slide 18.
- ENDO-AID, an endoscopic CAD platform powered by AI that can be equipped in our EVIS X1, next-gen endoscopy system, has been launched in Europe and some parts of Asia in early November.
- The platform enables real-time display of automatically detected suspicious lesions such as polyps and cancers. This aids in the discovery of lesions and contributes to enhanced quality in endoscopic diagnosis.
- It is expected to further strengthen our leadership in the GI endoscopy system with over 70% market share, by enhancing added value of EVIS X1.



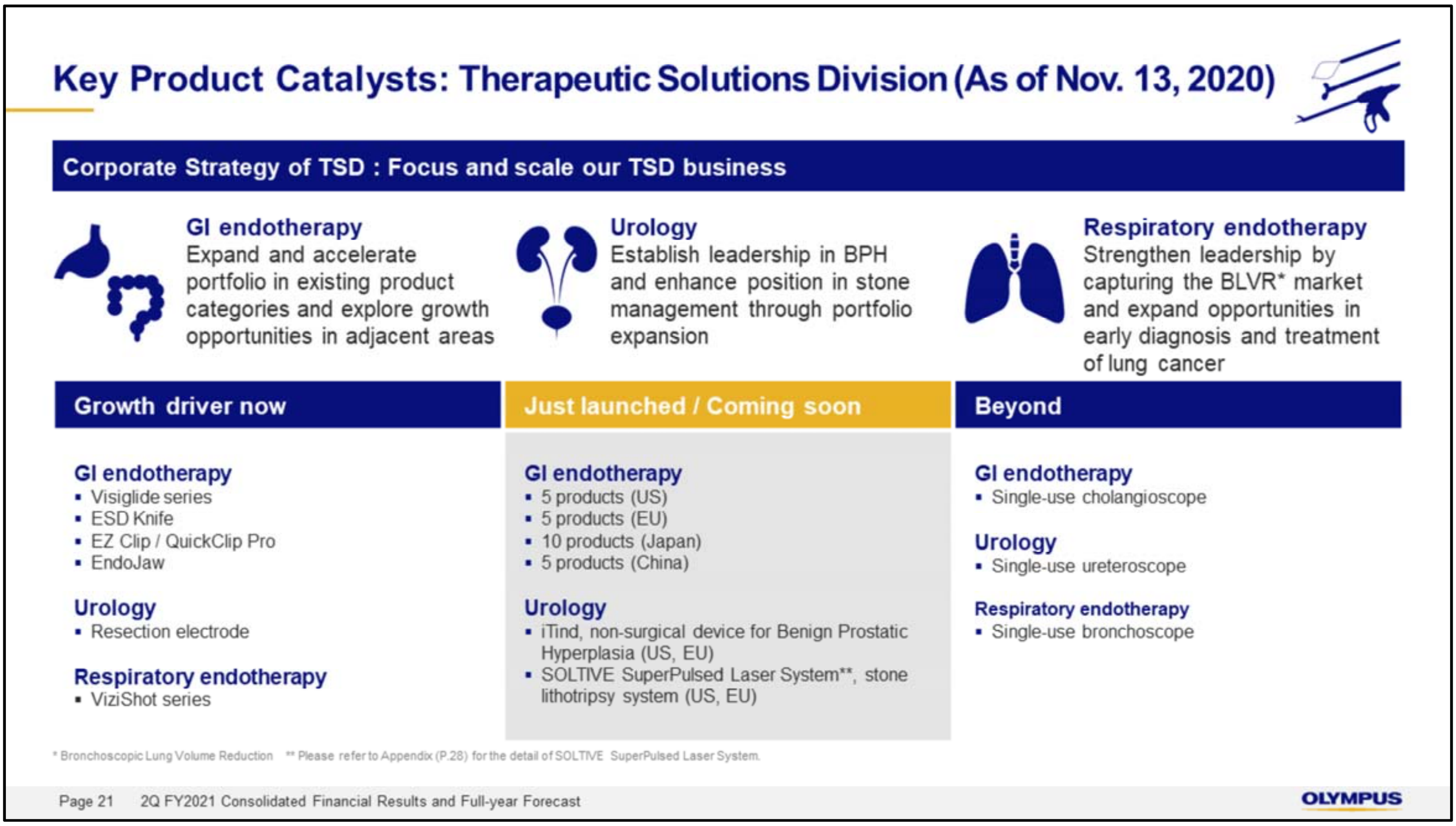

(Slide 19)

- Please turn to slide 19.
- We have made progress with two initiatives aimed at achieving sustainable growth in the medical business.
- First, we acquired FH ORTHO, a medical device manufacturer in the field of orthopedics.
- In addition to expanding our product portfolio in this field, the acquisition is also aimed at stimulating business growth by distributing our current products via FH ORTHO's existing global distribution channels.
- We have also developed the first ultrasound device indicated for arthroscopic surgery. Combined with the portfolio gained through this acquisition, we are now better positioned to provide products and solutions in the field of orthopedic minimally invasive surgery.
- Next, as disclosed today, we started deliberation on reorganization of Olympus Group's sales functions in Japan.
- The business environment that surrounds us in the Japanese market has undergone considerable changes including growing customer demands for comprehensive and high value-added proposals. To realize sustainable business growth, the reform of our sales distribution structure has become a pressing issue.
- Moving forward, we aim to reinforce our sales capabilities through flexible resource assignment and the retention of highly capable talent by integrating the domestic sales functions of Olympus Corp. and Olympus Medical Science Sales Corp. for the Medical and Scientific Solutions businesses.




(Slide 20)

- Please turn to slide 20.
- Starting from this time, we will disclose key product catalysts that will drive our future growth in the medical field.
- First, let me start with the Endoscopic Solutions Division.
- This year we launched the long-awaited EVIS X1 next-gen GI endoscopy system in Europe, Japan and some parts of Asia and an endoscopic CAD platform that can be combined with it in Europe and some parts of Asia. These new products are expected to drive our future growth.
- Looking further ahead, we are aiming for greater growth with launches in the US, the world's largest market, and in the fast-growing Chinese market.
- In the US, it has been proposed that the recommended age for colonoscopies be lowered to 45, and we believe this will provide a tailwind for Olympus.
- In the area of surgical endoscopy system, we will launch our flagship VISERA ELITE II endoscopy system in the fast-growing Chinese market. Additionally, with an eye on sustained growth we are developing a next-gen surgical endoscopy system that is expected to become one of our future growth drivers.

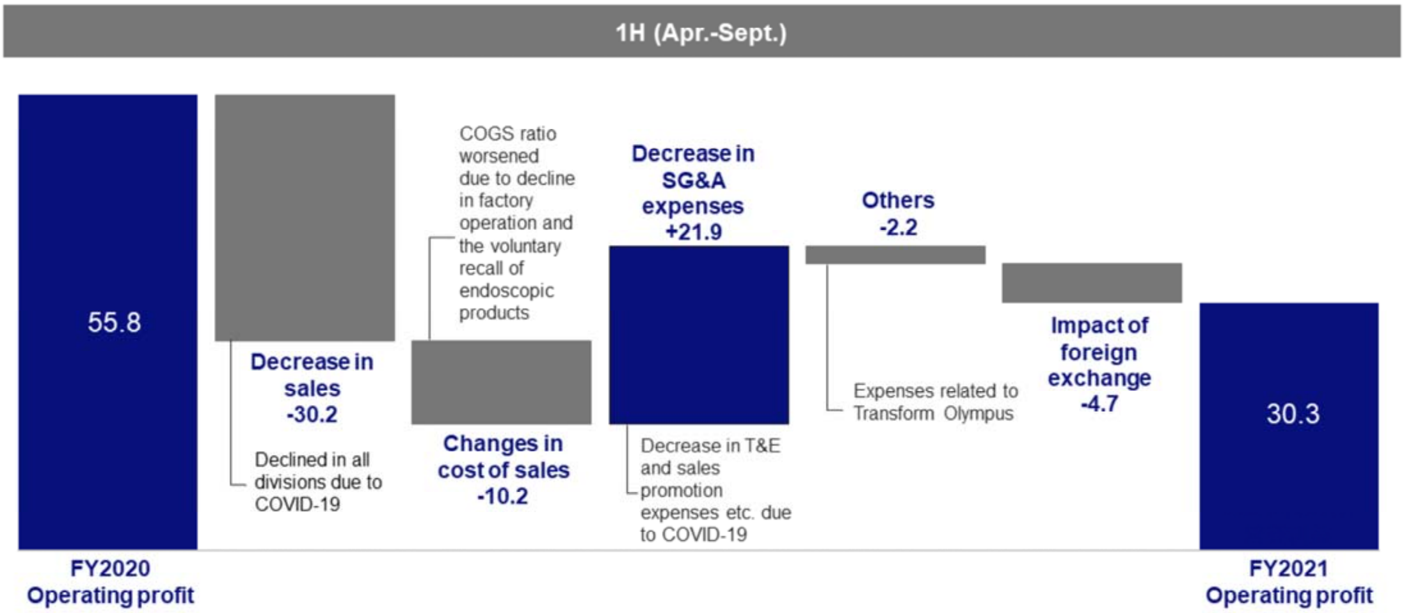



(Slide 21)

- Please turn to slide 21 for the Therapeutic Solutions Division.
- Various therapeutic devices including ERCP and ESD-related have contributed to revenue. In the future, we plan to introduce single-use endoscopes as announced in our Corporate Strategy.
- Adding single-use endoscopes to our lineup will enable us to build an outstanding product portfolio catering to every scenario in endoscopic medicine, and to further bolster our competitive advantage.
- In the GI endotherapy area, we will continue to expand our lineup in the existing product areas to achieve business growth.
- In the urology area, we are introducing strategic products in keeping with the Corporate Strategy.
- Both iTind and the SOLTIVE SuperPulsed Laser System are equipped with innovative technologies and have strong growth potential.
- Additionally, as announced in a recent news release, we have developed protective equipment for endoscopic examinations designed to reduce risks of COVID-19 and other infections.
- We believe this solution will provide an environment enabling medical professionals to carry out endoscopic examination and treatment safely, and will help create an environment in which a patient can undergo the procedure with peace of mind.
- Moving forward we will continue to develop products that provide solutions to address unmet medical needs.
- This wraps up my presentation. Thank you for listening.

# 04 Appendix

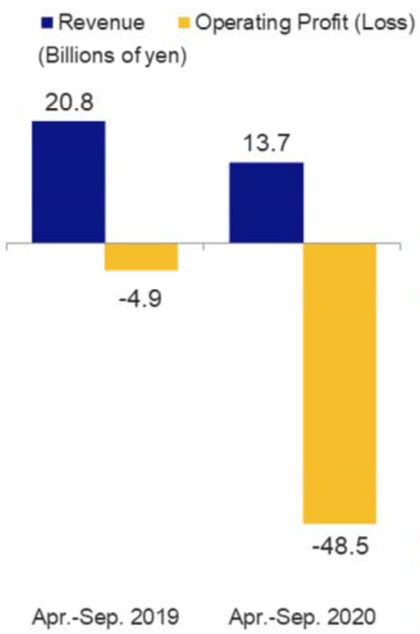
# Supplementary Materials: 2Q of Fiscal 2021 Factors that Affected Consolidated Operating Profit



# Supplementary Materials: 2Q of Fiscal 2021 Results by Segment

| (Billions of yen) | | 1H (Apr. - Sep.) FY2020 | FY2021 | YoY | After FX adjustment | 2Q (Jul. – Sep.) FY2020 | FY2021 | YoY | 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)

| (Billions of yen) | 1H (Apr. - Sep.) FY2020 | FY2021 | YoY | After FX adjustment | 2Q (Jul. - Sep.) 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**

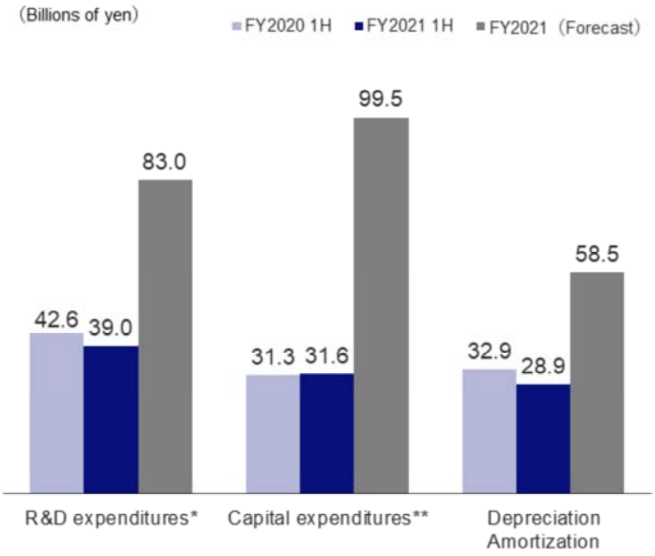
| | FY2021 1Q | FY2021 2Q |
|---|---|---|
| YoY Revenue Comparison | -41% | -26% |
| After FX adjustment | -39% | -26% |
| Operating margin | - | - |

**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


The Insertion of iTind · The Implantation Period · The Removal of iTind

| | |
|---|---|
| Product summary: | ▪ iTind is a non-surgical device for the minimally invasive treatment of Benign Prostatic Hyperplasia (BPH).<br>▪ 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.<br>▪ Efficient stone dusting contributes to shortening surgery time and decreasing the burden on patients. |
| Launch area: | ▪ US, EU |