February 13, 2026

Olympus Corporation
Q3 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 third 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: Full-year revenue forecast on a constant-currency basis was revised down by 2%. While ship-holds in SIS appear to be a one-off issue, the GIS forecast was also lowered, with what seems to be softness in the U.S. and Japan. This is somewhat surprising, given your recent launch of a highly competitive GI scope in the U.S. and the focus on disciplined execution in recent quarters.
Could you elaborate on what happened in Q3 that led to the downward revision? Was a delay in EDOF scope demonstration a major factor, or did competitive pricing play a role as suggested by competitors? And finally, should we expect a recovery and return to growth in Q4?

A: Ship-holds had a significant impact on the SIS business, and although there were also some ship-holds in GIS, they were far more limited. GIS delivered solid growth around the globe. Based on that performance, we remain confident in achieving growth in Q4.
We are not satisfied with our Q3 performance in the U.S. market. This is not a matter of declining competitiveness or clinician preference. We continue to see strong engagement with Olympus products and our sales teams, and interest remains high across the portfolio, including newer technologies such as EDOF and EU-ME3.
The issue in the U.S. was commercial execution. We had a pipeline, but we did not convert it. We need to sharpen how we articulate the value of the portfolio, manage the pipeline more effectively, and drive much stronger conversion discipline.
Let me reference an example from China. Last summer, when we saw sustained underperformance there, we tightened our go-to-market focus and instituted weekly pipeline oversight with sales teams and sales leadership. That discipline gave us much clearer visibility into opportunities and improved pipeline management. As a result, after several quarters of double-digit decline, China returned to 6% growth in Q3.
I am not suggesting every region will respond in the same way, but the principle is

consistent: when we diagnose execution issues and put structured oversight in place, aligned with the KPIs, we can materially improve performance.
In the U.S., this is clearly an execution matter. We have implemented the necessary measures to strengthen discipline and focus, and we expect to see a return to growth in Q4.

Q: Regarding the recent FDA inspection, it appears that you received multiple observations. Could you clarify the nature of these observations and whether they were in areas that were not anticipated? Additionally, are these items addressable within a reasonably short timeframe, or should we assume that Elevate-related expenses of ¥10 billion, recorded as "Other Expenses", will continue in FY27 onwards?

A: The FDA conducted inspections at eight of our facilities across the U.S., Europe, and Japan late last calendar year. Some of these inspections resulted in observations. Several of the observations relate to issues that pre-date our Elevate program, and others reflect areas where we need to further strengthen the maturity and consistency of our integrated quality systems. We fully own these findings.
The matter remains open as the FDA is still completing its evaluation, and we are in active, direct dialogue with them. In parallel, we are taking proactive actions. As part of that process, we placed a number of products on voluntary ship-holds and worked through many of those during Q3, with additional work still underway.
Importantly, regarding your question about cost implications, I would not categorize these items in the same way as Elevate-related expenses. We remain firmly committed to delivering 100+ bps of margin expansion beginning in FY27 as part of our mid-term plan.
Overall, we have a clear set of actions in place to address the observations, and we are confident in our ability to resolve them.

Q: I would like to ask about the situation in China, I understand that FY25 Q3 saw a high-teen decline, but the business has returned to growth this Q3. Should we expect this positive momentum to continue into Q4?
Also, while many MedTech companies are taking a cautious view of the Chinese market this fiscal year, do you think Olympus still expects strong growth and further recovery?
Furthermore, there have been reports that since January 2026, pressures have mounted on new constructions and capital investments of Class III hospitals in China. These policy developments could pose headwinds for the business environment. How are you assessing these risks at this point?

A: China had previously been a significant growth driver for Olympus, but more recently the business had shifted into a period of double-digit decline. In response, we made a clear strategic pivot—expanding local manufacturing, allocating dedicated resources, strengthening physician training and service capabilities, and better government relations.
While risks in China remain, we believe that our strategy positions China to align with mid-single-digit growth we see in the broader market. The reason we highlighted China this quarter is that these initiatives are beginning to show early signs of traction. Although still modest, the business returned to 5% growth after a period of double-digit decline.
We remain mindful of the dynamics in the Chinese market. We are also very encouraged by the appointment of our new China President, Rosa Chen. She has demonstrated exceptional leadership in China's healthcare sector, most recently at Danaher China. We believe that we now have the right strategy and leadership in place to succeed.
Progress will be gradual, but we do believe that we have turned a corner.

Q: Regarding the personnel optimization, I understand that you are progressing with the reduction of 2,000 positions. Could you clarify why the associated costs have increased to ¥31 billion? Specifically, which initiatives are progressing ahead of schedule?
Additionally, for next fiscal year, to what extent should we factor in the associated costs and

the expected effects?

A: We initially expected to record ¥12 billion of restructuring-related costs under “Other Expenses,” but this has now been revised to ¥31 billion.
Note that the total cost has not expanded. From the outset, we estimated a little over ¥30 billion for restructuring over two years. Of this amount, we initially expected to book ¥12 billion this fiscal year, but the timing has been brought forward, resulting in most of the costs being recognized in FY26.
Our target of ¥24 billion in annual cost savings remains unchanged. However, we will explain in detail in May 2026 on how much savings can be materialized in FY27.

Q: I would like to clarify ¥9 billion impact shown on slide 8, which resulted from ship-holds and related Field Corrective Actions (FCA). Should we assume that a similar impact could continue as long as FDA re-inspections are ongoing? Given that additional re-inspections are expected, is it appropriate to consider that there may be a risk of similar costs occurring next fiscal year as well?
Furthermore, ship-holds this time covered four areas—GI EndoTherapy, Urology, Respiratory, and Surgical, which appear to overlap with the products that received Import Alerts in June 2025. Based on that, is it correct to understand that the impact on the GI Endoscopy is limited?

A: Additional inspections remain possible, as several facilities have not yet been inspected. The FDA inspected eight facilities across the U.S., Europe, and Japan, and some of those inspections resulted in observations. During this process, we proactively placed a number of products on hold out of an abundance of caution to ensure patient safety.
We then conducted a thorough safety assessment and have begun releasing products back into the market. About 70% of the products have entered the release process, while the remaining 30% are still undergoing remediation.
Regarding costs, while some expenses will continue, my commitment is that we intend to manage these largely within SG&A. Your medium-term modeling should remain aligned with the framework presented in November 2025: “3-4-5%” revenue growth with 100+bps of margin expansion.
The matter remains open with the FDA, as they continue to evaluate both their observations and the proactive measures we have implemented. These include a risk-based review of our product portfolio, continued global harmonization of quality systems, and targeted strengthening of our quality and regulatory capabilities. We are progressing through this work.
Lastly, the actions taken addressed four areas: GI EndoTherapy, Urology, Respiratory, and Surgical. Some items have already been released, while others remain under remediation.

Q: With regard to the use of ranges in the forecast this time, I wonder whether this approach reflects the possibility that ship-holds or FCA may continue, or whether it is driven by entirely different factors.
Also, for next fiscal year, is there a possibility that the forecast will be presented in a range format again due to the impact of ship-holds or FCA?

A: We believe that providing ranges is a more transparent and accurate way to communicate our outlook, as it reflects both internal and external factors. The use of ranges is not an indication of additional ship-holds. As mentioned, we are gradually returning products to the market throughout Q4, and the situation remains dynamic. Offering a range allows us to reflect that variability.
It is also worth noting that issuing ranges is a common practice among MedTech peers. We therefore expect to continue using this approach going forward—not because of reduced confidence, but because it offers greater transparency given the evolving situation.

Given that many of the investors who follow us compare Olympus with U.S. MedTech peers, we believe that providing guidance in a range format makes our forecasts easier to compare.
In addition, the reason we set a range this time is that although we expect many products under ship-holds to be released during Q4, the timing of the release could significantly affect revenue. If shipments resume as planned, revenue will increase, whereas a delay would reduce the expected contribution. We incorporated this potential variability into the range.

Q: Could you give us your thoughts on the mid-to long-term adjusted operating margin? With the latest forecast revision, the adjusted operating margin target has been lowered by approximately 2 to 3% points.
In this context, should we interpret that Olympus now intends to achieve annual improvement of 100+bps from FY27 onwards, using the new adjusted operating margin forecast as the baseline?
Additionally, could you share your current view on the appropriate mid-term level of the adjusted operating margin?

A: We are not lowering our margin expectations in the "3-4-5%" revenue growth and margin improvement plan. While the first step in the plan—from FY26 to FY27—will take a bit longer to realize, we are not asking you to reset your models for the next three years. There is some conservatism in the near-term outlook, but our fundamental expectations remain unchanged.
Our commitment is to deliver 100+bps of annual operating margin improvement, and we put the initiatives in place to achieve that. This upcoming year is simply the first step, and we recognize there is more work to do to reach the full trajectory.
Importantly, we have not changed our long-term destination or timing:

- mid-single-digit revenue growth, and
- operating margin above 20%.

Those remain our targets.

Q: In the revised forecast, gross margin has been lowered. Is this primarily due to temporary factors such as ship-holds, and should we understand that there has been no structural change in the profitability of product portfolio?
In the presentation, you highlighted the contribution of single-use endoscopes and other new products. Is it correct to assume that changes in the product mix did not materially influence the gross margin revision this time?

A: No, this is not driven by a mix shift. The adjustment primarily reflects the specific dynamics associated with ship-holds, which affected the COGS line through FCA and related inventory measures. For that reason, we are not resetting our mid- to long-term gross margin expectations.
We are encouraged by the progress in single-use endoscopes, but we view this as market expansion, not a replacement or cannibalization of our reusable scopes.
The decline in gross margin is primarily due to temporary factors associated with ship-holds. Specifically, it reflects the disposal of inventory and the recording of recall-related costs in COGS, all of which are one-off effects. Therefore, we believe that fundamental changes in the product mix had limited impact.

Q: I would like to ask about the leadership team shown on slide 15. With Mr. Izumi's departure, I understand that the core of the leadership team will now consist primarily of non-Japanese executives, while Olympus' manufacturing and R&D functions remain largely based in Japan. How do you plan to maintain and enhance the motivation of Japanese employees—particularly those in manufacturing and R&D—and ensure that this translates into future

product developments and innovation?

A: We firmly believe that leadership is not defined by one's passport, but by the experience and authenticity a leader brings. In that regard, David Shan, who will lead Global Operations, has extensive global experience across manufacturing sites worldwide and a strong track record of building relationships across cultures.

At Olympus, people want to be part of a winning team and continually improve, and I am excited about the transformation underway in Global Operations. To be clear, the heart of Olympus will always remain in Japan. We have outstanding factories here, and we also recognize the opportunity to drive sustained cost improvement through better execution and greater efficiency, including digitization. I am very excited about the expertise David brings.

Similarly in R&D, Syed Naveed has been serving as Chief Technology Officer, and strong leaders have strong teams around themselves. The leadership teams supporting both David and Syed include exceptionally talented Japanese leaders, and we continue to focus on human resource development and succession planning. I am excited about the teams we have, and we are intentionally developing outstanding Japanese talents within each of these functions.

Q: Regarding the voluntary recalls in SIS, is it correct to assume that costs associated with ship-holds will not be incurred from Q4 onward?

While I understand that voluntary recalls are appropriate decisions that prioritize patient safety, it appears that voluntary recalls and ship-holds have occurred repeatedly at Olympus, particularly within the SIS portfolio. How do you assess the root causes behind these recurring events, and what actions are being taken at the organizational level to address and improve this situation?

A: The impact of ship-holds is expected to continue into Q4, and at this point we estimate that the revenue impact in Q4 will be approximately ¥18 billion. Meanwhile, the costs associated with ship-holds—specifically inventory disposal and other related expenses—were fully recognized in Q3. We do not currently expect any additional costs to be incurred in Q4.

Importantly, patient safety is fundamental to Olympus, and it is my top personal priority as Chief Executive Officer. When we see any signal, we will proactively—and out of an abundance of caution—temporarily remove a product from the market to ensure patient safety. That is exactly what you saw us do in Q3.

Your question goes deeper: whether there is a fundamental cultural issue within SIS. I do not believe that is the case. When I look at where we are in our quality journey—strengthening global harmonization of our quality systems, enhancing quality capabilities, and advancing the maturity and consistency of our quality processes—we are progressing across the organization.

We do not believe that there is a fundamental issue within SIS. Our approach has always been to place patients at the center. Some therapeutic devices handled within SIS—particularly energy devices—carry inherently higher levels of risk. For that reason, we prioritized patient safety and took proactive actions by initiating voluntary recalls.

The therapeutic device business remains an important growth area for us, and we intend to leverage our technological strengths to drive further growth. Strengthening quality with a patient-first mindset is essential to this effort and is a critical component of achieving sustainable growth. We will continue to advance these initiatives going forward.

(End)