Innovation, fueled by strong financial discipline, will enhance our medium- to long-term corporate value.

Tatsuya Izumi
Executive Officer and
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Creating High-value-added Products and Contributing to Global Healthcare

I believe revenue growth is the most important financial indicator for Olympus. By delivering innovative new products, we contribute to the advancement of global healthcare. Our revenue growth is not just a financial achievement—it reflects the meaningful impact we are making on healthcare systems around the world. I firmly believe there is no other company whose purpose and financial indicators are as closely aligned.

However, our fiscal year 2025 results fell short of initial guidance, both in terms of revenue and operating profit.

Nevertheless, we managed a variety of setbacks, including supply chain disruptions triggered by the Noto Peninsula Earthquake and a challenging business environment in China, and achieved revenue growth as well as an adjusted operating margin of 18.9%, very close to our financial KPI of approximately 20% defined by the company strategy. I do think this deserves to be recognized. Furthermore, excluding the impact of foreign exchange rates, we successfully managed to control SG&A expenses in line with our initial plan for fiscal year 2025. Cost-control updates are shared regularly in our monthly management meetings, leading to higher awareness and discipline among the executive team.

Realizing Expected Growth

Delivering both business and profit growth is essential toward meeting the expectations of our stakeholders. Therefore, we defined two focus measures for fiscal year 2026. The first measure involves realigning our divisional structure. We have reorganized our business into two new units: the Gastrointestinal Solutions Division and the Surgical and Interventional Solutions Division. This move is designed to create more globally consistent patient- and customer-centric businesses. A clearer business structure makes it easier to identify and implement strategic initiatives for growth.

The second measure involves changes to the overall business performance management framework, ensuring stronger focus on profit growth rather than merely sales growth. Having reviewed corporate expenses, such as basic research expenses, which were included in the corporate segment, we realized there are benefits to allocating them to the applicable business units. Historically, business units primarily managed their accounts based on sales. However, this shift has enabled them to proactively manage their expenses and take ownership of profitability, which supports our growth while keeping cost control at the forefront.

Increasing cash generation through effective cost management cannot be achieved by the CFO or the finance function alone. It is essential that all divisions, including business units and R&D functions, recognize their importance. The finance function plays a key role in enabling companywide cost control by providing each department with the necessary data to manage expenses accurately and effectively. We believe our success in managing SG&A expenses as planned last fiscal year was largely due to a shift in awareness within each department, prompted by the monthly monitoring and advice provided by the finance team.

By honoring this discipline, we are confident in our ability to achieve more sustainable growth.

Shifting to Lean Management to Prepare for Change

Over the past few years, external factors have increasingly hindered our business growth. Ideally, temporary declines in revenue would be offset by innovation-driven growth. However, from a financial perspective, it is equally important to strengthen the control of fixed costs. To manage the business based on actual conditions in the field, we have enhanced communication with each division and region. In addition to driving continuous business growth, we are placing emphasis on operational efficiency. To remain agile in the face of future change, it is essential to maintain a healthy balance sheet and ensure a stable level of cash flow through disciplined cost management. To achieve this, I strongly believe we need to shift to lean management that eliminates inefficiencies and reinforces cost control.

We must also address the impact of the U.S. tariffs. Although local production is an option, it is not feasible in the near term given rising labor costs and the complexity of our technologies and manufacturing processes. That said, we will continue to actively look at diversifying our supply chain, including manufacturing, to mitigate the pressure arising from tariffs. We are also limited in many circumstances from passing along cost increases to our customers. However, we are carefully evaluating strategic pricing measures to help offset the impact of tariffs. Any such decisions are made with the utmost consideration to avoid disrupting medical care or compromising patient safety.

Steering toward Innovation, the Key to Growth

As mentioned earlier, the most important factor to increase revenue will be innovation, so in turn, it will be an effective way to respond to the U.S. tariff measures as well. In other words, we need to innovate high-value-adding products that drive business growth. In recent years, necessary work on regulatory matters, including the U.S. Food and Drug Administration (FDA) warning letters, has taken priority, and as a result, limited our ability to fully pursue innovation. Since innovation requires time to yield tangible business results, it is imperative that we accelerate our strong focus on innovation.

In addition, the primary factor behind our lower-than-expected sales performance in fiscal year 2025 was the Chinese market. In response, we have already taken proactive steps, including establishing a manufacturing base to accelerate the launch of local production. Our gastroscope featuring the most advanced imaging has officially obtained the Medical Device Registration Certificate from the Jiangsu Medical Products Administration (MPA) in August 2025. We plan to begin local production within 2025.

M&A is another area with strong potential for growth. In fiscal year 2025, we acquired the distribution business of our products in Chile from our local distributor. While we explored other M&A opportunities, the conditions were not sufficiently aligned with our strategic priorities to proceed. The executive team fully recognizes the importance of M&A as a driver of business growth and as an opportunity to acquire technology. At the same time, we recognize that some of our past M&A deals did not deliver the expected results. In light of this, we are strengthening our M&A governance framework and building a structure that enables comprehensive evaluation and execution, including pipeline opportunities. As we accelerate our innovation efforts, R&D expenses are expected to increase. However, we remain committed to maintaining cost discipline and intend to reduce the ratio of SG&A expenses to revenue. Our principal policy is to secure the necessary funds through other efficiency measures. In line with this approach, we are committed to tightly managing SG&A expenses such that their growth remains below the revenue growth rate (+3%) after FX adjustments. We remain committed to both increasing R&D investment to foster innovation and exercising disciplined control over expenses.

Prioritizing Investments in Growth Drivers in Accordance with Capital Allocation

Our capital allocation policy remains unchanged. Our priority will continue to be investments for growth, including in existing businesses and strategic M&A. In accordance with our capital allocation policy, we are repurchasing our shares totaling ¥50 billion in fiscal year 2026. The aim of this repurchasing is to return surplus funds to our shareholders after securing sufficient liquidity on hand for working capital and future investments.

As we have transformed into a pure MedTech company, we have enhanced our cash generation capabilities, and been able to accumulate cash flow as well as secure funds for investment. However, to retain flexibility to leverage funding for significant investment opportunities, it is also essential to secure financing options. We therefore place an emphasis on credit ratings. As of March 2025, we have an A+ rating from Rating and Investment Information, Inc. (R&I) and a BBB+ rating from Standard & Poor's (S&P). These are well-balanced and favorable rating levels in terms of capital efficiency and management stability and we fully intend to maintain this level.

Considering our current cash flow, we plan to raise the dividend level significantly for fiscal year 2026, increasing the dividend per share by ¥10 to ¥30. While we recognize that the stock market generally views Olympus as a growth stock, we also place importance on dividends. Our policy of steadily increasing dividends remains unchanged, and we will continue to carefully monitor whether the dividend yield is appropriate in light of our evolving business conditions.

Engaging Interactive Dialogues with Stakeholders to Enhance Medium- to Long-term Corporate Value

As I have explained so far, Olympus is operating in a challenging business environment. However, the global demand for early diagnosis and minimally invasive treatments is clearly on the rise, and when we consider Olympus' corporate value over the medium to long term, its fundamental value and competitive advantages remain strong. By focusing on innovation and enhancing the value that we deliver to patients, we are confident in our ability to achieve further growth. In this context, I am delighted that Bob White, a CEO with extensive global MedTech experience, has joined Olympus. Under his leadership, we can fully unlock our inherent strengths and meet the expectations of our various stakeholders.

About a year has passed since I was appointed CFO. Through conversations with analysts and investors, we have received candid and constructive feedback. While some of the insights have been challenging, I have also been energized by our investors' shared optimism about our future. I remain committed to engaging in valuable interactive dialogues with our stakeholders, and I would like to take this opportunity to express my sincere appreciation for the continued support.