

Olympus Corporation
2Q FY2026 Earnings Conference Q&A (Summary)

(Disclaimer)

For your reference, please find an English translation of the question and answer session at the conference for financial results of the second quarter of the fiscal year ending March 31, 2026 below. This transcript has been edited/modified from the original Q&A conversations for the sake of clarity. 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 actual results, performance, achievements, or financial position to be materially different from any future results expressed or implied by these forward-looking statements. Additionally, this information is subject to change without notice. Accordingly, other information should be used in addition to this material when making investment decisions. Olympus Corporation assumes no responsibility for any damage resulting from the use of this material.

[Q&A (Summary)]

- Q: I understand that the average top-line growth rate for the MedTech industry is in the mid-single digits or even higher. While you expect top-line growth of 5% for FY2029, it is 3% and 4% for FY2027 and FY2028, respectively, so your corporate strategy targets appear conservative. Is the below-industry growth forecast due to delays in innovation? Can we expect growth exceeding 5% over a longer period, like the next five years?
- A: : We're excited about our organic pipeline, as well as our opportunities for partnerships and joint ventures. It's our full intention to grow above those markets. I am optimistic about the future of Olympus. I think corporate strategy that we've outlined here steps us into that.
- Q: It is my observation that Olympus' R&D activities have been stagnant for the past three to five years. As CEO, what do you plan to implement to accelerate innovation?
- A: : First, our newly appointed CTO, Syed Naveed, introduced a new innovation model. Second, we're focusing very specifically on the technology that is most impactful, which meant stopping some programs that were taking up resources that were not going to contribute in the short-term. Simultaneously, we continue to look for external relationships that can reflect growth, such as the distribution agreements with MacroLux Medical and W. L. Gore & Associates. We're changing the way we think about R&D. We're changing what we do and how we do it and making sure that we're spending our time and energy on those innovations that matter most.

Q: I would like to ask about the assumptions of the top-line targets in corporate strategy. Growth of 3% for FY2027 seems like a slow start. In FY2027, I believe that EVIS X1 will contribute to the U.S. and China. And China, which has been tough this fiscal year, may recover. So I don't think the growth rate in the first half of the medium-term plan will be necessarily low. Is there any upside? Is M&A included in the growth rate target?

A: We are focusing on "Growth through Innovation," one of the three strategic pillars in our corporate strategy. For our China business, I'm not anticipating a quick recovery, but I am anticipating a recovery in China. We know the market has changed in China certainly with the Buy China policy, which is why you saw us take steps to localize in China. We've also changed our commercial model in China. Just this past week we got an NMPA (National Medical Products Administration) approval for EU-ME3, which will be launched soon. We're seeing good things. We don't put inorganic opportunities into our forecast. We would look at that to accelerate it. When I think about M&A, it's not just buying a company. It can be a distribution deal. It can be a joint venture like we saw with Swan EndoSurgical. It could be taking an equity stake in a startup as well.

The biggest driver for GIS growth in the U.S. is the completion of the EVIS X1 scope portfolio, which will be done in FY2027. Growth is expected to be moderate with the mid-single digits. In China, we are currently expanding our product lineup and anticipate similarly moderate growth. Another key growth driver for GIS is single-use endoscopes. We are preparing to launch single-use duodenoscopes in Japan and the U.S. first by the end of calendar year 2026 (second half of FY2027). Since each product is expected to launch in stages, I believe this financial guidance reflects realistic growth outlook.

In the short term, we will focus on launching new products in our key areas of Urology and Respiratory. In particular, the innovative Slim EBUS scope will be launched this fiscal year, with contributions to growth expected in the next and subsequent fiscal years. In the mid-term, we are developing products that simplify procedures and improve outcomes in areas like EBUS scopes, stone lithotripsy, and BPH treatment. We also anticipate further growth from single-use endoscopes. We recently announced the distribution agreement with MacroLux Medical. There is also demand for solutions combining our products, such as SOLTIVE SuperPulsed Laser System, one of our key Urology products. We aim to deliver innovative products.

Q: Regarding financial guidance, I understand that top-line growth and structural reforms are expected to contribute to further improvements in adjusted operating margin. Is there any upside in margin improvements?

A: We certainly are implementing global personnel optimization. Profit accretion comes from us launching new products as well and getting new prices for those new products.

Q: Regarding GIS initiatives in emerging markets, I think that initiatives in the APAC region will be important in the med- to long-term. Slide 9 of the financial results presentation states "Evaluate options to provide medium- and low-tier portfolio options to global markets". Has this been incorporated into the corporate strategy announced today? Will they be launched during the corporate strategy time period up to FY2029? While you have traditionally focused on high-end

lineups, if you were to produce mid- and lower-tier products in the future, how should we anticipate their contribution to the top and bottom lines?

A: I think there is an opportunity for us to expand our portfolio and look at different product offerings in emerging markets, but that's not included in the plan. So that would be additional to what we could do in the plan. We view growth in emerging markets as a fundamental growth driver. It's been a consistent double digit growth driver for us.

We are seeing very high growth in APAC, particularly India, and are expanding into emerging markets like Latin America and Middle East/Africa through local distributors. In emerging markets, we are mainly focusing on GI training, education, and procedural support. Regarding product segmentation, we have traditionally offered two to three price points and continue this approach in some markets. We are also actively considering products suitable for the rapidly growing mid-to-low price segment market in China. Since introducing in-house developed products to these emerging markets requires time, we are also seeking other options to secure a mid-to-low price GI portfolio, while maintaining global quality standards. For the time being, we are actively pursuing opportunities in these markets by leveraging our existing product portfolio and adjusting product mix according to the needs of each segment.

Q: Will the successor model of flagship EVIS X1 not be launched until FY2029?

A: The rollout of EVIS X1 in the U.S. and China is still in the early stages, and we plan to continue expanding the scope portfolio of the EVIS X1 series. Many staff in our R&D team are already working on innovation related to the successor to the EVIS X1 platform. We are exploring new endoscopic functions and operability, while we are also actively considering the integration of AI capabilities of Intelligent Endoscopy Ecosystem into the core system (processor) as a strong option. It will take another several years until the launch of the next-generation flagship product, but development activities are already underway.

Q: Why is your forecast for FY2027 so low, given new products such as EVIS X1 and EU-ME3? I understand that, according to the financial guidance in your corporate strategy, you are expecting revenue growth of 3% and an improvement in adjusted operating margin of 1% next fiscal year. This appears conservative, considering many drivers such as the launch of EVIS X1, slim EBUS scope, and EU-ME3 in the U.S. and China, as well as OLYSENSE. What factors are holding back growth outlook?

A: There's nothing holding us back other than putting together a track record of delivering consistent results. When we saw 1Q, we were in a hole. We needed to work our way out of that.

You saw us begin to do that in 2Q. Hopefully you'll see that through the back half of the year, and we want to deliver consistent reliable results. We feel good about the pipeline and we are also working to mitigate risks in China. And as these product launches take traction, we think that presents us with upside to deliver more than the plan. But we wanted to give you a number that I said in the beginning some would argue might be conservative, but it's one that we can look forward to as we establish our credibility in Olympus.

Q: Is it correct to understand that Project Elevate-related 10 billion yen in other expenses will be

eliminated in FY2027?

A: We expect some of the FDA inspections to be completed this calendar year. Of course, the full timing is up to the agency. We recognize that our current quality-related expenses are above the industry average. but we're going to finish everything for our quality remediation, and we're at a very important point with the agency as we come through these investigations.

Actual Project Elevate-related expenses in the first half were SG&A expenses of 4.7 billion yen and other expenses of 5.4 billion yen. The full-year forecast for FY2026 is approximately 10 billion yen each. As Project Elevate will end this fiscal year, no other expenses are expected to be incurred from FY2027 onwards. Starting from FY2027, Elevate-related SG&A expenses will be managed by being absorbed into regular QARA expenses. We will control the combined ratio of these expenses to revenue in line with the industry average.

Q: The significant changes driven by robotic innovation we are seeing in general surgery and orthopedics will likely occur in endoscopic surgery as well. However, while some companies have already conducted initial clinical trials, Olympus appears to be lagging in this competitive field. What is the timeline for the product launch of endoluminal robotics?

A: We recognize that there certainly are other technologies in the marketplace. And what we are creating with Swan EndoSurgical is absolutely a breakthrough technology. We have to solve technical risks, clinical risks, and market risks. We're not getting a specific time frame on SWAN, but what I want the takeaway to be is that's not our only focus. We have multiple activities underway in endoluminal robotics because I share your view that this is a transformational opportunity. We're excited about where we're at with Swan, the technology development, the team that's in place, but understand, we're looking at the entire ecosystem and we'll continue to add to that with other opportunities internally and externally.

Q: Given the adjusted operating margin target of 15.7% for FY2026, I understand that the goal for FY2029 is around 19%. When Mr. Takeuchi was CEO, I think the goal was 20% or even higher. Why is the current financial guidance for adjusted operating margin lower than it was back then?

A: We step on our way with a 100-basis points improvement, we're not stopping at 19 percent. We see opportunities to go past that. As I mentioned, our aspiration is to be at industry norms for revenue growth, operating margins, cost, etc. I think what you're sensing is maybe the plan's too conservative, but we're going to earn our way and deliver accretion and margin in a credible way that can be added to. If we can do it faster, we'll certainly do it faster.

Adjusted operating margin accretion will not stop at 19%. We believe that there is an upside to both revenue growth and adjusted operating margin and would like to achieve it quickly if possible. Regarding the 20% target you mentioned, after internal discussions we have decided not to commit to it within the three-year time frame, but we would like to gradually improve toward FY2029, aiming for 20% and even higher.

Q: What is the one-time cost associated with your plan to reduce approximately 2,000 positions? When will it be recorded?

A: Mr. Izumi: We expect to post approximately 30 billion yen in the current and next fiscal years

combined. Our outlook for the current fiscal year is 12 billion yen, which has been factored into the forecast as other expenses (factored in at the time of the May announcement).

Q: How do you evaluate 2Q results compared to your internal plan? Have you seen any market condition changes in North America, Japan, and China? Improving or worsening than expected? Can you see sales contribution from EDOF scope in the U.S. from 3Q onwards?

A: When we looked at the plan, we largely delivered what we thought we would do. What I look for in China is the leading indicators which are, are we getting our manufacturing licenses? Are we producing locally made products? Are we getting approvals for imported products like EU-ME3? And the commercial structure which we altered. We continue to deal with everything that everybody else is dealing with in terms of policy challenges. I'm optimistic about the long-term outlook for China. For the U.S., we saw a nice order pipeline of EDOF scope being established. We started the year in both China and the U.S. with results that were below expectations. In China it was due to not only the big commercial rebuild of our organization but also the lack of any locally made products. We have now seen in China for the last two months that the numbers fit exactly to our predictions. The market is recovering very slowly but steadily. Therefore, we are optimistic about the second half there, as we slowly bring in these locally manufactured products step by step, although we may see a kind of time lag to translate from demos to orders and revenue. In the U.S., we were in line in the last two months, especially in October. Now we are delivering as said according to the plan. We are basically on track to recover from weak 1Q.

Q: Will all FDA re-inspections be completed within calendar year 2025?

A: What I said is some of re-inspections we would expect will be completed in this calendar year. For the full completion, we don't know yet. That's up to the agency.

Q: You announced that approximately 2,000 positions will be eliminated, resulting in an annual cost savings of 24 billion yen. What positions will be targeted for reduction? Olympus has been working to reduce SG&A ratio so far, but it has not made much progress. I imagine that it would not be easy to reduce value creating areas such as the service network. What can be done over the next two years?

A: The plan is not just a standalone head count reduction. It is part of a new Olympus operating model in which we change our core power structure, moving to a division structure. What was identified was a number of redundancies in corporate, in region, in other functions. This is completely across the board. It's not limited to a specific business which is the second part of your question. Why does it give me confidence that we can execute these? It is because we've fundamentally changed the operating model, and then we're also introducing what we call the Olympus Management System, which is why I talked about accountability and simplicity as two of our strategic pillars. Simplicity means we change the model. Accountability means how you run it. Various countries take place at different times. While it begins this fiscal year, we'll contend it'll extend into FY2027. This is not a one-time thing. We are going to continue to look for efficiency and productivity gains as we move forward.

Q: Is there any risk that you miss out on sales opportunities due to changes in your operating model or a reduction in positions?

A: No, I don't see sales opportunities at risk, not at all. I really think this lean division-led operating model allows us to focus intensely on sales activities and ensure we capture the right opportunity because each business unit is accountable for its sales and profits. The prior structure may have served Olympus well, but we had a lot of people in a lot of different places, and we're streamlining that. The customer centricity is enhanced in this model.

Q: I wanted to ask you about the market share in GI Endoscopy. The growth scenario you've presented today implies a decline in market share at least in the short term. I was wondering if you could share with us your diagnosis of the underlying problem. Then looking ahead, do you see a path back to at least stabilizing your market share?

A: We have been a share donor in certain segments of the marketplace and in certain geographies. We're absolutely focused on fixing that. That will be driven through our innovation. Innovation driven growth, which is a pillar of our strategy. Augmenting that externally as well with technology partnerships, other innovation opportunities will get us back. In fact, we're fully committed to being on a par with or leading the marketplace.

Q: While there were some improvements in 2Q compared to 1Q, still significant challenges remain in the second half. Do you think visibility is high?

A: Given that we saw some progress in 2Q, but our guidance implies continued progress in 3Q and 4Q. Our confidence in that is built on our new product launches that we've begun to see in these key markets. We look at our leading indicators. What is the sales pipeline? What is the conversion of that pipeline? What is the release of new products into each of those markets? And that's what gives us confidence about the second half. Growth will need to accelerate, but it's growth that we believe is based on fundamentals of products, of execution, of approval and underlying market recovery. We're not anticipating a huge recovery in China, but we're expecting a recovery in China. We expect strength in the U.S. We expect strength in Europe, and we expect continuing strength in APAC.

Q: I see historically 3Q performance has tended to be weaker than 2Q. How do you think this coming 3Q will look like? Will the same trend continue?

A: I wouldn't say so. I know we could say there's seasonality in every year, but the dynamics I think of each year are set up differently. While there is a fundamental seasonal trend, timing of new product launches also impacts results. We are closely monitoring leading indicators and are confident in our plans for the second half.

Q: You previously mentioned that market selection is important. So is there a possibility that you will review your current business and product portfolio?

A: Every single business in Olympus gets reviewed for its fit in the portfolio, its revenue growth, its profitability, its pathway to leadership, which is why we're now much more disciplined in terms of capital allocation, in terms of who gets invested and what doesn't. I'm not prepared to announce

anything but know that we constantly look at our portfolio and see if we have a pathway to leadership with a specific business and what's its role in the portfolio, and you'd expect us to continue to do that.

(End)