



## Consolidated Financial Results for the 3rd Quarter Fiscal 2020 and Full-Year Forecasts

Yasushi Sakai  
Executive Officer and Chief Financial Officer  
Olympus Corporation  
February 6, 2020



(Slide 1)

- Thank you for joining us today. I am Yasushi Sakai, Chief Financial Officer of Olympus Corporation.
- Thank you for joining us today for this teleconference, during which we will be discussing the financial results of Olympus Corporation for the third quarter of fiscal 2020.
- Let us begin by looking at the financial results.

## Disclaimer

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## Highlights

### Consolidated Financial Results (1Q-3Q, 9 months)

#### Consolidated Financial Result

- ✓ Revenue: Grew 6% excluding FX impact, strong performance mainly driven by Medical
- ✓ Operating profit: Record high of ¥78.5 billion. Significant increase in all profit items
  - ✓ SG&A expenses decreased by ¥26.2 billion YoY and SG&A ratio to revenue improved 5.7pt YoY to 49.8%

#### Result by business segment

- ✓ Medical: Record-high revenue and OP driven by strong sales growth in China (+31%)
- ✓ Scientific Solutions: Record-high operating profit

### Full-Year Performance Forecasts

- ✓ Revenue and OP revised upward based on progress up to 3Q

(Slide 3)

- This shows the key points to the financial results.
- Consolidated results for the nine months were solid, led by Medical.
- Revenue increased by 6% on a base excluding foreign exchange impact.
- All profit indicators increased markedly, in particular operating profit, which was ¥78.5 billion, a record high for the nine-month period.
- SG&A expenses decreased by ¥26.2 billion year on year.
- As a result, the SG&A ratio to revenue stood at 49.8%, marking a considerable year-on-year improvement with a reduction of 5.7 points.
- Olympus is starting to see a change in the mindset of employees due to “Transform Olympus,” a plan aimed at boosting efficiency Company-wide that we are currently undertaking.
- Looking at each segment, Medical field posted record high revenue and operating profit both for the third quarter and for the nine months due to continued strong sales growth in China.
- Scientific Solutions Division also posted record high operating profit.
- With regard to full-year financial forecasts, projections for revenue and operating profit have been revised upward in light of progress during the nine months.

# 01

## **Consolidated Financial Results and Business Overview for the 3Q of Fiscal 2020 (FY Ending March 31, 2020)**

(Slide 4)

- I will now explain results for the third quarter in more details.

## 3Q of Fiscal 2020 (1) Consolidated Financial Results

**1** Revenue: Up driven by solid performance in the Endoscopic Solutions, Therapeutic Solutions and Scientific Solutions Divisions (excl. FX impact +6%)

**2** Operating profit: Record-high OP in 1Q-3Q (9 months) due to steady progress in streamlining SG&A expenses and decreased one-time expenses in the same period last year

(Billions of yen)	1Q-3Q (Apr. - Dec.)				3Q (Oct. - Dec.)			
	FY2019	FY2020	YoY	After foreign exchange adjustment	FY2019	FY2020	YoY	After foreign exchange adjustment
Revenue	581.0	<b>1</b> 595.1	+2%	+6%	199.2	205.9	+3%	+8%
Gross profit (% of revenue)	378.4 (65.1%)	380.9 (64.0%)	+1%	+5%	129.6 (65.0%)	130.3 (63.3%)	+1%	+6%
Selling, general and administrative expenses (% of revenue)	322.5 (55.5%)	296.4 (49.8%)	-8%	-6%	110.2 (55.3%)	99.7 (48.4%)	-10%	-7%
Other income and expenses	-35.3	-6.1	-	-	-1.8	-3.1	-	-
Operating profit (% of revenue)	20.6 (3.5%)	<b>2</b> 78.5 (13.2%)	+281%	+322%	17.6 (8.8%)	27.5 (13.4%)	+57%	+79%
Profit before tax (% of revenue)	13.6 (2.3%)	74.2 (12.5%)	-	-	16.4 (8.2%)	25.6 (12.4%)	+57%	-
Profit attributable to owners of parent (% of revenue)	6.5 (1.1%)	59.1 (9.9%)	-	-	12.0 (6.0%)	23.1 (11.2%)	+92%	-
EPS	¥5	¥45			-	-		
¥/US\$	¥111	¥109			¥113	¥109		
¥/Euro	¥129	¥121			¥129	¥120		
¥/CNY	¥17	¥16			¥16	¥15		

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(Slide 5)

- This shows a summary of consolidated financial results.
- Consolidated revenue for the nine months amounted to ¥595.1 billion, up 2% year on year, due to solid performance in Medical and the Scientific Solutions Division.
- In real terms excluding the effect of exchange rates, consolidated revenue increased by 6%, marking steady growth.
- Operating profit increased considerably on the back of steady progress in efforts to increase Company-wide efficiency in SG&A expenses and reducing one-time expenses while at the same time increasing revenue. This resulted in a record high for operating profit.
- Profit attributable to owners of parent was ¥59.1 billion as a result of the significant improvement in operating profit.

## 3Q of Fiscal 2020 (2) Results by Business Segment

- 1** ESD: OP significantly increased due to sales growth and SG&A streamlining, even after adjusting for one-time expenses (¥9.7 billion\*) in the same period last year
- 2** TSD: Progressing well in all areas, resulting in higher revenue and profit
- 3** SSD: Record-high OP in 1Q-3Q due to sales growth in biological microscopes and industrial products, and improved SG&A efficiency
- 4** IMD: Operating loss decreased due to decreased one-time expenses in the same period last year

		1Q-3Q (Apr. - Dec.)				3Q (Oct. - Dec.)			
(Billions of yen)		FY2019	FY2020	YoY	After foreign exchange adjustment	FY2019	FY2020	YoY	After foreign exchange adjustment
Endoscopic Solutions (ESD)	Revenue	303.8	315.1	+4%	+8%	103.0	108.3	+5%	+10%
	Operating profit	65.8	<b>1</b> 91.6	+39%	+48%	24.2	31.8	+31%	+43%
Therapeutic Solutions (TSD)	Revenue	160.6	163.6	+2%	+6%	55.8	55.6	0%	+4%
	Operating profit	20.8	<b>2</b> 22.5	+9%	+15%	7.7	7.3	-5%	+5%
Scientific Solutions (SSD)	Revenue	73.2	76.6	+5%	+8%	25.9	26.9	+4%	+8%
	Operating profit	5.0	<b>3</b> 8.0	+62%	+79%	2.2	2.6	+22%	+48%
Imaging (IMD)	Revenue	38.3	34.7	-9%	-6%	12.7	13.4	+6%	+10%
	Operating profit	-13.1	<b>4</b> -7.4	+¥5.8 billion	+¥6.1 billion	-3.9	-1.7	+¥2.2 billion	+¥2.1 billion
Others	Revenue	5.0	5.0	-1%	-1%	1.8	1.6	-9%	-9%
	Operating profit	-2.2	-1.8	+¥0.4 billion	+¥0.4 billion	-0.8	-0.5	+¥0.3 billion	+¥0.3 billion
Elimination and Corporate	Operating profit	-55.6	-34.4	+¥21.2 billion	+¥21.1 billion	-11.7	-12.0	-¥0.3 billion	-¥0.3 billion
Consolidated Total	Revenue	581.0	595.1	+2%	+6%	199.2	205.9	+3%	+8%
	Operating profit	20.6	78.5	+281%	+322%	17.6	27.5	+57%	+79%

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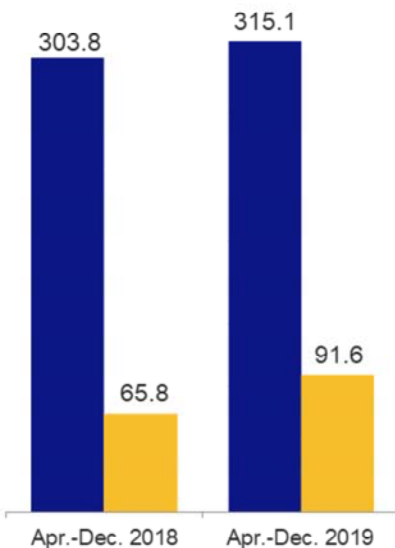
- I will now explain results for each business segment in more details from the next slide.



## 3Q of Fiscal 2020 (3) Endoscopic Solutions Division (ESD)



■ Revenue ■ Operating profit  
(Billions of yen)



- ✓ **Revenue** Revenue up due to solid performance overseas (excl. FX impact +8%), driven by high growth of 37% in China
- ✓ **Operating profit** Operating profit significantly increased due to increased revenue and improved SG&A efficiency

(Billions of yen)	1Q-3Q (Apr. – Dec.)				3Q (Oct. – Dec.)			
	FY2019	FY2020	YoY	After foreign exchange adjustment	FY2019	FY2020	YoY	After foreign exchange adjustment
Revenue	303.8	315.1	+4%	+8%	103.0	108.3	+5%	+10%
Operating profit	65.8	91.6	+39%	+48%	24.2	31.8	+31%	+43%
Other income / expenses	-6.9	-0.6	-	-	0.1	-0.4	-	-
Operating margin	21.6%	29.1%		29.7%	23.5%	29.3%		30.6%

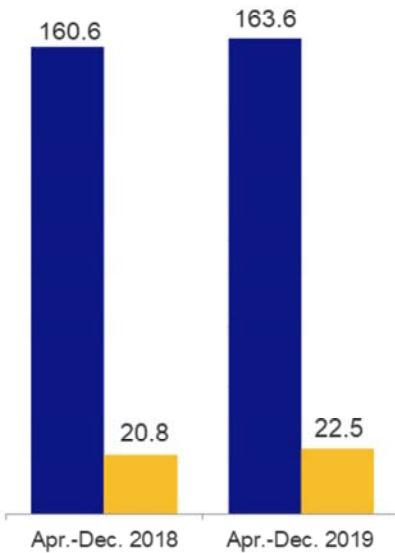
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- Let's begin with the Endoscopic Solutions Division.
- Revenue increased by 4% year on year to ¥315.1 billion due to strong performance overseas, particularly China, a strong growth driver for the Endoscopic Solutions Division, and Russia, where a government-led cancer prevention project is underway.
- In real terms excluding the effect of exchange rates, revenue was up 8% for the nine months, or 10% when looking solely at the third quarter, marking high growth.
- Operating profit increased by 39% year on year to ¥91.6 billion. The operating margin was 29.1%.
- Even after excluding the ¥9.7 billion in expenses associated with the plea agreement with the U.S. Department of Justice in the same period of the previous fiscal year, operating profit increased by a considerable 21% year on year.

## 3Q of Fiscal 2020 (4) Therapeutic Solutions Division (TSD)



■ Revenue ■ Operating profit  
(Billions of yen)



- ✓ **Revenue** Revenue increased as all areas, including endotherapy devices, grew (excl. FX impact +6%)
- ✓ **Operating profit** Operating profit increased due to increased revenue (excl. FX impact +15%)

(Billions of yen)	1Q-3Q (Apr. – Dec.)				3Q (Oct. – Dec.)			
	FY2019	FY2020	YoY	After foreign exchange adjustment	FY2019	FY2020	YoY	After foreign exchange adjustment
Revenue	160.6	163.6	+2%	+6%	55.8	55.6	0%	+4%
Operating profit	20.8	22.5	+9%	+15%	7.7	7.3	-5%	+5%
Other income / expenses	0	-1.1	-	-	-0.1	-0.4	-	-
Operating margin	12.9%	13.8%		14.1%	13.7%	13.2%		13.9%

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- Let's look at the Therapeutic Solutions Division.
- Sales increased in all business areas, particularly endotherapy devices, in which sales have been increasing for products that meet market needs in each region, and urology, where sales of flexible endoscopes have been strong, resulting in 2% growth in revenue year on year to ¥163.6 billion.
- In real terms excluding the effect of exchange rates, growth was 6%.
- Operating profit was up 9% year on year to ¥22.5 billion due mainly to the growth in revenue. The operating margin was 13.8%.

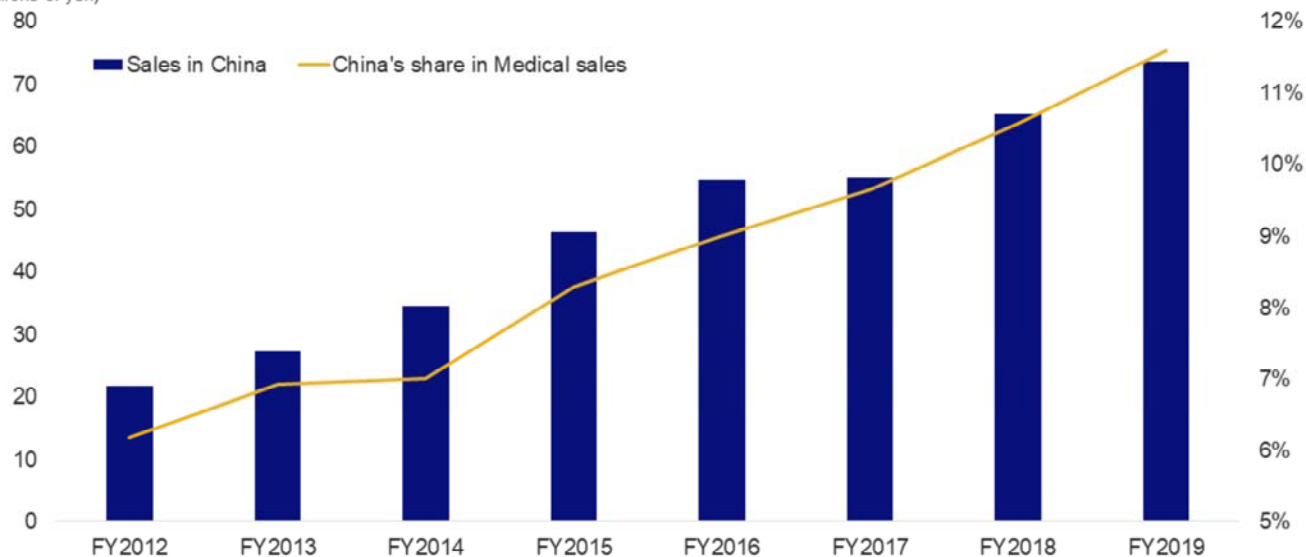


## Chinese market continues to grow fast

China's share in Medical sales is growing rapidly and now accounts for about 12%

[Sales growth in China in Medical]

(Billions of yen)



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- I will now explain in more details the Chinese market, where double-digit growth has continued in recent years and which is driving significant growth in Medical.
- Olympus entered the Chinese market around 50 years ago and has developed business there while building relationships and trust with local doctors.
- Sales in the Chinese market increased 3.5-fold in Fiscal 2019 relative to Fiscal 2012, with China's share of sales in Medical roughly doubling over the same period, currently accounting for about 12% of sales in this business.
- China is supporting the considerable growth of Medical as a growth driver.
- On the following slide, I will explain the background to this remarkable growth and future potential.

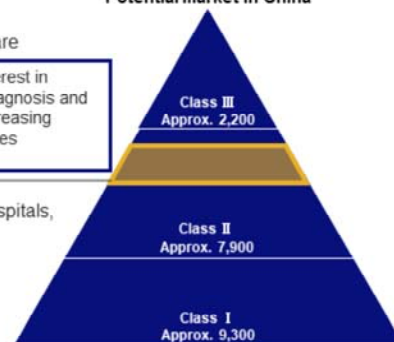
## Favorable factors in the Chinese market

Growth accelerated due to increased sales to secondary hospitals on the tailwind of Chinese government policies

### Government policies

- ✓ 12th Five-Year Plan for Hygiene Business Development released (2011-2015)
  - ✓ Aim was to promote standardization of local medical institutions and improve medical standards at county-level hospitals.
- ✓ Healthy China 2030 released (2016)
  - ✓ Aim is to strengthen preventive medicine and sets forth "prevention of serious diseases" as a priority item
- ✓ 13th Five-Year Plan for Hygiene Business Development (2016-2020) released
  - ✓ Aiming to achieve a 55% early diagnosis rate for major cancer types in regions with a high incidence of chronic diseases and cancer
- ✓ State Council's Opinions on Implementing the Healthy China Program released (2019)
  - ✓ Set numerical targets to promote early diagnosis and treatment and to improve the 5-year survival rate of cancer to 43.3% or more by 2022 and 46.6% or more by 2030.
- ✓ Working plan for overall improvement of comprehensive capabilities of county-level hospitals released (2019)
  - ✓ The Bureau of Medical Administration, National Health and Health Commission aims to raise the healthcare standards of 500 county-level hospitals and 500 TCM hospitals to the same level as a class III hospital or class III TCM hospital.

Potential market in China



### Initiatives by Olympus

- ✓ Supporting the education and training of physicians
  - ✓ We have our own training facilities in Beijing, Guangzhou and Shanghai, and joint training facilities in hospitals, and provide education and training opportunities for doctors
- ✓ Working together with hospitals and academic societies
  - ✓ Leveraging the trust we have cultivated since entering the market 50 years ago, we work together with hospitals and academic societies to jointly build and improve local medical environments

Hospitals with an interest in advanced medical diagnosis and treatment and an increasing endoscopic procedures

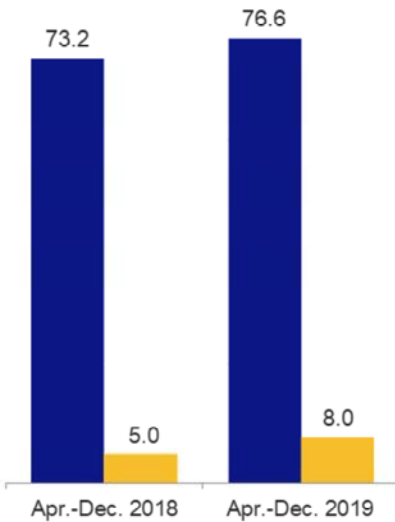
(Slide 10)

- In China, healthcare standards vary according to the classification of hospitals, and patients tend to concentrate in large hospitals or class III hospitals. Resolving this situation has been an urgent issue.
- First, the State Council of China released the "12th Five-Year Plan" in 2011, which aims to promote standardization of local medical institutions and improve medical standards at county-level hospitals.
- In 2016, "Healthy China 2030" and "13th Five-Year Plan" was announced as a strategy for improving the health of the people, and a policy for strengthening preventive healthcare was released.
- China is promoting early diagnosis and early treatment to improve early diagnosis rates in certain regions and cancer 5-year survivorship.
- In 2019, a working plan for improving the comprehensive capabilities of county-level hospitals was released. This plan aims to raise the healthcare standards of 500 county-level hospitals and 500 TCM hospitals to the same level as a class III hospital or class III TCM hospital.
- In line with this trend to strengthen preventive healthcare, new budgets have been allocated to these class II hospitals, and construction of new hospitals and capital investments are being actively implemented. This has enabled us to achieve high growth in our medical field, especially in our endoscopic solutions division.
- Since our gastroscope was first used in China in 1972, the year of normalization of diplomatic ties between Japan and China, we have continued to strengthen our business foundation in China ahead of other companies.
- Leveraging the trust we have cultivated over the years, we will strive to achieve further growth in the medical field by actively supporting the education and training of physicians and working with hospitals and academic societies.
- Although we expect our business activities to be impacted by coronavirus outbreak in short terms, we don't expect any change in the trend of expanding demand for endoscopic treatment, which is backed by government policy, and therefore aim to grasp the long-term opportunities for growth that this provides.

## 3Q of Fiscal 2020 (5) Scientific Solutions Division (SSD)



■ Revenue ■ Operating profit  
(BillionYen)



✓ **Revenue** Biological microscopes performed well in all regions, while sales of industrial products increased driven by the new product effects for industrial videoscopes and steady growth of non-destructive testing equipment mainly in North America

✓ **Operating profit** Revenue growth, coupled with efficient SG&A expenses control, led to record-high operating profit in both 1Q-3Q and 3Q

(Billions of yen)	1Q-3Q (Apr. – Dec.)				3Q (Oct. – Dec.)			
	FY2019	FY2020	YoY	After foreign exchange adjustment	FY2019	FY2020	YoY	After foreign exchange adjustment
Revenue	73.2	76.6	+5%	+8%	25.9	26.9	+4%	+8%
Operating profit	5.0	8.0	+62%	+79%	2.2	2.6	+22%	+48%
Other income / expenses	-0.2	-0.4	-	-	0	-0.2	-	-
Operating margin	6.8%	10.5%		11.2%	8.3%	9.8%		11.4%

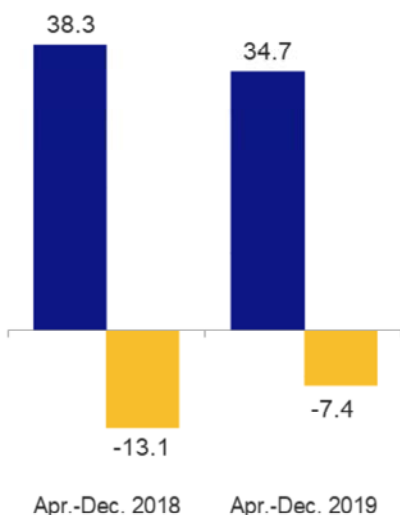
(Slide 11)

- Let's turn to the Scientific Solutions Division.
- Revenue increased by 5% year on year to ¥76.6 billion and operating profit surged 62% year on year to ¥8.0 billion.
- Biological microscopes performed well in all regions, while sales of industrial products increased, driven by steady growth in such products as industrial videoscopes and non-destructive testing equipment.
- In addition, this segment posted record high operating profit both for the third quarter and for the nine months due to the revenue growth coupled with efficient control of SG&A expenses.

## 3Q Fiscal 2020 (6) Imaging Division (IMD)



■ Revenue ■ Operating profit(loss)  
(Billions of yen)



### ✓ Revenue

Revenues declined due to difficult business environment and lack of new products in the first half caused by the restructuring of manufacturing bases. Revenue in 3Q increased YoY due to the new product effects

### ✓ Operating profit(loss)

Operating loss decreased due to absence of restructuring expenses recorded last year and improved SG&A efficiency. In 3Q, the introduction of new mirrorless products increased gross profit and improved profitability

(Billions of yen)	1Q-3Q (Apr. – Dec.)				3Q (Oct. – Dec.)			
	FY2019	FY2020	YoY	After foreign exchange adjustment	FY2019	FY2020	YoY	After foreign exchange adjustment
Revenue	38.3	34.7	-9%	-6%	12.7	13.4	+6%	+10%
Mirrorless	28.2	26.0	-8%	-4%	9.4	10.7	+14%	+18%
Compact	5.9	5.0	-14%	-12%	1.9	1.5	-17%	-14%
Others	4.3	3.7	-13%	-10%	1.4	1.2	-13%	-9%
Operating profit(loss)	-13.1	-7.4	+¥5.8 billion	+¥6.1 billion	-3.9	-1.7	+¥2.2 billion	+¥2.1 billion
Other income / expenses	-6.8	-1.4	-	-	-1.5	-0.3	-	-
Operating margin	-	-	-	-	-	-	-	-

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- Let's look at the Imaging Division.
- Revenue decreased by 9% year on year to ¥34.7 billion while this segment also posted an operating loss of ¥7.4 billion.
- The decline in revenue was due primarily to difficult business environment alongside a lack of new product introductions in the first half of the fiscal year, caused by the restructuring of manufacturing base.
- Although loss was reduced due mainly to the absence of expenses for the restructuring of manufacturing base recorded in the same period of the previous fiscal year and to increased efficiency in SG&A expenses, this was insufficient to improve profitability as much as expected.
- Nonetheless, looking solely at the third quarter, revenue was up 6% due to the introduction of new mirrorless products, and profitability improved together with gross profit.
- While the tough business environment continues, including a shrinking of the camera market, we will strive to improve profitability by expanding sales of new products and appropriately controlling SG&A expenses.

## Statement of Financial Position

- ☑ Assets and liabilities increased due to the impact of adopting new lease standards under (IFRS No. 16)
- ☑ Total equity decreased due to share buy-back

(Billions of yen)	End of Mar. 2019	End of Dec. 2019	Change		End of Mar. 2019	End of Dec. 2019	Change
Current assets	456.0	483.6	+27.6	Current liabilities	287.5	281.5	-6.0
Inventories	153.6	167.9	+14.2	Bonds/loans payable	59.7	56.2	-3.5
Non-current assets	476.0	504.3	+28.3	Non-current liabilities	202.1	309.1	+107.0
Property, plant and equipment	176.9	205.5	+28.6	Bonds/loans payable	121.6	210.9	+89.3
Intangible assets and others	197.9	198.9	+1.0	Total equity	442.4	397.3	-45.1
Goodwill	101.2	99.8	-1.3	(Equity ratio)	47.3%	40.1%	-7.2pt
<b>Total assets</b>	<b>932.0</b>	<b>987.9</b>	<b>+55.9</b>	<b>Total liabilities and equity</b>	<b>932.0</b>	<b>987.9</b>	<b>+55.9</b>

**Interest-bearing debt: 267.1 (up 85.8 from March 31, 2019)**

(Slide 13)

- Let's look at our financial position as of December 31, 2019.
- Assets and liabilities both increased due to the impact of adopting new lease standards under IFRS.
- Additionally, although inventories increased by ¥14.2 billion, this was due mainly to the creation of strategic inventory toward the end of the fiscal year.
- Total equity stood at ¥397.3 billion, down from the end of the previous fiscal year, due to share buyback conducted in August 2019.
- Based on this, the equity ratio was 40.1%, down 7.2 points from the end of the previous fiscal year.



## Consolidated Cash Flows

- ☑ FCF: ¥60.7 billion of free cash flow in 1Q-3Q driven by operating profit increase in Medical
- ☑ Financial CF: Issued corporate bonds in December 2019
  - ✓ ¥30 billion on 0.06% for 3 years, ¥20 billion on 0.2% for 5 years

(Billions of yen)	1Q-3Q (Apr. - Dec.)		Change
	FY2019	FY2020	
Revenue	581.0	595.1	+14.0
Operating profit	20.6	78.5	+57.9
	(% of revenue)		
	3.5%	13.2%	+9.7pt
CF from operating activities	36.6	105.7	+69.2
CF from investing activities	-43.8	-45.0	-1.2
Free cash flow	-7.3	60.7	+68.0
CF from financing activities	-51.6	-29.0	+22.6
Cash and cash equivalents at end of period	131.8	144.8	+13.1
Depreciation and amortization	43.0	50.5	+7.5
Capital expenditures	45.3	49.8	+4.5

(Slide 14)

- Let's look at cash flows.
- Cash flow from operating activities was increased by ¥69.2 billion to ¥105.7 billion due to the generation of operating profit mainly in Medical.
- Cash flow used in investing activities was ¥45.0 billion due primarily to purchases of property, plant and equipment such as demonstration products and loaners in Medical.
- As a result of the above, free cash flow amounted to ¥60.7 billion.
- Cash flow from financing activities was minus ¥29.0 billion due to share buy-back and repayments of borrowings, while issuing bonds in December of last year.
- Going forward, we will utilize various means of financing and prioritize investments for growth particularly in Medical.



# 02 **Forecasts for Fiscal 2020**

(Slide 15)

- I will now explain financial forecasts for the year ending March 31, 2020.

## Fiscal 2020 Consolidated Forecasts

**1** Including approximately 10 billion yen of duodenoscope related expenses as one-time cost, revenue and operating profit are revised upward based on 9 months results

(Billions of yen)		FY2020 (Forecasts announced on Nov 6)	FY2020 (New forecasts)	Change	% change from previous forecasts	FY2019 Full-year results
Revenue	<b>1</b>	800.0	810.0	+10.0	+1%	793.9
Gross profit		509.0	509.0	-	-	509.6
	(% of revenue)	(63.6%)	(62.8%)			(64.2%)
Selling, general and administrative expenses		413.0	410.0	-3.0	-1%	437.5
	(% of revenue)	(51.6%)	(50.6%)			(55.1%)
Other income and expenses		-6.0	-7.0	-1.0	- ¥1.0 billion	-43.8
Operating profit	<b>1</b>	90.0	92.0	+2.0	+2%	28.3
	(% of revenue)	(11.3%)	(11.4%)			(3.6%)
Profit before tax		86.0	87.0	+1.0	+1%	20.1
	(% of revenue)	(10.8%)	(10.7%)			(2.5%)
Profit attributable to owners of parent		63.0	64.0	+1.0	+2%	8.1
	(% of revenue)	(7.9%)	(7.9%)			(1.0%)
EPS		¥47	¥48			
¥/US\$		¥108	¥109			
¥/Euro		¥121	¥121			
¥/CNY		¥15	¥16			

**Dividend forecast in FY2020**  
Year-end dividend of ¥10 per share  
(No change)

(Slide 16)

- Regarding the outlook for the fiscal year ending March 31, 2020, despite factoring in approximately ¥10.0 billion in expenses for responding to the market for duodenoscopes, we have revised forecasts for revenue and operating profit upward in light of progress during the nine months.
- I will explain our response to the market for duodenoscopes later.
- Assumed exchange rates for the fiscal year are ¥109 to the U.S. dollar and ¥121 to the Euro, reflecting results in the third quarter and recent foreign exchange trends.
- A year-end dividend of ¥10 per share is forecast for Fiscal 2020, marking an increase of ¥2.5 per share. This forecast remains unchanged from the initial forecast.

## Fiscal 2020 Forecasts by Business Segment

- 1** ESD, TSD, SSD: Revised upward due to progress through 3Q
- 2** IMD: Revised downward due to difficult business environment
- 3** Elimination and Corporate: Revised due to upfront investments for Transform Olympus

Billions of yen		FY2020 (Forecasts announced on Nov 6)	FY2020 (New forecasts)	Change	% change from previous forecasts
Endoscopic Solutions (ESD)	Revenue	<b>1</b> 420.0	429.0	+9.0	+2%
	Operating profit	105.0	110.0	+5.0	+5%
Therapeutic Solutions (TSD)	Revenue	217.0	220.0	+3.0	+1%
	Operating profit	30.0	31.0	+1.0	+3%
Scientific Solutions (SSD)	Revenue	106.0	107.0	+1.0	+1%
	Operating profit	11.0	11.0	-	-
Imaging (IMD)	Revenue	<b>2</b> 50.0	47.0	-3.0	-6%
	Operating profit(loss)	-7.0	-9.0	-2.0	- ¥2 billion
Others	Revenue	7.0	7.0	-	-
	Operating profit(loss)	-4.0	-3.0	+1.0	+ ¥1.0 billion
Elimination and Corporate	Operating profit	<b>3</b> -45.0	-48.0	-3.0	+ ¥3.0 billion
Consolidated Total	Revenue	800.0	810.0	+10.0	+1%
	Operating profit	90.0	92.0	+2.0	+2%

(Slide 17)

- Let's look at forecasts by business segment.
- We have revised forecasts upward in the Endoscopic Solutions Division, Therapeutic Solutions Division and Scientific Solutions Division in light of progress during the nine months.
- Revenue and operating profit forecasts have been revised downward in the Imaging Division due to difficult business environment.
- The forecast for Elimination and Corporate has been revised after factoring in upfront investments under Transform Olympus.

## Duodenoscope: Responding to the market

### ✓ Disposable-endcap type duodenoscope: FDA cleared in Jan. 2020

New product employs a detachable & disposable endcap (cover) to further facilitate cleaning and disinfection



### ✓ Voluntary transition from fixed-endcap type duodenoscopes to new disposable-endcap type duodenoscopes to enhance easiness in manual cleaning

(Slide 18)

- I will now explain our response to the duodenoscope market that I mentioned earlier.
- The FDA issued safety communication to healthcare facilities regarding efforts to reduce risk of patient infection with duodenoscopes and Olympus has been undertaking various measures as a medical device manufacturer.
- This disposable-endcap type duodenoscopes have already been introduced in Japan and Europe etc, and FDA cleared this duodenoscope in the United States in January 2020.
- We have confirmed safety of all the duodenoscopes. However, we will conduct voluntary transition from fixed-endcap type duodenoscopes to new disposable-endcap type duodenoscopes and promote the early adoption of the new duodenoscope in order to contribute to patient safety.

## Next Generation Gastrointestinal Endoscopy System

Aim to introduce earlier in markets that have been approved by the regulatory authorities

New endoscopy system aims to introduce technologies that set a new standard for detection, characterization, staging and treatment



1. CADE – Computer-aided detection 2. CADx – Computer-aided diagnosis

### Detection



#### CADE<sup>1</sup>

- Leverage AI-enabled software to improve lesion detection

### Characterization



#### Super wide depth of view

- Wider depth of view makes it easier to use the magnification function on the endoscope

#### CADx<sup>2</sup>

- Real-time diagnosis of lesions using AI-enabled software

### Staging



#### Magnification technology

- High definition magnified image allows for more accurate staging

### Treatment



#### Vessel visualizing technology

- Visualization of vessels can improve efficiency and error rate of endoscopic treatment



#### 3D imaging

- 3D imaging improves efficiency and shortens the learning curve of endoscopic treatment

(Slide 19)

- Next, we will explain our next-generation gastrointestinal endoscopy system, which is of great interest to investors.
- We have already communicated the functions and other aspects in our corporate strategy.
- In addition to improving basic functions such as image quality and operability, this model is a strategic product that promises to become a new standard in endoscopic examination and treatment by incorporating a number of completely new proprietary technologies aimed at achieving both high medical value and high efficiency and economic value.
- Going forward, this product is expected to be launched from the markets where we obtain regulatory approvals.



(Slide 20)

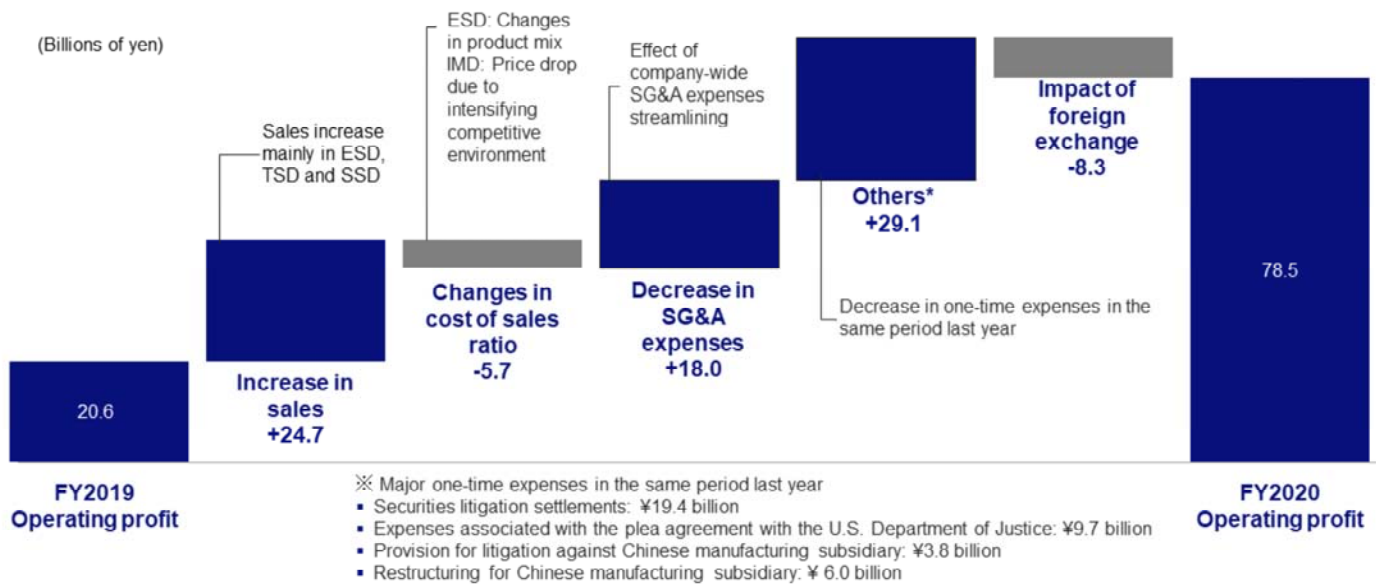
- In the third quarter, Olympus continued to make solid progress and posted record high operating profit as in the first half.
- In the remaining two months of the current fiscal year, the entire company will continue to work together to achieve the full-year forecasts set out today as well as a 20% operating margin in the fiscal year ending March 2023, a goal set forth in our corporate strategy.
- That concludes my presentation. Thank you very much for your attention.



# 03 Appendix

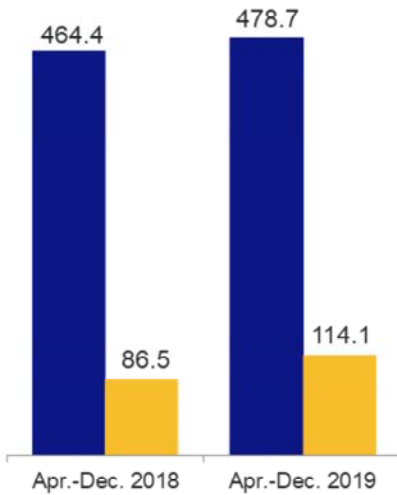
## Supplementary Materials: 3Q of Fiscal 2020 Factors That Affected Consolidated Operating Profit

1Q-3Q (Apr. – Dec.)



## Supplementary Materials: 3Q of Fiscal 2020 Medical Business

■ Revenue ■ Operating profit  
(Billions of yen)



✓ **Revenue** Record high revenue, mainly driven by strong sales momentum in China (excl. FX impact +7%)

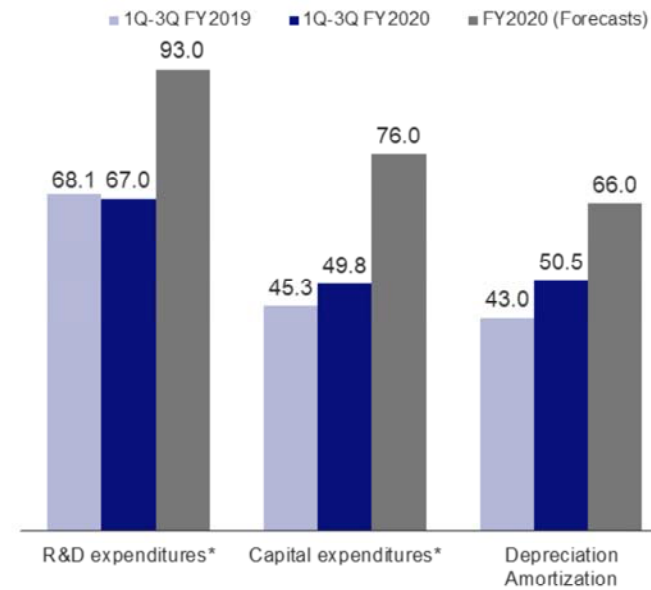
✓ **Operating profit** Record high OP due to increased revenue in all areas and improved SG&A efficiency

(Billions of yen)	1Q-3Q (Apr. – Dec.)				3Q (Oct. – Dec.)			
	FY2019	FY2020	YoY	After foreign exchange adjustment	FY2019	FY2020	YoY	After foreign exchange adjustment
Revenue	464.4	478.7	+3%	+7%	158.8	163.9	+3%	+8%
Gastrointestinal Endoscopes (GI)	247.8	258.2	+4%	+8%	83.8	90.0	+7%	+12%
Surgical Devices	154.9	155.7	+1%	+4%	54.1	52.1	-4%	+1%
Endotherapy Devices	61.8	64.8	+5%	+8%	20.9	21.7	+4%	+8%
Operating profit	86.5	114.1	+32%	+40%	31.8	39.1	+23%	+34%
Other income / expenses	-6.9	-1.7	-	-	0	-0.8	-	-
Operating margin	18.6%	23.8%		24.4%	20.1%	23.8%		24.9%

## Supplementary Materials: Expenditures etc.

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

(Billions of yen)



(Billions of yen)	FY2019 1Q-3Q	FY2020 1Q-3Q	FY2020 (Forecasts)
R&D expenditures* (a)	68.1	67.0	930
Capitalization of R&D expenditures (b)	6.7	14.4	230
R&D expenses in P/L (a-b)	61.4	52.6	700

(Billions of yen)	FY2019 1Q-3Q	FY2020 1Q-3Q
Amortization	5.4	5.1
	End of Sep. 2019	End of Dec. 2019
R&D assets	37.7	42.2

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