Consolidated Financial Results for the 1st Quarter and Full-year Forecasts for Fiscal 2024

Olympus Corporation | Executive Officer and CFO, Chikashi Takeda | August 9, 2023

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Highlights

1Q Consolidated Financial Results

Revenue growth was mainly driven by China, which recovered from Shanghai lockdown and other factors, and APAC, which grew in all segments. By product, EVIS X1, etc. contributed. Profit decreased due to investments for sustainable growth and strengthening of operational infrastructure, as well as upfront project-related expenses for improving efficiency, etc.

- Revenue: 8% consolidated growth (up 4% after FX adjustment). Record high for Medical business in 1Q. High-single-digit growth for both ESD and TSD
- Adjusted operating profit : Decreased due to an increase in personnel expenses for future growth and strengthening of operational infrastructure such as QARA, as well as upfront project-related expenses for improving efficiency, etc.
- Profit*: Record high of ¥240.6 billion due to a gain on transfer of Scientific Solutions Business (Evident). EPS: ¥192
- Others: Steady progress made in corrective actions for FDA findings, while engaging in a constructive dialogue with FDA

Full-year Performance Forecasts

Initial forecasts remain unchanged as we still aim at achieving the budget and have taken appropriate actions, despite slightly slow 1Q results

- Revenue: Expected to achieve ¥914 billion, up 4% YoY (up 5% after FX adjustment)
- Adjusted operating profit: Expected to achieve ¥182 billion, up 3% YoY (up 6% after FX adjustment), with an adjusted operating margin of approx. 20% as stated in company strategy thorough cost management
- Profit*: Record high of ¥336 billion. EPS: Expected to be ¥273

*Profit attributable to owners of parent. Figures through FY2016 are based on Japanese GAAP (JGAAP) and figures from FY2017 onward are based on IFRS. Since all shares of discontinued operation (Evident) were transferred in April 2023, a gain on this share transfer was recorded in the first quarter of FY2024.

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Consolidated Financial Results and Business Review for the 1Q of Fiscal 2024 (FY Ending March 31, 2024)

1Q of Fiscal 2024 (1) Consolidated Financial Results

1 Revenue: 8% consolidated growth (up 4% after FX adjustment). Record high for Medical business in 1Q. High-single-digit growth for both ESD and TSD

2 Adjusted operating profit: Decreased due to an increase in personnel expenses for future growth and strengthening of operational infrastructure such as QARA, as well as upfront project-related expenses for improving efficiency, etc.

3 Profit*: Record high of ¥240.6 billion due to a gain on transfer of Scientific Solutions Business (Evident). EPS: Expected to be ¥192

1Q (Apr. to Jun.)

	(Billions of yen)	FY2023	FY2024	YoY	After FX adjustment
**Continuing operations	Revenue	192.3	1 207.7	+8%	+4%
	Gross profit (% of revenue)	125.7 (65.4%)	137.2 (66.1%)	+9%	+2%
	Selling, general and administrative expenses (% of revenue)	96.0 (49.9%)	108.8 (52.4%)	+13%	+9%
	Other income and expenses	14.8	-6.0	-	-
	Operating profit (% of revenue)	44.5 (23.2%)	22.5 (10.8%)	-50%	-60%
	Adjusted operating profit (% of revenue)	**29.7 (15.5%)**	2 **28.3 (13.6%)**	**-5%**	**-21%**
	Profit before tax (% of revenue)	42.0 (21.9%)	19.7 (9.5%)	-53%	
	Profit from continuing operations (% of revenue)	27.9 (14.5%)	13.5 (6.5%)	-52%	
***Discontinued operation	Profit from discontinued operation	-3.0	227.1	+¥230.1 billion	
Continuing operations	Profit (loss)	24.9	240.6	+865%	
	Profit (loss) attributable to owners of parent	24.9	3 240.6	+868%	
	EPS	¥20	¥192		

*Profit attributable to owners of parent. Figures through FY2016 are based on Japanese GAAP (JGAAP) and figures from FY2017 onward are based on IFRS.
**The figures from "Revenue" to Profit from continuing operations" represents continuing operations.
***Since all shares of discontinued operation (Evident) were transferred in April 2023, a gain on this share transfer was recorded in the first quarter of the fiscal year ending March 31, 2024.

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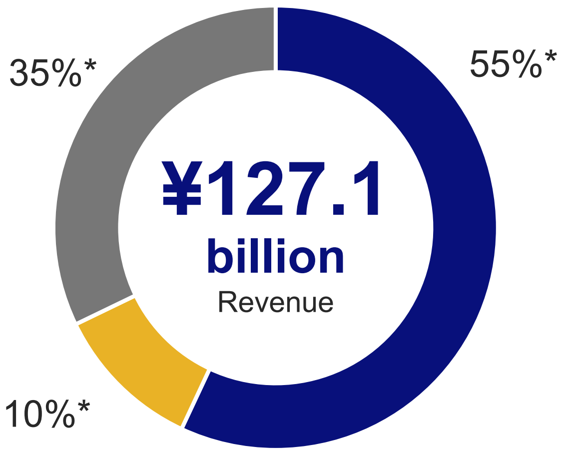
1Q of Fiscal 2024 (2) Endoscopic Solutions Division (ESD)

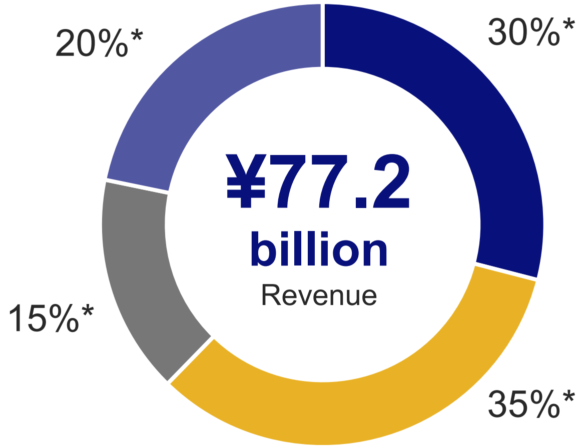


	FY2023	FY2024
(Billions of yen)	1Q	1Q
Revenue	116.9	127.1
Operating profit	24.8	22.2
Other income and expenses	-1.2	-3.4
Adjusted operating profit	**26.0**	**25.6**
Operating margin (After FX adjustment)	21.3%	17.4% (15.4%)
Adjusted operating margin (After FX adjustment)	**22.3%**	**20.1% (18.1%)**

*Approx. Due to rounding, the total may not add up to 100%.

Growth Rate FY2024 1Q vs FY2023 1Q	**After FX adjustment**		**Incl. FX**
■ **Gastrointestinal endoscope**	0%	▪ Remarkable growth in China, which was affected by Shanghai lockdown and other factors in previous year. In APAC and Japan, solid sales expansion of EVIS X1 series, as well as previous generation gastrointestinal scopes and colonoscopes, continued. In the meantime, sales declined in Europe, which was boosted by large-scale projects in the U.K. in previous year, and in North America, where customers refrained from purchasing before launch of EVIS X1.	3%
■ **Surgical endoscope**	19%	▪ All regions grew, led by new surgical endoscope system VISERA ELITE III. In particular, APAC, where sales expansion of VISERA ELITE III was successful, contributed to growth.	24%
■ **Medical service**	8%	▪ Steady growth in all regions, including China, due to stable revenue stream based on service contracts including maintenance service and an increase in new accounts.	13%
Total	5%		9%

1Q of Fiscal 2024 (3) Therapeutic Solutions Division (TSD)



	FY2023	FY2024
(Billions of yen)	1Q	1Q
Revenue	72.4	77.2
Operating profit	13.4	9.7
Other income and expenses	-0.2	-1.9
Adjusted operating profit	**13.6**	**11.6**
Operating margin (After FX adjustment)	18.5%	12.5% (11.4%)
Adjusted operating margin (After FX adjustment)	**18.8%**	**15.0% (13.9%)**

*Approx. Due to rounding, the total may not add up to 100%.

Growth Rate FY2024 1Q vs FY2023 1Q	After FX adjustment		Incl. FX
GI EndoTherapy	5%	▪ Growth centered on North America. Notable momentum in ESD/EMR products, Sampling (biopsy forceps, etc) and ERCP.	9%
Urology	2%	▪ Growth was driven by APAC. Despite the temporary suspension of shipments and supply shortages of some major products, resection electrodes mainly for BPH and SOLTIVE SuperPulsed Laser System for urinary tract stone treatment continued to grow.	8%
Respiratory	-2%	▪ Sales declined after FX adjustment due to shipment suspension and delay of some products in Europe and the U.S. Sales in Japan, where COVID-related subsidies effect was seen in previous year, were also sluggish.	2%
Other therapeutic areas	1%	▪ Remarkable growth in China, which was affected by Shanghai lockdown and other factors in previous year. Sales of ENT scopes contributed to growth.	5%
Total	2%		7%

Statement of Financial Position

- ☑ Balance sheet increased by approx. ¥105.7 billion in real terms, excluding FX impact of approx. ¥74.3 billion, due mainly to an increase in cash and retained earnings from transfer of Evident
- ☑ Assets held for sale and liabilities directly associated with assets held for sale changed due to completion of transfer of Evident

(Billions of yen)	End of Mar. 2023	End of Jun. 2023	Change
Current assets	726.4	964.8	+238.5
Inventories	163.0	177.5	+14.5
Assets held for sale	169.6	0.6	-169.1
Non-current assets	782.0	723.4	-58.5
Property, plant and equipment	238.7	253.5	+14.8
Intangible assets	115.2	120.2	+5.1
Goodwill	182.5	197.9	+15.4
Total assets	1,508.3	1,688.3	+180.0

	End of Mar. 2023	End of Jun. 2023	Change
Current liabilities	461.9	416.4	-45.5
Bonds/loans payable	50.0	99.9	+49.9
Liabilities directly associated with assets held for sale	43.3	0	-43.2
Non current liabilities	405.2	365.0	-40.2
Bonds/loans payable	290.1	246.0	-44.0
Equity	641.2	906.9	+265.7
(Equity ratio)	42.4%	53.7%	+11.3pt
Total liabilities and equity	1,508.3	1,688.3	+180.0

Consolidated Cash Flows

- FCF: Despite a decrease in operating CF due mainly to corporate tax payment related to gain on transfer of Evident, FCF increased significantly due to receipt of consideration for transfer of Evident. Adjusted FCF was minus ¥10.3 billion yen
- Financing CF: Minus ¥25.9 billion due mainly to dividend payment

1Q (Apr. to Jun.)

			FY2023	FY2024	Change
Continuing operations		Profit before tax	42.0	19.7	-22.3
	Discontinued operation	CF from operating activities	-26.9	-53.1	-26.3
		CF from investing activities	5.2	427.0	+421.8
		Free cash flow	-21.7	373.9	+395.5
		Adjusted Free cash flow	**-20.2**	**-10.3**	**+10.0**
		CF from financing activities	-21.7	-25.9	-4.1
		Cash and cash equivalents at end of period	286.4	558.7	+272.3

Major adjusted items for FY2023 1Q (Apr. to Jun.)

Operating CF: Tax payments for reorganization of SSD	-¥17.8 billion
Investing CF: Proceeds from sale of fixed assets (land)	+¥19.1 billion
Investing CF: Investments and temporary financial burden associated with start of Evident	-¥2.7 billion

Major adjusted items for FY2024 1Q (Apr. to Jun.)	
Operating CF: Corporate tax payment on gain on transfer of Evident	-¥56.7 billion
Investing CF: Receipt of consideration for transfer of Evident, etc.	+¥388.8 billion
Investing CF: Collection of loan from Evident, etc.	+¥52.0 billion

02 Forecasts for Fiscal 2024

Fiscal 2024 Consolidated Forecasts

☑ Initial forecasts remain unchanged

1	Revenue:	Expected to achieve ¥914 billion, up 4% YoY (up 5% after FX adjustment)
2	Adjusted Operating profit:	Expected to achieve ¥182 billion, up 3% YoY (up 6% after FX adjustment), with an adjusted operating profit margin of approximately 20% as stated in company strategy thorough cost management
3	Profit*:	Expected to reach a record high of ¥336 billion due to a gain on transfer of Evident. EPS: Expected to be ¥273

	(Billions of yen)	FY2023	FY2024 Forecasts	Change	vs FY2023	After FX adjustment
** Continuing operations	Revenue	881.9	1 914.0	+32.1	+4%	+5%
	Gross profit (% of revenue)	596.8 (67.7%)	627.0 (68.6%)	+30.2	+5%	+7%
	Selling, general and administrative expenses (% of revenue)	420.5 (47.7%)	446.0 (48.8%)	+25.5	+6%	+7%
	Other income and expenses	10.3	-18.0	-	-	-
	Operating profit (% of revenue)	186.6 (21.2%)	163.0 (17.8%)	-23.6	-13%	-9%
	Adjusted operating profit (% of revenue)	**176.8 (20.0%)**	2 **182.0 (19.9%)**	**+5.2**	**+3%**	**+6%**
	Profit before tax (% of revenue)	182.3 (20.7%)	159.0 (17.4%)			
	Profit from continuing operations (% of revenue)	138.0 (15.7%)	115.0 (12.6%)			
*** Discontinued operation	Profit from discontinued operation	5.6	221.0			
Continuing operations + Discontinued operation	Profit (loss)	143.6	336.0			
	Profit (loss) attributable to owners of parent	143.4 (16.3%)	3 336.0 (36.8%)			
	EPS	¥113	¥273			

*Profit attributable to owners of parent. Figures through FY2016 are based on Japanese GAAP (JGAAP) and figures from FY2017 onward are based on IFRS.
**The figures from "Revenue" to Profit from continuing operations" represents continuing operations.
***Since all shares of discontinued operation (Evident) were transferred in April 2023, a gain on this share transfer was recorded in the first quarter of the fiscal year ending March 31, 2024.

Dividend forecast for FY2024

Year-end dividend of ¥18 per share

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Fiscal 2024 Forecasts by Business Segment

☑ Initial forecasts remain unchanged

1 Medical: Revenue expected to reach a record high. Launch of EVIS X1 in the U.S. is scheduled for middle of FY2024

2 Discontinued Operation: Expected to achieve a significant profit increase due to a gain on transfer

(Billions of yen)		FY2023	FY2024 Forecasts*	Change	vs FY2023	After FX adjustment
ESD	Revenue	551.8	1 572.0	+20.2	+4%	+5%
	Operating profit	152.8	158.0	+5.2	+3%	+6%
TSD	Revenue	318.2	1 329.0	+10.8	+3%	+5%
	Operating profit	63.7	56.0	-7.7	-12%	-8%
Others	Revenue	11.9	13.0	+1.1	+9%	+8%
	Operating profit(loss)	-0.9	1.0	+1.9	+¥1.9 billion	+¥1.9 billion
Elimination and Corporate	Operating profit(loss)	-28.9	-52.0	-23.1	-¥23.1 billion	-¥23.2 billion
Consolidated Total	Revenue	881.9	914.0	+32.1	+4%	+5%
	Operating profit	186.6	163.0	-23.6	-13%	-9%
(Reference) Discontinued Operation	Revenue	135.4	0	-135.4	-	-
	Operating profit(loss)	7.0	2 347.0	+340.0	-	-

*Since all shares of discontinued operation (Evident) were transferred in April 2023, a gain on this share transfer was recorded in the first quarter of the fiscal year ending March 31, 2024.

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Management View

- Steady progress made in corrective actions for FDA findings, while engaging in a constructive dialogue with FDA
- Launched a company-wide quality transformation program
- Initial forecasts remain unchanged as we still aim at achieving the budget and have taken appropriate actions, despite slightly slow 1Q results and various risks

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Appendix

Changes in Reporting Structure

With completion of divestiture of Scientific Solutions Business (Evident) in FY2024 1Q, it is disclosed as a discontinued operation from FY2023 2Q to FY2024 (based on IFRS)

FY2022

- ESD
- TSD
- SSD
- Others

Apr. 2022 - Mar. 2024

Continuing Operations
- ESD
- TSD
- Others

Discontinued Operation*
- Scientific Solutions Business (Evident)

☑ Profit (loss) from Discontinued Operation is disclosed in Consolidated Financial Results

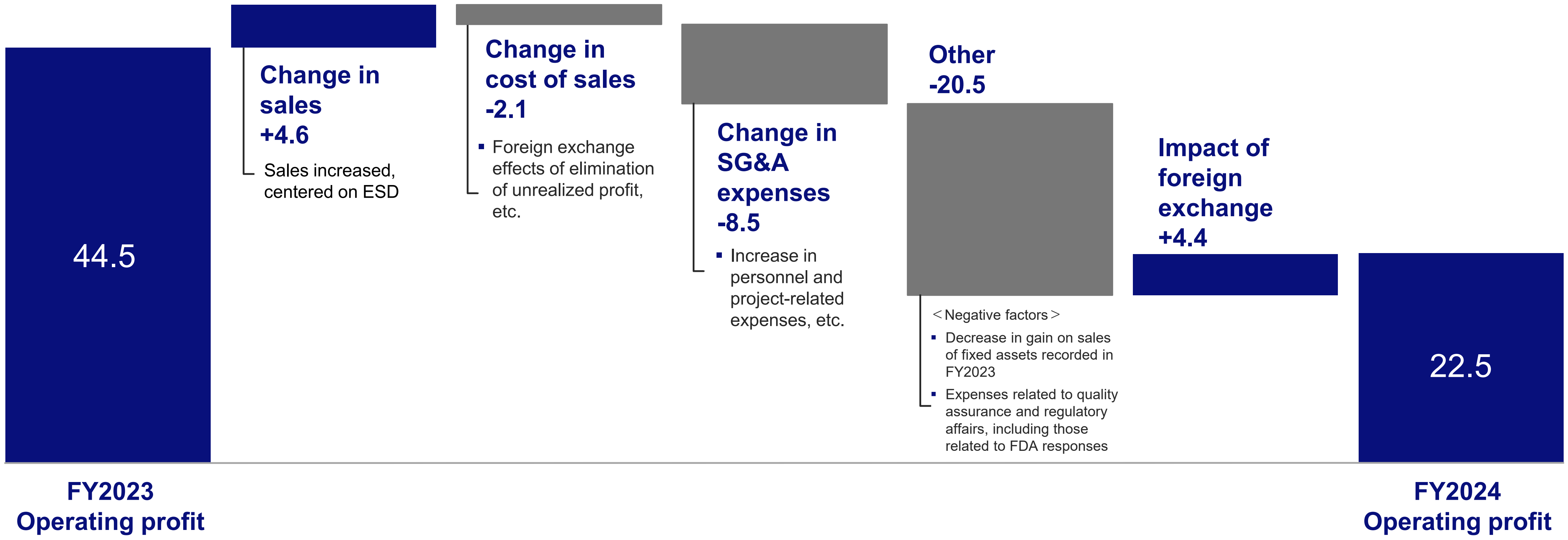
☑ Performance of Discontinued Operation is disclosed as supplementary information

*In the six months ended September 30, 2022, Olympus Corporation concluded a share transfer agreement related to the transfer of our Group's Scientific Solutions Business with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital Private Equity, LP (together with its affiliates, "Bain Capital"). The amounts presented for revenue, operating profit, profit before tax and profit from continuing operations are the amounts from continuing operations from which the discontinued operation has been excluded, while the amounts presented for profit and profit attributable to owners of parent are aggregates of continuing operations and discontinued operation. The transfer of all shares was completed in April 2023.

1Q of Fiscal 2024 Factors that Affected Consolidated Operating Profit

1Q (Apr. to Jun.)

(Billions of yen)



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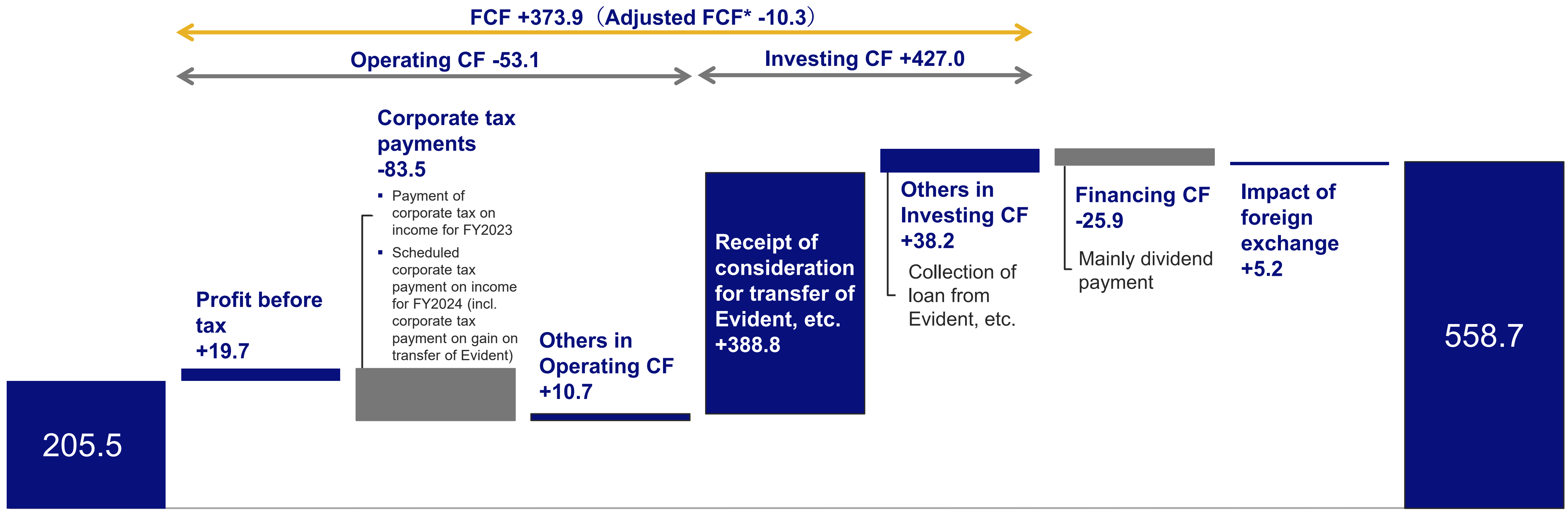
1Q of Fiscal 2024 Results by Segment

1Q (Apr. to Jun.)					
(Billions of yen)		FY2023	FY2024	YoY	After FX adjustment
ESD	Revenue	116.9	127.1	+9%	+5%
	Operating profit	24.8	22.2	-11%	-24%
TSD	Revenue	72.4	77.2	+7%	+2%
	Operating profit	13.4	9.7	-28%	-37%
Others	Revenue	3.0	3.4	+13%	+9%
	Operating profit(loss)	-0.3	-0.1	+¥0.2 billion	+¥0.2 billion
Elimination and Corporate	Operating profit(loss)	6.6	-9.2	-¥15.9 billion	-¥15.8 billion
Consolidated Total	Revenue	192.3	207.7	+8%	+4%
	Operating profit	44.5	22.5	-50%	-60%
Discontinued Operation	Revenue	21.8	0	-	-
	Operating profit(loss)	-3.7	347.6	-	-

Factors that Affected Consolidated Cash Flows



End of March 2023 Cash and cash equivalents

End of June 2023 Cash and cash equivalents

Major adjusted items for FY2024 1Q (Apr. to Jun.)	
Operating CF: Corporate tax payment on gain on transfer of Evident	-¥56.7 billion
Investing CF: Receipt of consideration for transfer of Evident, etc.	+¥388.8 billion
Investing CF: Collection of loan from Evident, etc.	+¥52.0 billion

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Key Product Catalysts: Endoscopic Solutions Division (As of Aug. 9, 2023)

ESD Key priorities for FY2024

- Accelerate EVIS X1 sales growth in Europe, Japan and Asia Pacific
- Aim to launch EVIS X1 in the US in middle of FY2024 and prepare for launch in China
- Launch next generation EUS system in Europe and Japan successfully
- Maximize market potential in emerging countries and further expansion in China
- Introduce new generation surgical endoscopy system and improve profitability

Growth driver now

GI endoscopy
- EVIS X1 (EU, Japan, AP)
- EVIS EXERA III (US, EU)
- EVIS LUCERA ELITE (China)

Surgical endoscopy
- VISERA ELITE II 2D/3D/IR (US, EU, Japan, China)
- VISERA 4K UHD (US, EU, Japan, China)

Just launched / Coming soon

GI endoscopy
- EVIS X1 (US, **China**)
- EU-ME3 (EU, Japan, AP)

Surgical endoscopy
- VISERA ELITE III (EU, Japan、AP)

Beyond

GI endoscopy
- Single-use duodenoscope
- ENDO-AID, endoscopy CAD platform for EVIS-X1 (Japan, US)

Surgical endoscopy
- VISERA ELITE III (US)

5%

Growth rate[1] in FY2024

1 YoY after FX adjustment

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Key Product Catalysts: Therapeutic Solutions Division (As of Aug. 9, 2023)

TSD Key priorities for FY2024

GI EndoTherapy
- Expand clinically differentiated product offerings in key areas of focus: ERCP, ESD, Luminal Patency and Hemostasis devices

Urology
- Expand leadership in BPH through iTind market development while maintaining resection as a primary revenue and profit growth
- Drive lithotripsy growth through SOLTIVE SuperPulsed Laser System

Respiratory
- Drive growth in lung cancer with stronger emphasis around updated EBUS-TBNA offerings with additional opportunity to promote market expansion of SPiN Navigation in EU and APAC
- Reinforce strength in respiratory endoscopy through continued focus on driving adoption of X1 bronchoscopy platform

Growth driver now

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

Urology
- Resection electrodes
- SOLTIVE SuperPulsed Laser System for stone + soft tissue (US, EU, **AP**)

Respiratory
- Bronchoscope, EBUS scope
- ViziShot series
- Spiration Valve System
- EVIS X1 bronchoscope (Japan, EU, AP)

Just launched / Coming soon

GI EndoTherapy
- **1** product (US)
- **6** products (EU)
- **5** products (Japan)
- **1** product (China)

Urology
- ESG-410 (US, Japan, AP)
- Single-use ureteroscope (US, Japan)
- iTind (US, EU, AP)
- **Resection electrodes (China)**
- **OES ELITE Ureteroscope (China)**

Respiratory
- Electromagnetic Navigation system (US)
- Single-use bronchoscope (US)
- New EBUS scope (US, China)
- EVIS X1 bronchoscope (US)
- Endoscopic Ultrasound Processor (EU, Japan, AP**)**

Beyond

GI EndoTherapy
- Single-use cholangioscope

Urology
- Cystoscope
- Camera head

Respiratory
- Electromagnetic Navigation system (EU)
- Slim EBUS scope
- EVIS X1 bronchoscope (China)

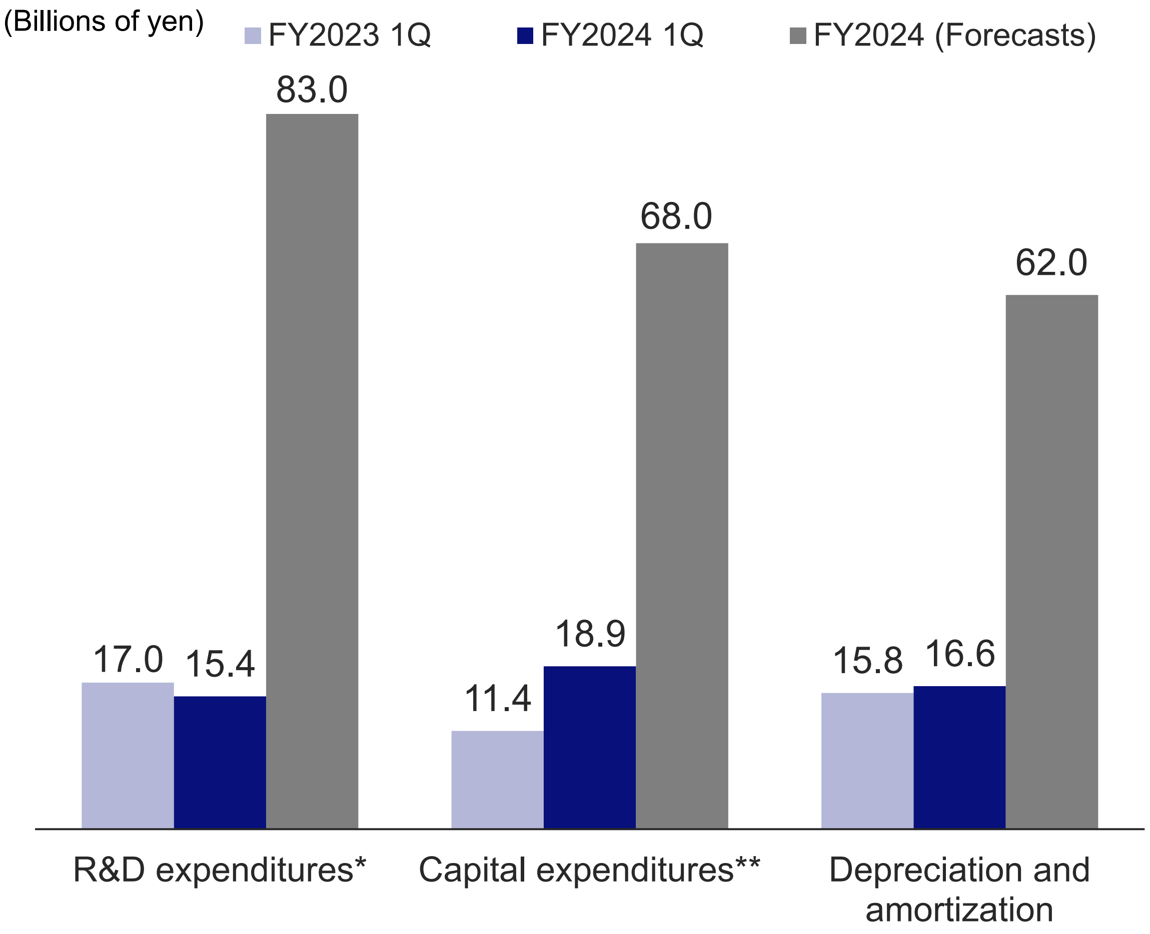
5%

Growth rate[1] in FY2024

1 YoY after FX adjustment

Expenditures, etc.

1Q Results and Forecasts



(Billions of yen)	FY2023	FY2024
R&D expenditures* (a)	17.0	15.4
Capitalization of R&D expenditures (b)	1.7	2.7
R&D expenses in P/L (a-b)	15.3	12.7

(Billions of yen)	FY2023	FY2024
Amortization	1.6	2.1
	End of Mar. 2023	End of Jun. 2023
R&D assets	56.0	59.9

*Capitalization of R&D expenditures (b) is included in R&D expenditures.
**Capitalization of R&D expenditures (b) is included in capital expenditures.
In addition, the Olympus Group has adopted IFRS #16 "Leases" from FY2020, and right-of use assets below are included in capital expenditures.
(FY2023 1Q: ¥2.6 billion, FY2024 1Q: ¥4.3 billion, FY2024 Forecast: ¥9.0 billion)

Foreign Exchange and Sensitivity

☑ As a general rule, we use average value for latest month as exchange rates for full-year forecasts

Foreign exchange rate

(Yen)	FY2023 1Q	FY2024 1Q	FY2024 Forecasts
Yen/U.S. dollar	129.57	137.37	132
Yen/Euro	138.12	149.47	144
Yen/CNY	19.58	19.56	19

Forex sensitivity (annualized impact)

(Billions of yen)	Revenue	Operating profit
U.S. dollar (per yen)	2.5	0.7
Euro (per yen)	1.6	0.6
CNY (per yen)	5.8	3.5

*Forex sensitivity (annualized impact) is calculated based on the FY2023 4Q results.