MANI, INC.

Briefing on Financial Results for the First Quarter of the Fiscal Year Ending August 2025 and Medium-term Management Plan

January 9, 2025

Event Summary

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[Venue]	Onsite venue: Sapia Tower, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo, 100-0005 Webcast: Microsoft Teams webinar
[Venue Size]	231 m^2
[Participants]	Total 134 (Onsite: 50, webinar 84)

[Number of Speakers]	2	
	Masaya Watanabe	Director, President and Representative Executive Officer, CEO
	Kazuo Takahashi	Director, Executive Vice President, Assistant to the President (Special Appointive Officer), CRO
[Analyst Names]*	Shinnosuke Tokumoto	SMBC Nikko Securities
	Masao Yoshida	Tokai Tokyo Intelligence Laboratory
	Satoshi Touyama	Shimotsuke Shimbun

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Moderator: We will be holding a financial results presentation of MANI, INC. This information session will be held in a hybrid format, with a live-streaming online session in addition to the on-site session.

First of all, I would like to introduce two individuals from the Company. Mr. Masaya Watanabe, President and Representative Executive Officer. Mr. Kazuo Takahashi, Executive Vice President.

Mr. Takahashi, Vice President, will give an overview of the financial results, followed by Mr. Watanabe, President, who will explain the progress of the medium-term management plan and future management policies. After the explanation, there will be time for questions and answers for the audience. Please note that we will not be accepting questions from those participating online at this time. If you have any questions, please send an e-mail to the contact person for IR after today's presentation.

Now, let us start the presentation.

Takahashi: Good morning, everyone. Thank you for taking the time off your busy schedules to attend today's presentation. I would like to begin explaining our financial results for the first quarter of fiscal year 2025, and later, President Watanabe will explain the policies for the future.

MANI FY2025 1Q Financial Results

Consolidated Financial Results

- **Consolidated results showed an increase in revenue and a decrease in profit. Net income increased**
  - Sales remained favorable in Surgical and Eyeless Needle segments, while sales of Dental segment declined
    Sales of Dental segment declined mainly in the Chinese market
  - Operating income and ordinary income decreased due to posting of bonuses associated with the results of the previous fiscal year and an increase in personnel costs

(¥ million)	FY24 1Q Results (A)	FY25 1Q Results (B)	Changes in Amount (C=B-A)	Changes in % (C/A)	FY25 Forecasts (D)	Forecast Progress Rate (B/D)
Net sales	7,114	7,655	+540	+7.6%	30,200	25.3%
Cost of sales [%]	2,667 [37.5%]	2,653 [34.7%]	(13)	(0.5%)	10,500 [34.7%]	25.3%
SG&A expenses [%]	2,224 [31.3%]	2,893 [37.8%]	+669	+30.1%	10,800 [35.8%]	26.8%
Operating income [%]	2,223 [31.3%]	2,107 [27.5%]	(115)	(5.2%)	8,900 [29.5%]	23.7%
Ordinary income	2,349	2,298	(51)	(2.2%)	8,850	26.0%
Net income	1,573	1,598	+24	+1.6%	6,350	25.2%

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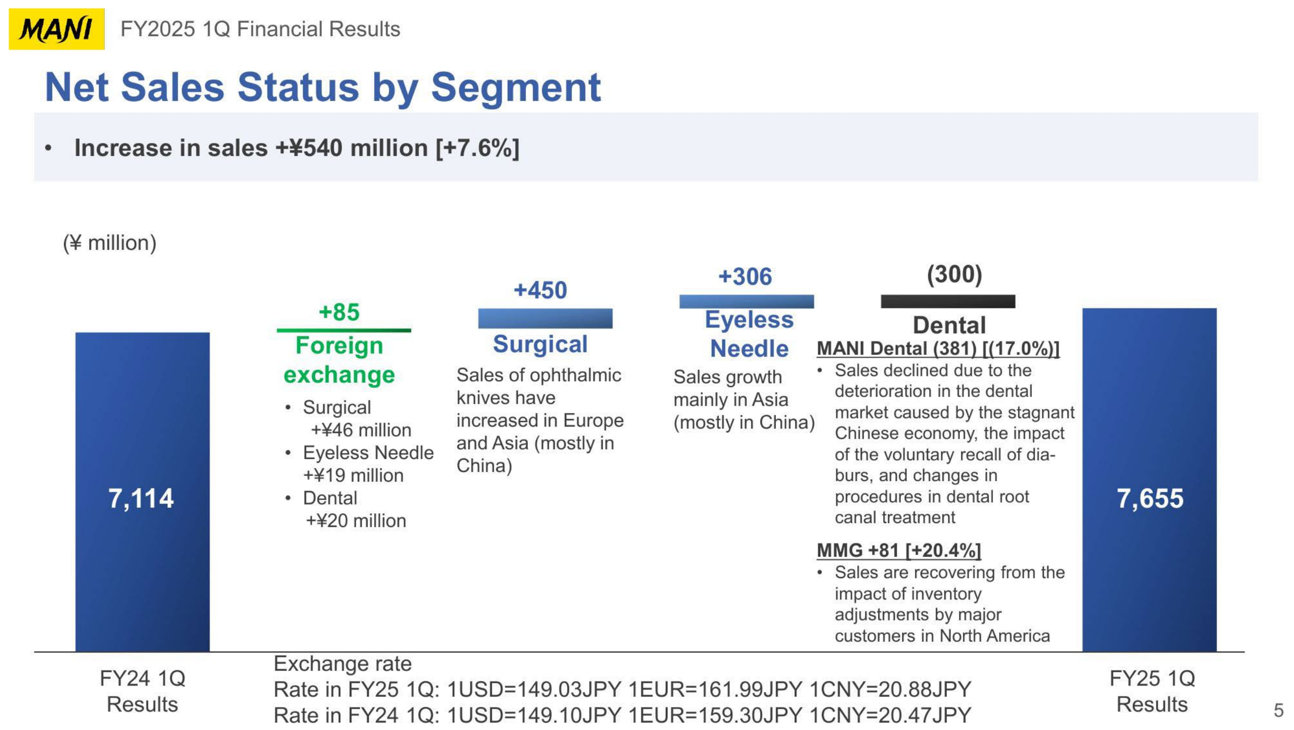
First is the consolidated financial results summary, which is already disclosed.

Net sales grew by 7.6% on a year-on-year basis, while operating income decreased by 5.2% and ordinary income was down 2.2%.

Allow me to explain the details.



This is the net sales status by segment. The waterfall chart shows the year-on-year change.

The foreign exchange rates for the various currencies we transact in remained fairly stable on a year-on-year basis, meaning that the impact was small compared to the previous period.

In the Surgical segment, as expected, we continued seeing growth in sales of ophthalmic knives, especially in China.

In the Eyeless needle segment, we also continued seeing sales growth, mainly in China.

Conversely, net sales were down 300 million yen in the Dental segment, and we have received a number of shareholder inquiries regarding this.

Results for our German subsidiary weren't stellar, but it nevertheless managed to grow sales by about 80 million yen. Conversely, sales decreased by 381 million yen at MANI Dental, which is our main entity selling our dental products. The primary cause for this decline is the Chinese market. More specifically, sales in China were down approximately 470 million yen on a year-on-year basis, and there are three factors causing this decline.

The first factor is the stagnant Chinese economy, and this has greatly affected the dental industry and, as we have explained in the past, that cosmetic dentistry products have been greatly affected, but we have come to recognize that it is also affecting our products.

The second factor is the voluntary recall of dia-burs, which negatively impacted results, and lastly, the third factor was changes in procedures in dental root canal treatment.

The second factor is the voluntary recall of dia-burs. We have recalled 2 lots, which negatively impacted results.

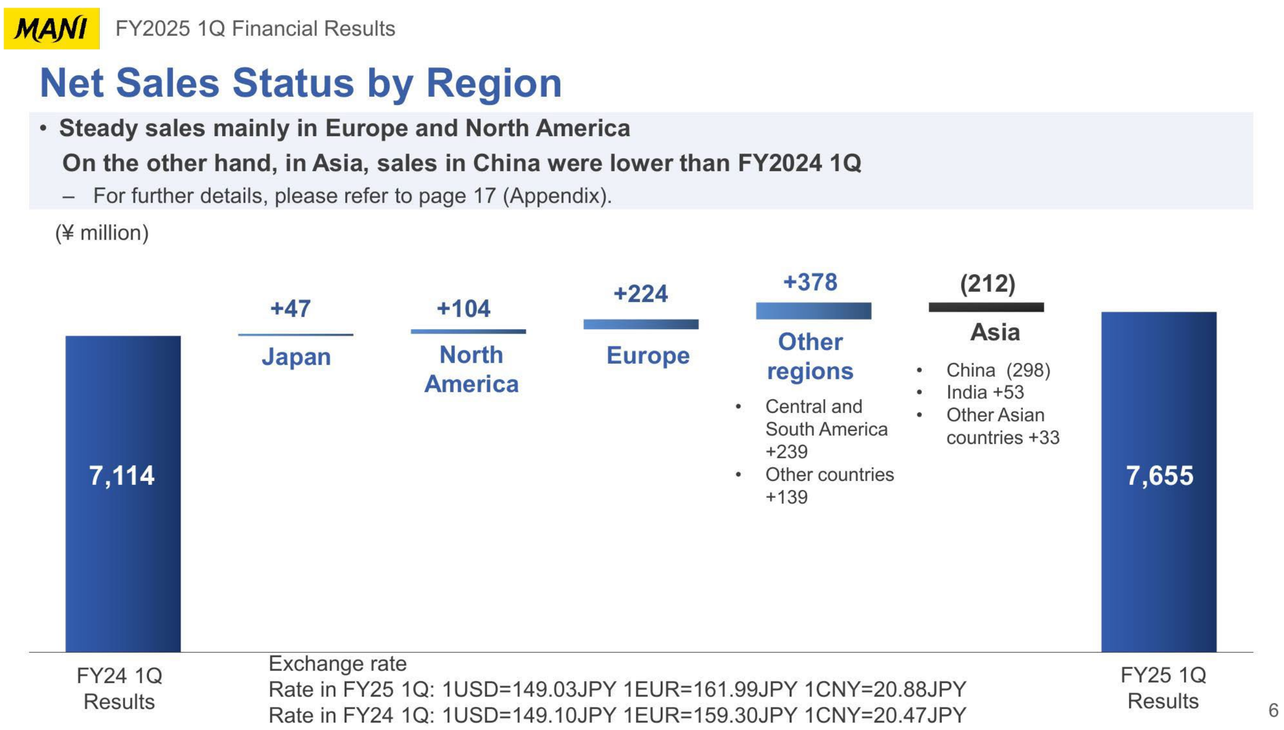
The third factor was changes in procedures in dental root canal treatment. We have received inquiries from stakeholders pertaining to these changes in procedures, as it is not clear to them what this involves.

Usually, during dental root canal treatment, dentists insert a dental file into the dental cavity. The dental files MANI sells in China belong to a category of products known as "classic files," which are now old products. These files are inserted into the dental cavity and then rotated manually in the course of treatment.

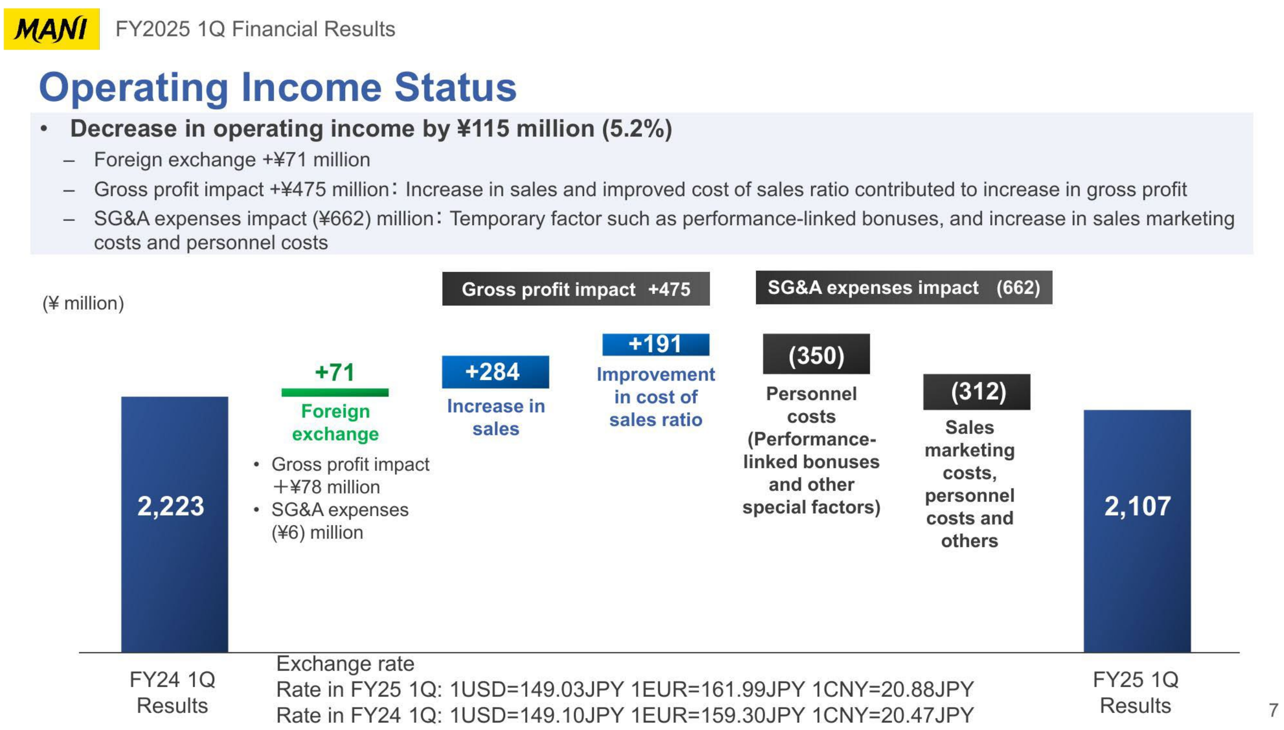
The rotary file made of nickel-titanium is now becoming a mainstay in China. This file is attached to a hand motor and is rotated by the motor rather than by the dentists' hand. This file will grow significantly in the future since it will benefit dentists in many ways. MANI now offers “JIZAI,” a new rotary file made of nickel-titanium.

Historically, MANI has captured significant market share in terms of classic dental files, but the overall market itself is undergoing a shift from hand files toward nickel-titanium rotary files with built-in motors.

These three factors therefore negatively impacted our results in China.



Next is the net sales status overview by region. The results here are in line with what I just said: while China had driven results in Asia up until now, the trend worked against us in the first quarter.



Next is the operating income status. This waterfall chart shows the operating income status

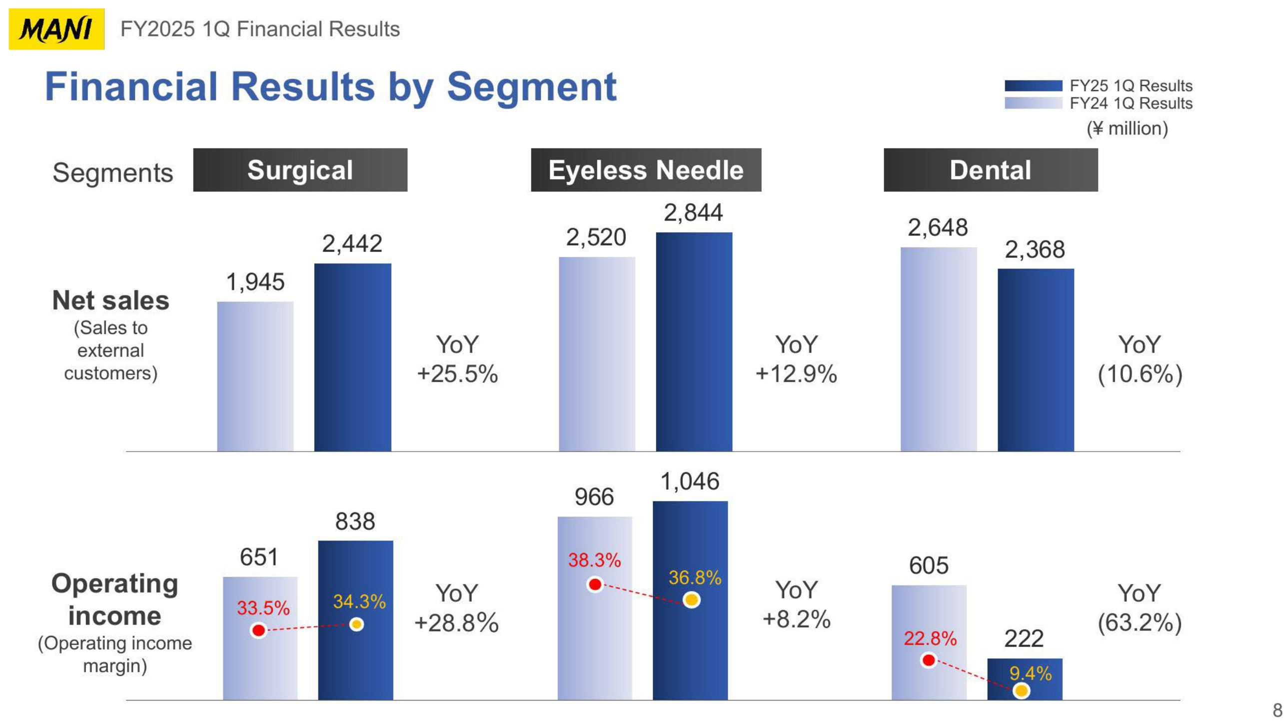
Here, too, the impact from foreign exchange was less pronounced in the period under review.

Regarding the gross profit impact, an increase in sales positively impacted operating income, as did a rather significant improvement in the cost of sales ratio.

On the other hand, SG&A expenses had a negative impact of around 660 million yen. Particularly significant within this were bonuses linked to the Company's performance results in fiscal year 2024, as MANI pays both bonuses and performance units. These two items totaling 350 million yen weighed down on operating income.

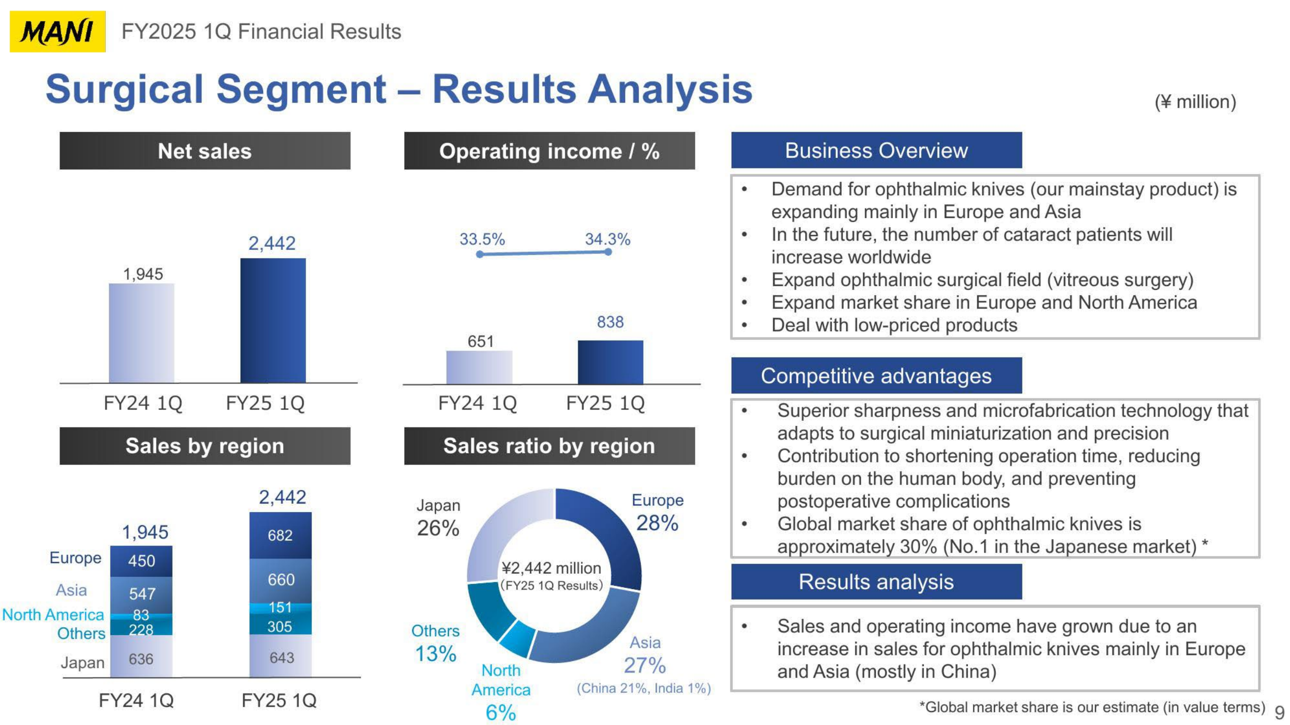
Part of this amount was in line with the forecast, while another part was not, with approximately 200 million yen exceeding our forecast. The rest of the expenses, such as sales marketing costs and personnel costs, were in line with the budget and increased by approximately 312 million yen on a year-on-year basis.

All in all, in the first quarter, operating income decreased to 2.107 billion yen compared to 2.223 billion yen in the same period last year. However, this includes factors that occur only in the first quarter of fiscal year 2025, such as performance-linked bonuses of less than 200 million yen out of 350 million yen. Since expenses that should have been recorded in fiscal year 2024 are included, we believe that the actual value of operating income is approximately 2.4 billion yen.



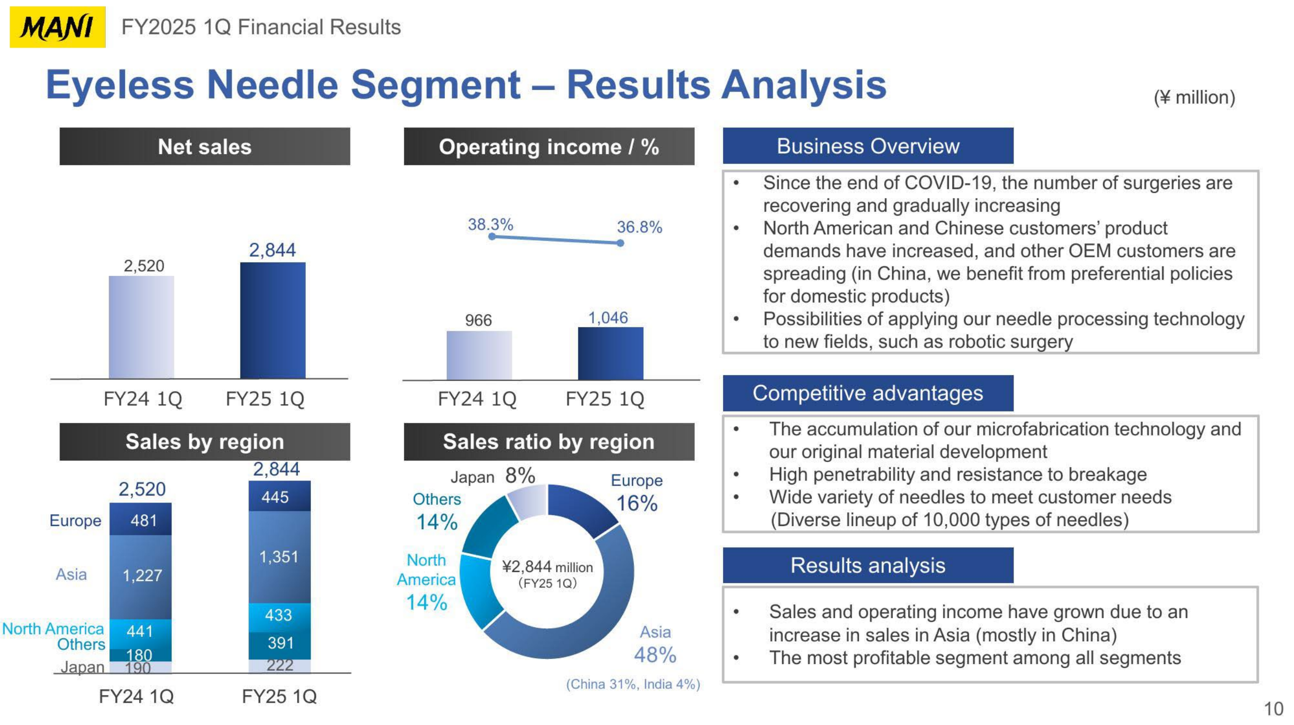
Next are the financial results by segment.

Overall, the Surgical and Eyeless Needle segments grew in line with expectations while the Dental segment came in slightly below target.

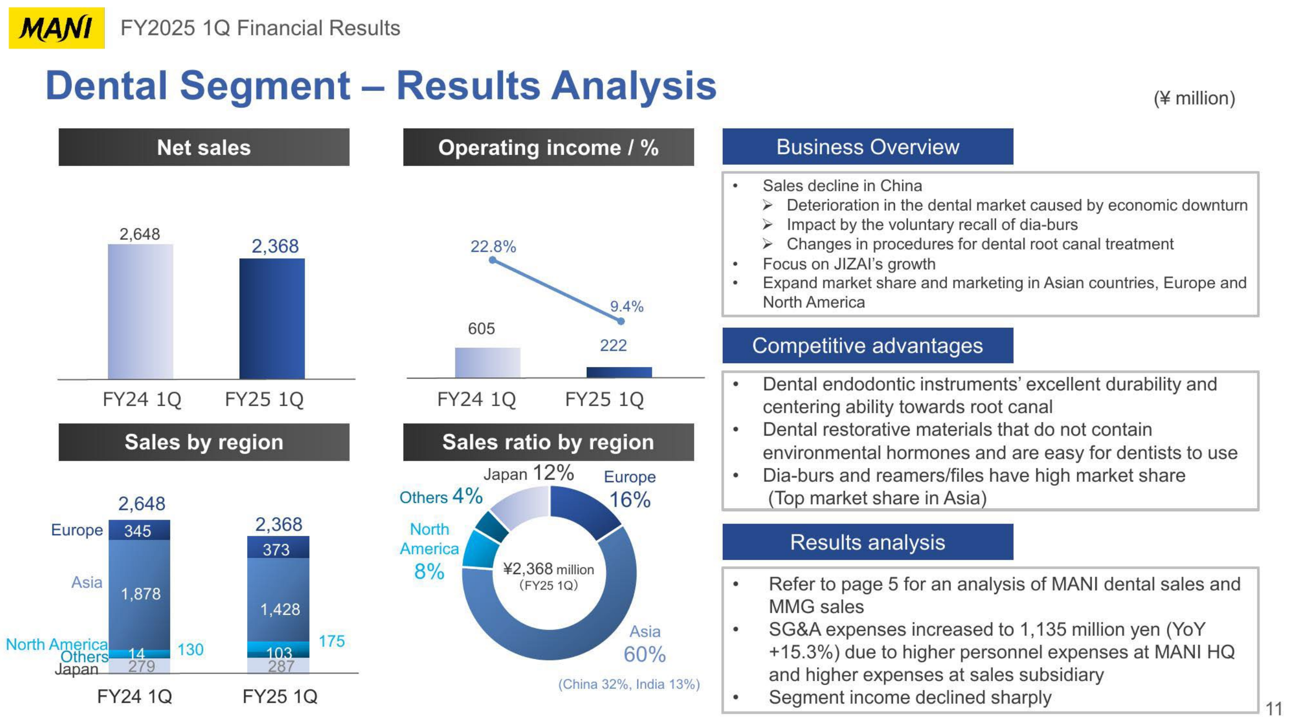


In terms of the business overview, we are seeing an increase in demand in the Surgical segment, primarily centered around MANI's ophthalmic knives.

President Watanabe will be going over the specifics during his presentation, but, briefly, we expect this trend to continue into the future as we will be executing initiatives to further grow sales in the United States and Europe.



The Eyeless Needle segment, too, continues posting strong results, as MANI's needle superiority remains strong.

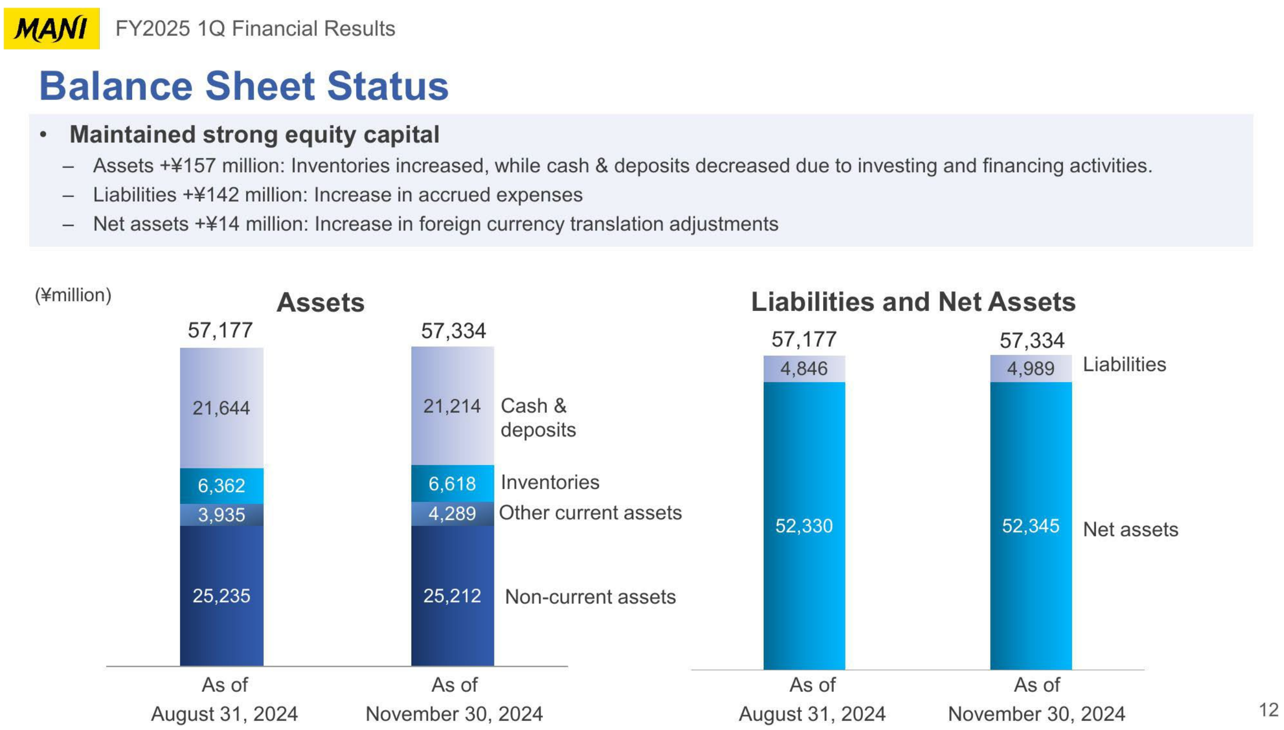


Last is the Dental segment. Going back to what I mentioned earlier, this segment was negatively impacted by the Chinese market. Sales in China alone were down around 470 million yen from the same period of the previous fiscal year, which is about 200 million yen lower than our estimate.

As an ongoing factor, the overall dental market conditions and changes in root canal treatment will have an impact on the base.

The rollout of “JIZAI” is to rapidly make up for these changes in procedures. However, the product has not yet been approved in China, so quickly making progress on this front is a vital challenge we are working to overcome. “JIZAI” will have an impact not just in the Chinese market, but also globally.

Additionally, our composite resin retains its superior advantage over our competitors' products, so we will be making further efforts to expand this product.



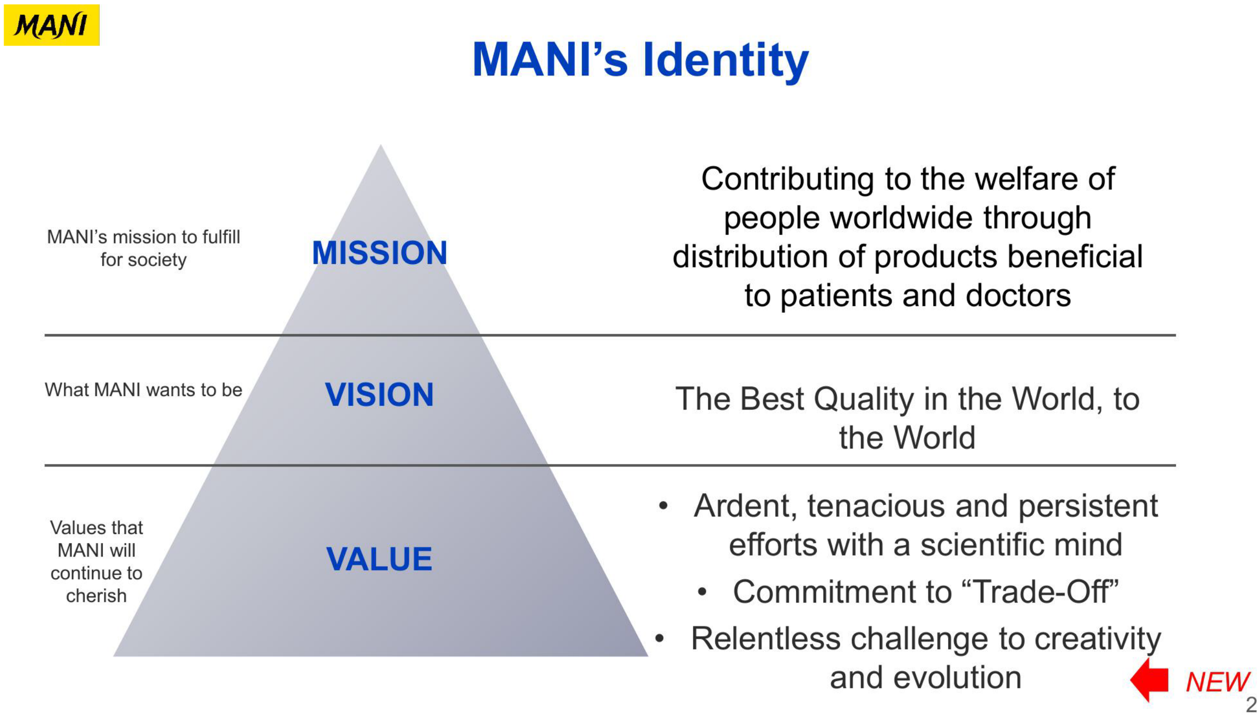
Liabilities and net assets remain more or less unchanged.

This concludes my presentation. In summary, results were significantly impacted by factors specific to the first quarter, although it should be noted that we consider results to be more or less in line with Company forecasts.

A number of challenges remain, and addressing these is of vital importance for us as MANI's executive team.

I would now like to yield the floor to President Watanabe, who will be going over the Company's future management policies.

Watanabe: My name is Masaya Watanabe, and I have been serving as President since last November. Allow me to use this opportunity to give you a status update on progress of the medium-term management plan and future management policies. Some topics played a role in the results for the first quarter, so we will be exploring these as well.

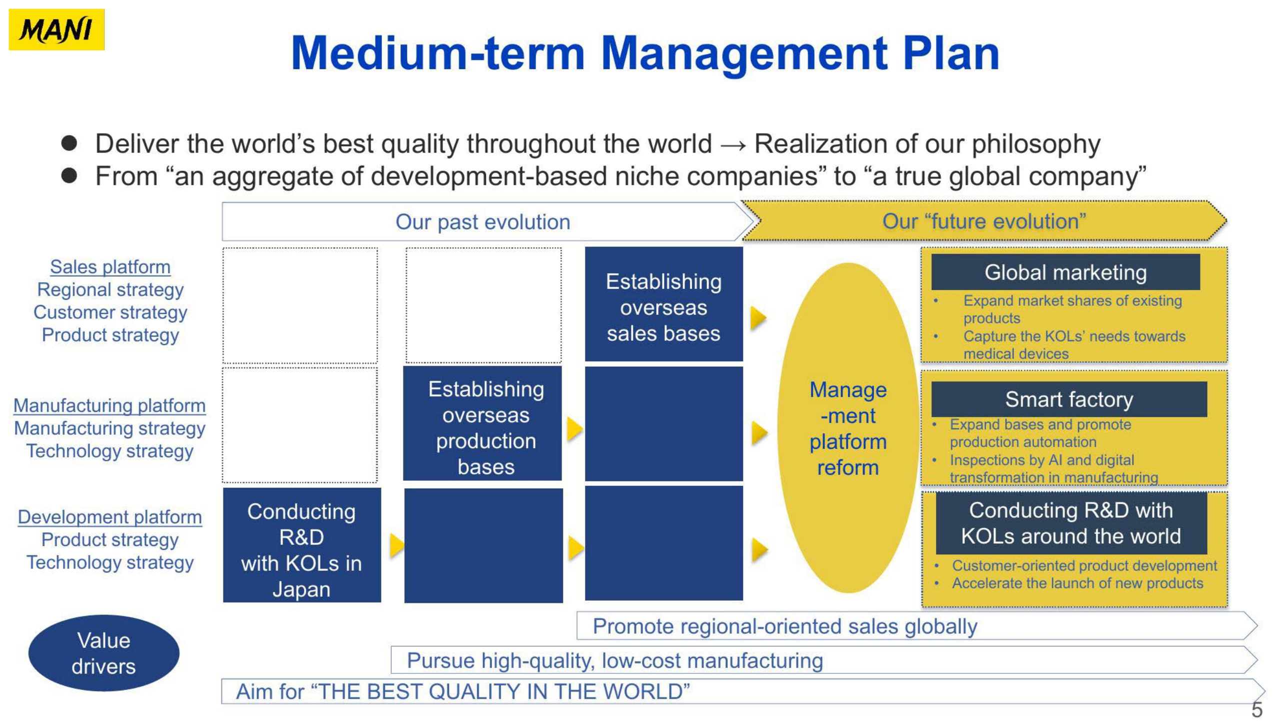


First of all, we have received the opinions from stakeholders who attended the Annual General Meeting of Shareholders and from others that we should manage the Company by inheriting the good qualities that made MANI great over the years. I concur with these opinions and would therefore like to enact management policies along those lines going forward.

In other words, MANI's corporate identity remains the same, as we are committed to continuing our vision of delivering "The Best Quality in the World, to the World."

That said, these past two months, over the course of discussions and deliberations with the managers, we reached the conclusion that it would benefit the Company to be a little more proactive. In light of this, we have now added the word "challenge" to MANI's corporate value.

This slide shows the new management team. Former President Saito now holds the position of Chairperson of the Board of Executive Officers and the title of Technical Research Fellow. MANI has deep roots in the pursuit to create niche-top products as a company with a strong R&D component. Chairperson Saito has a tremendous commitment to this vision, as well as great insights, and he has already started leveraging this passion and knowledge for the sake of the company in his new position. I will be going over the details in a moment.



First is progress in the execution of the medium-term management plan. Allow me to start with the framework, which we announced back in 2021.

Within this framework, we announced our goal of becoming "a true global company," and have been taking on new challenges in sales, production, and development.

MANI

Business Performance

Note: FY25 refers to fiscal year ending August 31, 2025
(Unit: 100 million yen)

	FY21	FY22	FY23	FY24	FY25	FY26
		5-year Medium-Term Management Plan				
	Actual	Actual	Actual	Actual	Forecast	Target
Net sales	171	204	244	285	302	300
Operating income	53	61	72	83	89	100
ROE	11.3%	12.5%	12.5%	12.3%	12.0%	12.0%
Exchange rate (USD/JPY)	¥107.1	¥121.7	¥138.6	¥150.8	¥136.0	

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Here is a progress update in terms of our business performance. We expect to achieve 30.2 billion yen in net sales for fiscal year 2025, meaning we now expect to achieve – one year ahead of schedule – our target of 30 billion yen over the ongoing 5-year medium-term management plan.

Although operating income is still slightly short 10 billion yen of the target, our basic understanding is that we are moving forward based on the prospect of achieving the 5-year plan as we expect to achieve most of our targets one year ahead of schedule.

Development of New Products

	JIZAI NiTi Rotary File 	Vitreous Forceps 
Progress	● Launched in February 2020 (Japan) ● Added new file to the lineup in September 2024 ⇒ Complete treatment sequences with MANI products ● Expand into major markets (China is in the process of regulatory filing)	● Launched in April 2023 (27G, Japan) ● Acquired MDR certification in Europe ● Gathering feedbacks from KOL dentists
Advantages	● Excellent root canal centering ability, flexibility, and durability	● Tip of the forceps have excellent gripping strength
Future plans	● Launch product in China ● Improve product, such as improving cutting ability ● Begin mass production at Smart Factory from 2026	● Launch product mainly in Japan, Europe and China ● Add 25G to the product lineup, improve doctor's usability ● Develop production technology at Smart Factory

Develop JIZAI and vitreous forceps into MANI's mainstay products
Sales target for new products for FY2029 is 3 billion yen (including other new products)

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Within these efforts, we position the development of new products as an important pillar. More specifically, we developed "JIZAI," a nickel-titanium rotary file, and vitreous forceps, with the objective of nurturing these two product lines to become important pillars following our ophthalmic knife products.

On the left, we have "JIZAI," which was first launched in 2020. This was then followed by another important milestone in September 2024, when we added a new file to our lineup. Dentists employ a treatment sequence consisting of the following three steps: patency, glide path and shaping, and each step requires a different dental file to be used. MANI's lineup now covers all three steps, boosting the competitiveness of our products.

As explained by Vice President Takahashi, we applied for regulatory approval for "JIZAI" in China in January, 2024, and it will take about another year to complete the process. This is pivotal in our efforts to address changes in demand in the Chinese market.

Additionally, we received extensive feedback from dentists. Our current product has been well received, however, dentists have also asked for some tweaks, such as improved cutting ability. This is a core area for us, so we are now carrying out the development of a new and improved product under Mr. Saito's leadership. We expect to be able to bring this new product to market in 2026, and we expect this launch to be another important milestone catalyzing growth.

On the right is our vitreous forceps, which was launched in April 2023, and we have already received feedback from doctors for this product. This product was praised for the excellent gripping strength of the tip, allowing for the steady manipulation of the retinal membrane during surgery. We did receive requests to improve grip usability, so we are currently in the R&D process to address this feature. The manufacturing process is very complex, so we have made the decision to carry out the manufacturing at our Smart factory, with an eye toward full-scale deployment by around 2026.

It will therefore take some time for our efforts here to come to fruition, but we will nevertheless work to nurture these products in order to achieve a sales target of 3 billion yen for new products by fiscal year 2029. This figure includes some other new products, to some extent, but "JIZAI" and our vitreous forceps will be the key drivers.

MANI

Dental Restoration Material Business (MMG)

Progress
- 2015: Acquired Schütz Dental
- 2018: Sold sales subsidiary and began specializing in development and manufacturing
- 2023: Changed company name to MMG and began operation at the new factory
- Focusing on OEM business for PB
- Develop and expand products as MANI brands in Japan, China, Vietnam

Advantages
- Compatible with customization, easy to create color tones and shapes
- High aesthetics
- Small lot production

Future plans
- Acquire new PB customers
- Launch products in China
- Strengthen business structure and improve profitability

MMG's New Head Office Factory (Germany)

Note: PB refers to Private Brand

MMG Sales: From 1.9 billion yen (FY24) to 4.0 billion yen (FY29)

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Next is our dental restoration material business. It has now been close to a decade since MANI acquired Schütz Dental. Since then, we executed post-merger integration, built a new factory, and now we are setting up our business.

Sales are still at 1.9 billion yen, and the factory's operating rate is only about a third of total capacity. We therefore have plans to grow orders and improve profitability.

MANI

Global Production System

Begin production at our 2 main production bases from 2025

Smart factory
Production technology development and new product launch
- High-efficiency automated equipment
- Automatic inspection
- Mass production line for new products

→ Rollout

Vietnam factory (Main production base)
High-quality and low-cost manufacturing
- Reduce costs
- Reduce workers for inspections

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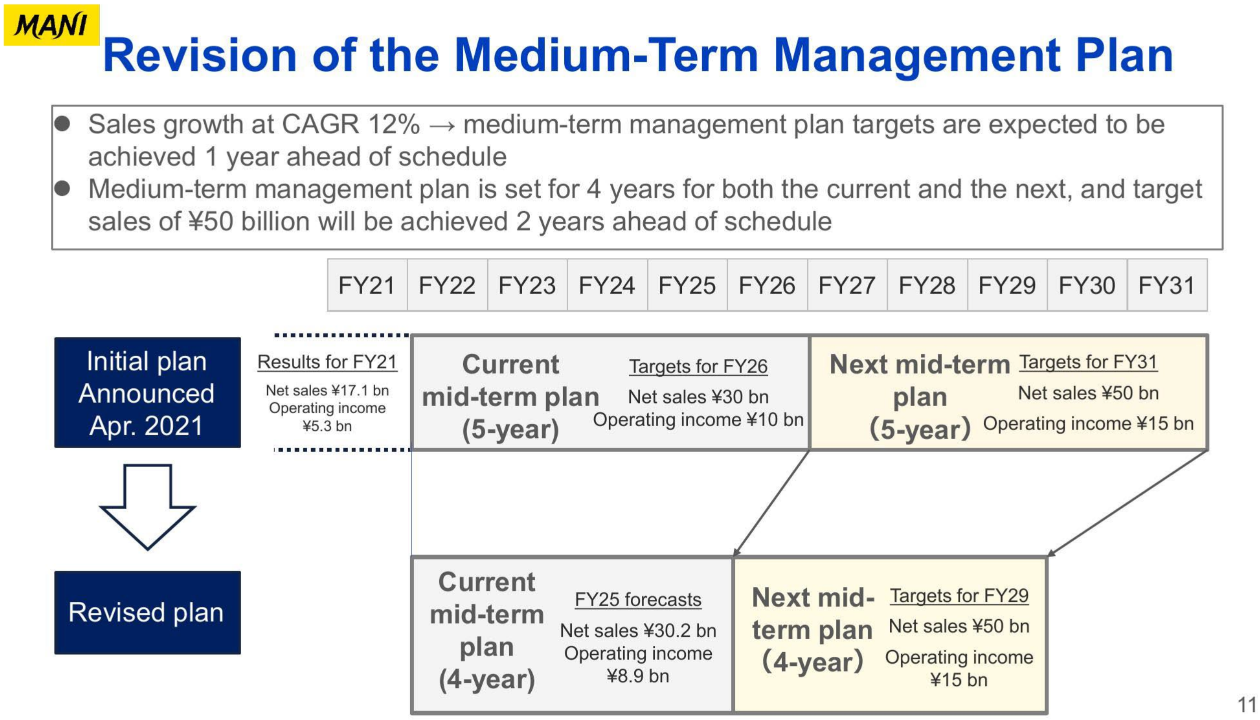
Next is our global production system. As previously discussed, construction for MANI's Smart Factory is expected to be completed by the end of January 2025, allowing us to operate 2 main production bases at once.

The Smart Factory in Japan will be the "mother" factory for the development of new cutting-edge technologies, which we will then be rolling out to our operations in Vietnam.

We will start by establishing a line for ophthalmic knives and we are aiming for mass production from the beginning of fiscal year 2026.

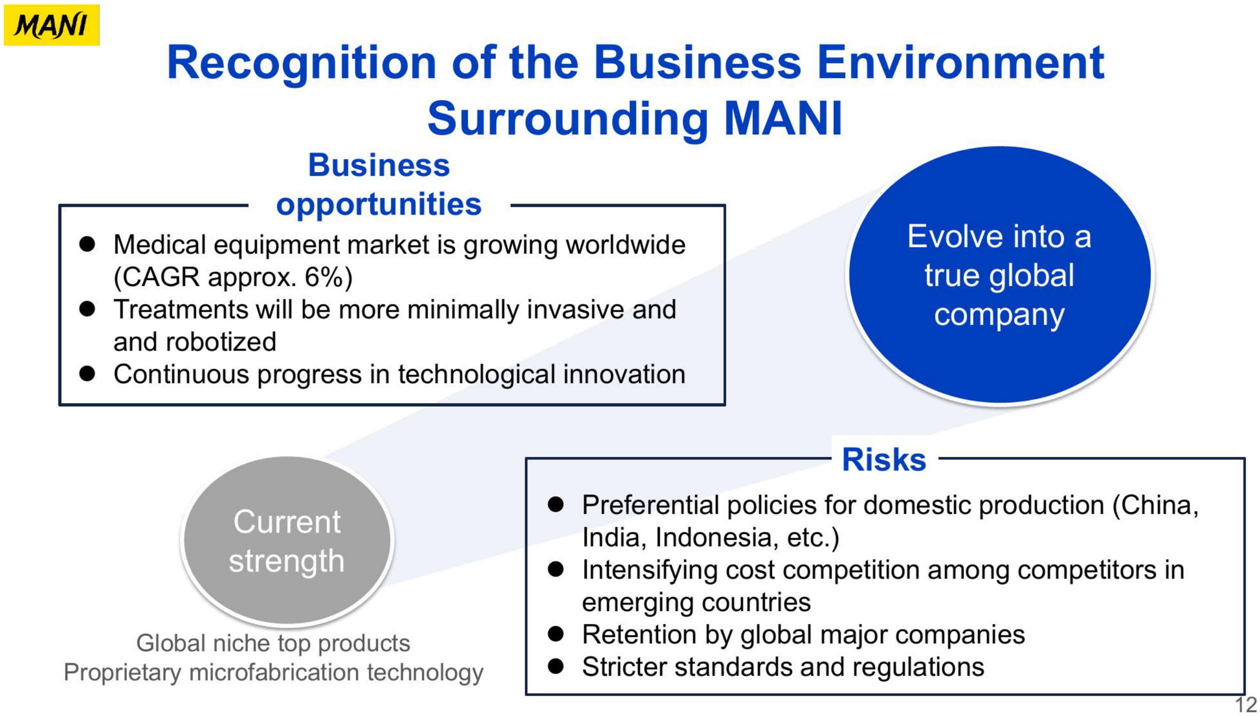


Next, I would now like to explain MANI's future management policies.

As I mentioned earlier, we are in the process of executing the Company's 5-year medium-term management plan and we expect to be able to meet our targets more or less a year ahead of schedule.

Additionally, we were initially aiming for 50 billion yen in net sales within the scope of the next medium-term management plan. We are working to maintain a CAGR of around 12%, so we have now shortened this period by 2 years, as we now expect to reach 50 billion yen in net sales by fiscal year 2029.

As a result, we would like to reach JPY50 billion in FY2029, two years ahead of schedule.



Naturally, business as usual does not cut it if we intend to meet these targets, in light of the changes in the business environment surrounding MANI and in order to address new opportunities for the Company.

As for risks, which are shown here on the bottom right corner, challenges related to China have come to the surface in the first quarter. Countries like China, India, and Indonesia offer preferential policies for domestic production, and we also face intensifying cost competition among competitors in emerging countries.

We will be addressing these new challenges while simultaneously capturing the kinds of business opportunities, as shown here in the upper left corner, allowing us to sustain our growth potential.

MANI

Key Policies

1	Further expand global market share by leveraging product advantages Strengthen 'monozukuri' capabilities (development and production) that are "unique to MANI" as an R&D-oriented company
2	Strengthen the management base commensurate with the expansion of the company's size Develop and Secure human capital to implement growth strategies
3	Expanding business into adjacent areas by leveraging core technologies Planting the seeds for Beyond 2029
4	Strategic business development, including the utilization of alliances and M&A

(*) 'Monozukuri' is the Japanese term for 'manufacturing'

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In light of the elements, I mentioned just now, we have formulated 4 key policies.

First, we believe that MANI's business model, which has driven growth for the Company over the years, still holds further untapped potential. We therefore want to unlock this potential and offer our products to customers all over the world and develop new products.

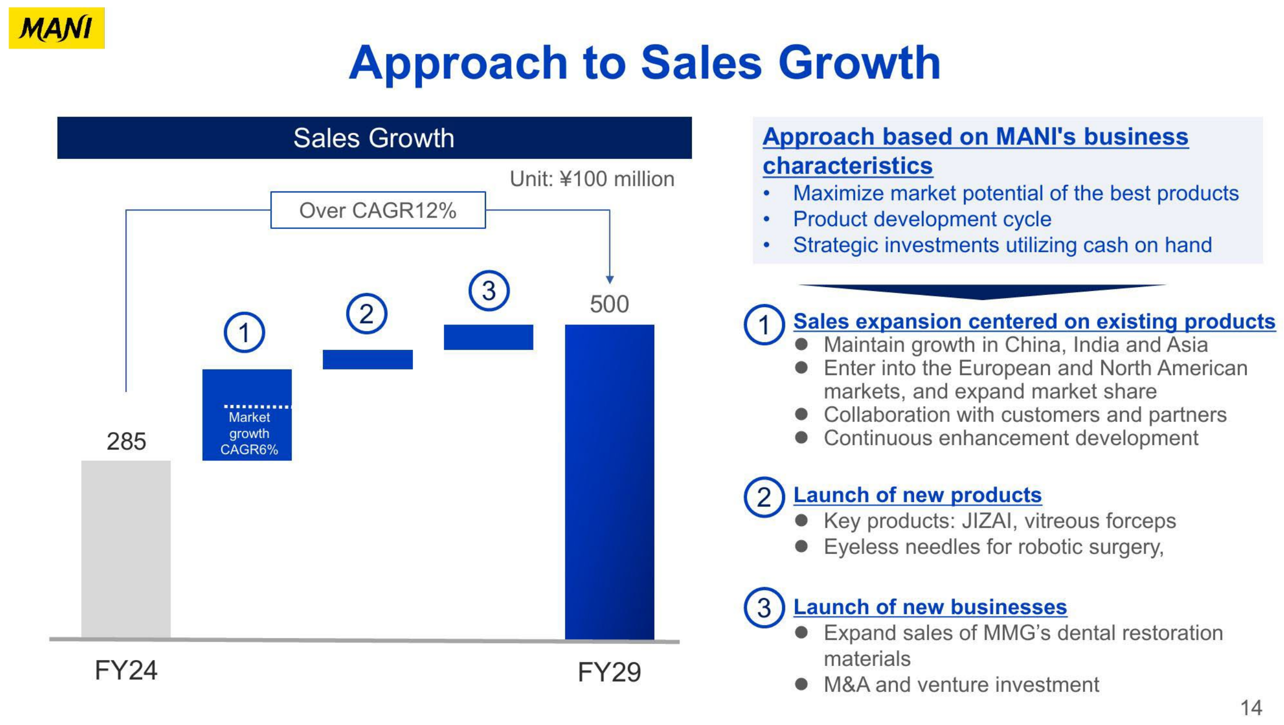
Second, we will work to put in place a management base commensurate and human capital to keep up with MANI's significant expansion from its status of medium-sized enterprise.

Thirdly, we would like to take advantage of our core technologies to take on challenges in the areas surrounding the core areas, and we would like to prepare for Beyond 2029 in the next four to five years.

Third, we have plans to continue expanding business into adjacent areas by leveraging our core technologies. This is a medium-to-long-term idea to play out over the next 4 or 5 years, and we would also like to prepare for Beyond 2029.

Lastly, our fourth key policy is to enhance strategic management through alliances and M&A.

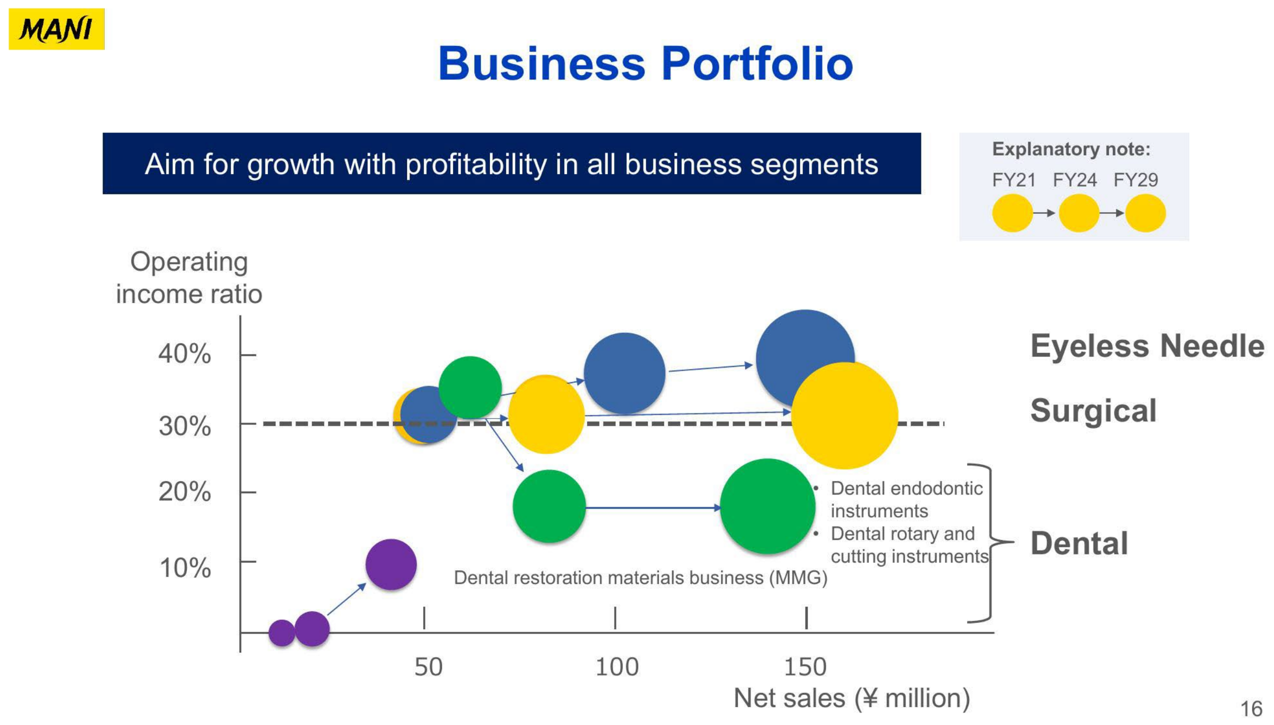
These are the four policies that we would like to pursue.



This waterfall chart shows our growth path toward 50 billion yen in net sales.

The first is to expand sales based on our current product lineup globally, with promotions and sales force. We expect these efforts to represent two-thirds of the increase needed to get to 50 billion yen. The remaining one-third will come from the launch of new products, and the launch of new businesses. The launch of new products include "JIZAI" and vitreous forceps. The launch of new businesses include dental composites, and we are also considering M&A as an option.

Personally, I like the idea of growing our top line with new products, but one of the characteristics of MANI's business is how we carry out initiatives over extended timespans. In light of this, I believe this two-thirds to one-third breakdown suits MANI's business.



Next, I would like to introduce our segment strategies.

The horizontal axis shows net sales while the vertical axis represents the operating income ratio. The circles represent the results for each of our businesses in fiscal years 2021, 2024, and 2029.

The blue circle represents the results for the Eyeless Needle segment, which grew significantly between fiscal years 2021 and 2024. Going forward, we intend to continue growing sales while steadily improving profitability.

The yellow circle represents the results for the Surgical segment, for which we want to grow the most towards fiscal year 2029 with our ophthalmic knives and new product lineup.

The green circle represents the results for the Dental segment, and its profitability has unfortunately declined over the past four years. Looking at the results in detail, SG&A dropped by close to 40% in 2022, making for a results increase. This is due to the development of "JIZAI" and the upfront investments we made. SG&A is increasing, and we are now in a position where the operating income ratio is just under 20%. We will continue to develop new products to increase sales while maintaining profitability.

Last, on the bottom left, we have our dental composite materials business, and the purple circle represents the results. This business currently posts close to nothing in profits, but we have plans to expand the scale of the business and improve profitability and sales capacity.

This concludes my overview of MANI's business portfolio.

Surgical Business

Expand market share for ophthalmic knives (Global share 30%→50%)	Create products for glaucoma and vitreous surgery Expand product lineup	Collaborative innovation with pharmaceutical companies
● Key countries/regions for market share expansion: India, Asia, the U.S. and Europe ● Application to refractive surgery (ICL)	● Glaucoma and vitreous surgery: • Vitreous forceps, trocar • Trabeculotomy hook ● Based on the development pipeline R&D for the future	● Joint development with Santen Pharmaceutical ● Provision of advanced devices to DDS (*)

Ophthalmic knives

Vitreous forceps

Trocar

Trabeculotomy hook

Double step knife
(joint development product)

(*) DDS refers to “Drug Delivery System”

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Next is a more detailed breakdown of our plans for the Surgical Business.

We have 3 key targets here.

First, we would like to increase the market share for our ophthalmic knives, ultimately reaching 50%.

Second, we want to expand our product lineup. Within this scope, we have devices like vitreous forceps and trocars for use in glaucoma and vitreous surgery in our R&D pipeline.

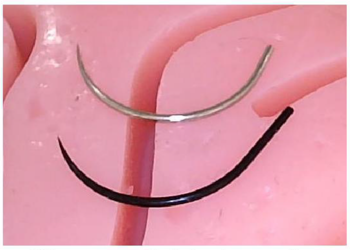
Third, we will work to achieve collaborative innovation with pharmaceutical companies. Within this scope, we have already brought to market a double step knife for use in the treatment of glaucoma, jointly developed with Santen Pharmaceutical Co., Ltd.

We are currently in talks with other companies with an eye toward further joint development opportunities.

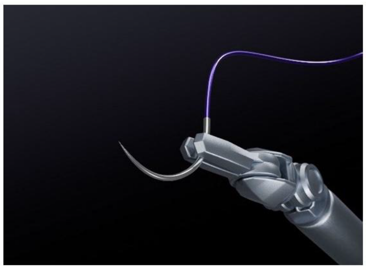
Eyeless Needle Business

Maintain and strengthen global No. 2 position

- Intensify connections with existing customers
  - Provide support services for customers' production engineering
  - Add new product numbers to meet the needs of the medical field
  - Strengthening our position as a 2nd tier supplier to major global customers
- Cultivate new customers
  - Cultivate customers in the Middle East, Africa, and Central and South America
- Initiatives in minimally invasive and robotic fields
- Competing with competitors in emerging countries



Silver needle/black needle



Eyeless needle for robotic surgery

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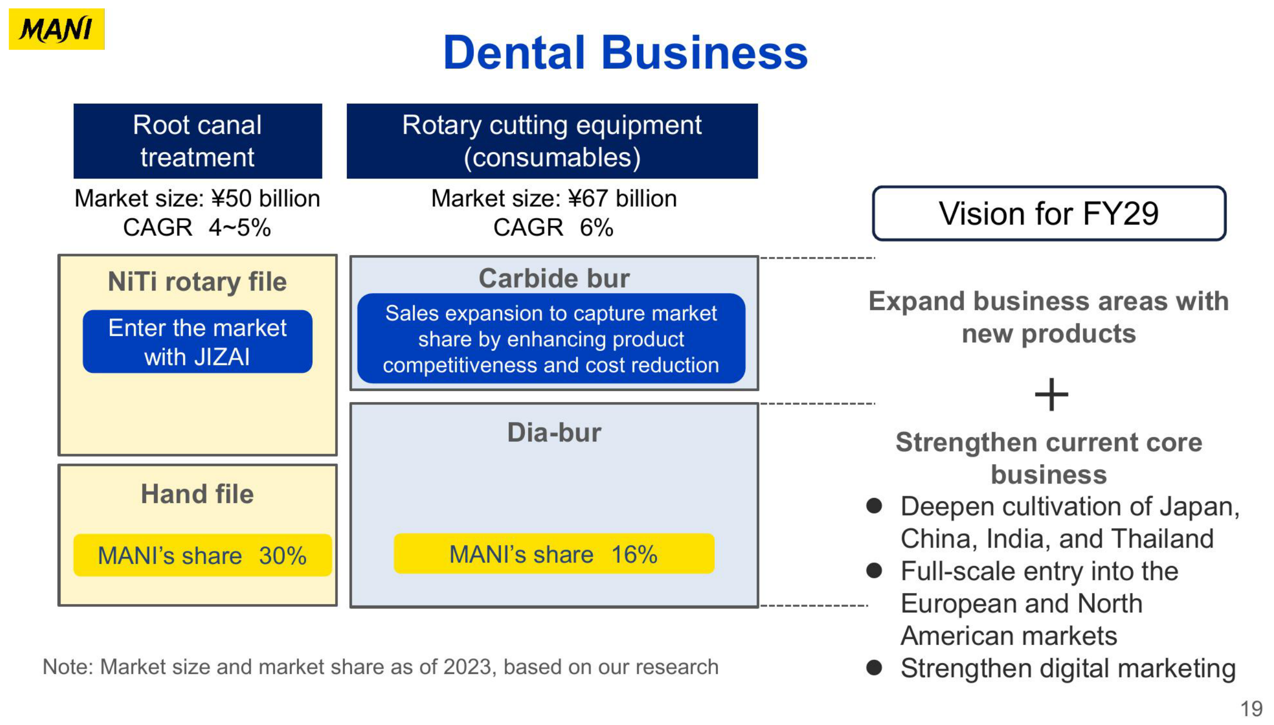
Next is the Eyeless Needle Business.

Here, MANI is currently in the number two position globally, and we are at the top among independent manufacturers in the world.

Going forward, we intend to intensify connections with existing customers and cultivate customers in the Middle East, Africa, and Central and South America – regions where we still have a lower market share.

We will also carry out initiatives in the up-and-coming field of robotic surgery.

Lastly, manufacturers from emerging countries like India have gained significant ground in recent years. In terms of positioning, we offer products on the high end of the market, while competitors from these countries offer products on the low end, but we want to further delineate a difference here.

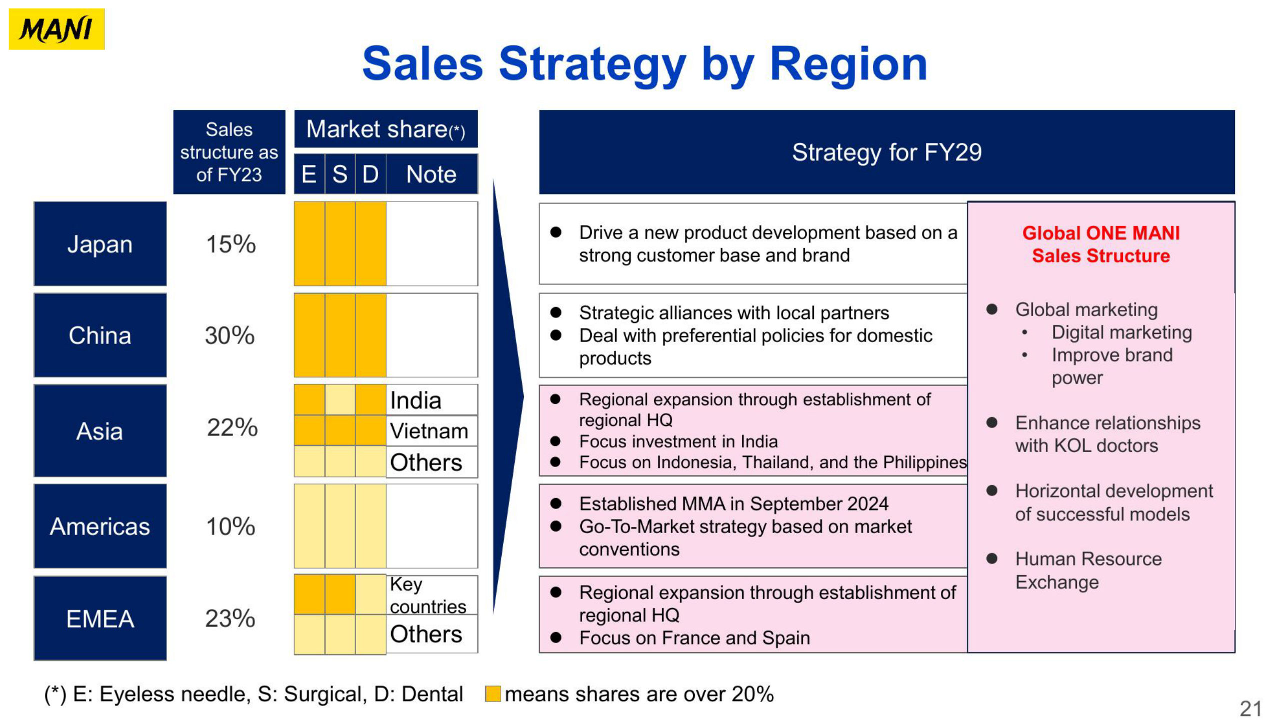


Last is the Dental Business. MANI's two domains in this business are root canal treatment and rotary cutting equipment.

The size of the rectangles on the left indicates the size of the market. As Vice President Takahashi explained earlier, the market for root canal treatment is shifting from hand files to nickel-titanium rotary files. MANI was a little bit slow in entering this market, but we succeeded in creating a superior product, which is "JIZAI," and we will continue to capture share in the market for rotary files.

While MANI's market share for dia-bur is at 16% currently, we were not making too much sales of carbide bur since its manufacturing costs are on a higher side. That being said, we have access to customers and channels, so we would like to brush up our products and expand in this area as well, and we would like to focus on these two areas first and grow them firmly.

While MANI's share in the market for dia-burs is at 16%, currently, we were not making too much sales of carbide burs since its manufacturing costs were high. However, since we have access to customers and channels, so we would like to upgrade our product offerings in this area and grow sales. We will start by focusing on these two domains to deliver growth.

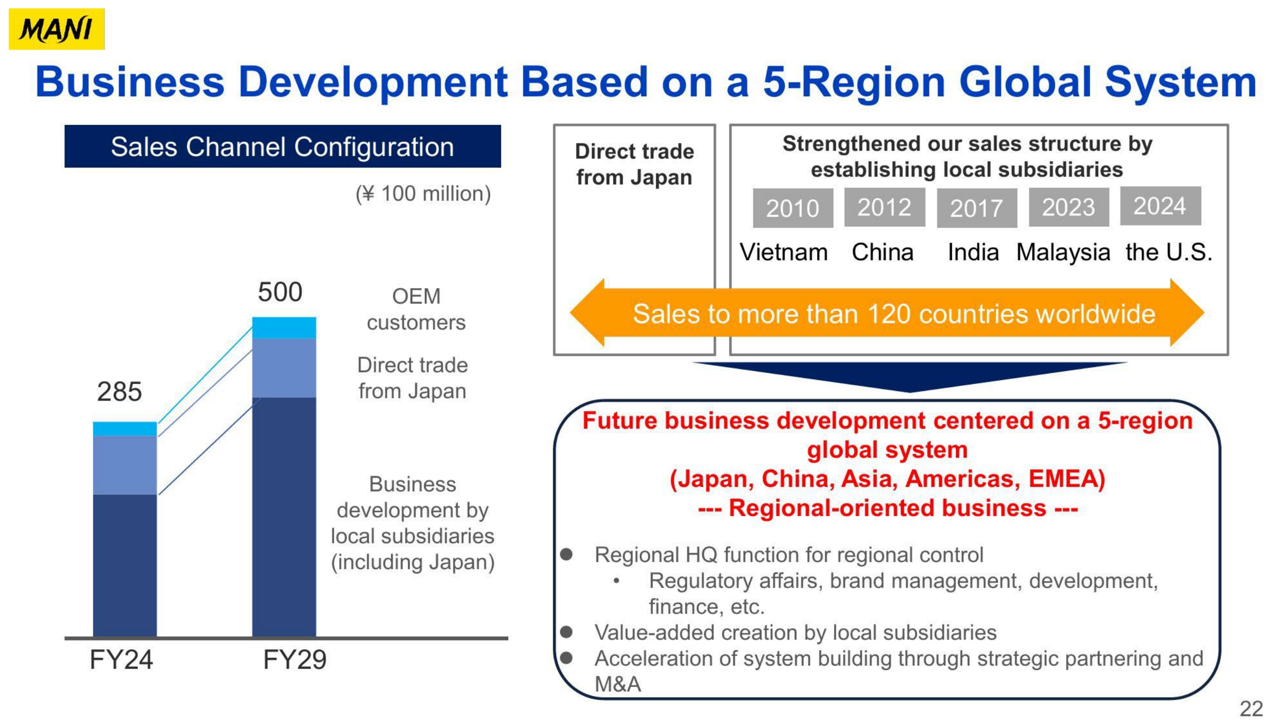


Next, I would like to introduce our key initiatives for growth.

Starting on the left, we have each region as a percentage of sales; the deeper the shade of orange, the higher the percent weight. As you can see, MANI has achieved a significant position in regions like Japan, China, and in some areas within Asia. Going forward, we seek to further grow our share in these regions, but rather than acquiring new customers, the key strategy here comes down to being able to roll out new products.

On the other hand, in regions where we have a low market share, such as the Americas and EMEA, which are shaded in pink, we intend to carry out initiatives to grow sales.

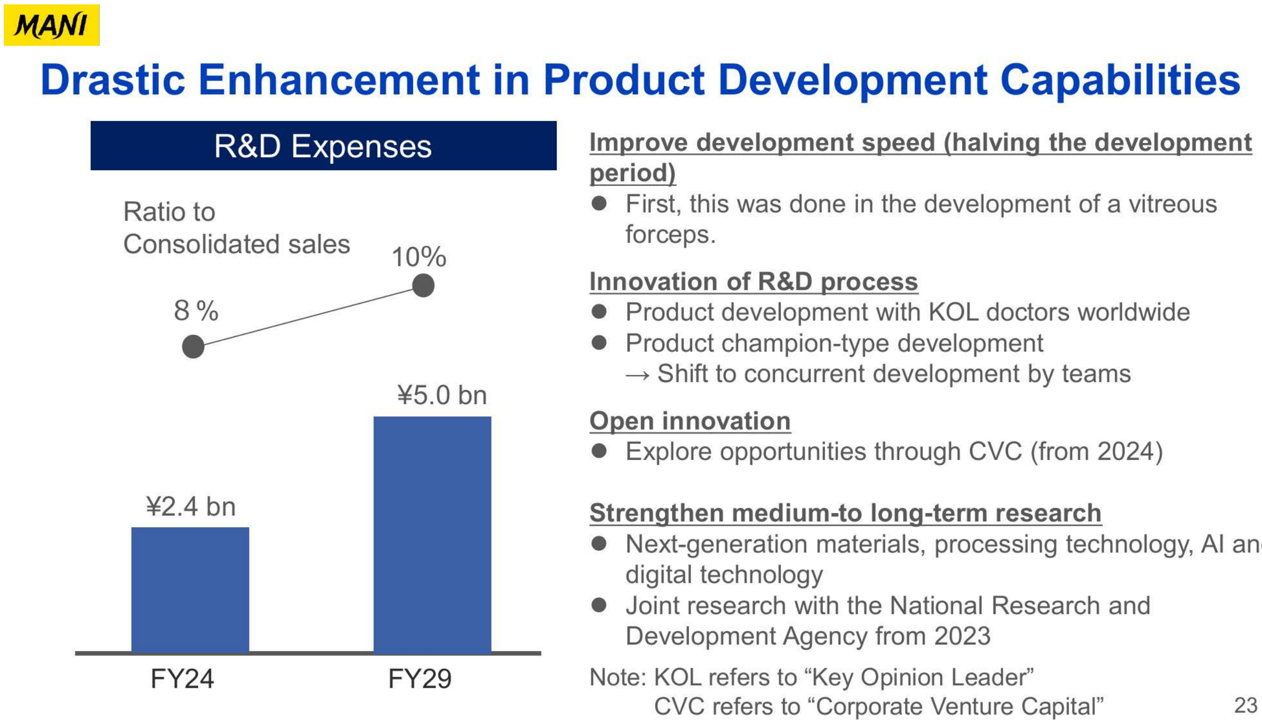
We also have a Global ONE MANI Sales Structure – shown here on the right corner of the page. Up until now, each local subsidiary would carry out operations on its own, but that is not effective in operation. In this sales structure, we would like to work together as ONE MANI in marketing, exchanging human resources, and sharing successful models.



Let me introduce how we will promote the Global ONE MANI Sales Structure. Allow me to direct your attention to the diagram on the top right. Up until now, MANI carried out sales to more than 120 countries worldwide through trade from Japan. Over the years, we have established local subsidiaries in Vietnam, China, India, Malaysia, and the U.S.

As shown in the graph on the left, having a local subsidiary allows us to create stronger touchpoints with customers and achieve very high penetration levels. In light of this, we want to carry out sales efforts close to customers in each region. Naturally, creating local subsidiaries for each and every region is a slow and time-consuming process, so we have decided to operate under a 5-region global system.

Additionally, we view partnerships and M&A as a crucial part in putting in place this system.



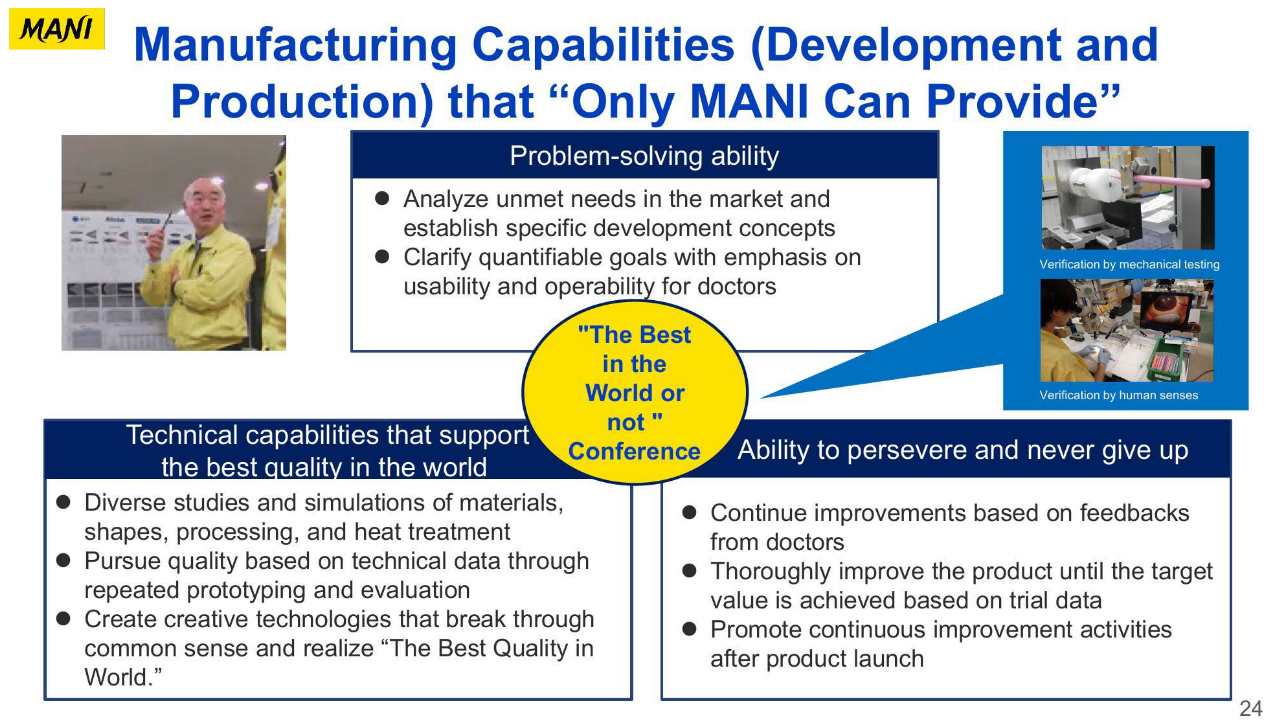
Another crucial thing is that as a company with a strong R&D component, we should overwhelmingly strengthen our ability to create products. We need to achieve unrivaled capabilities in this area.

First, we will work to improve development speed. Senior Managing Executive Officer Fukumoto has shown great skill in this area, and our first initiative within this scope is halving the development time required to come up with our vitreous forceps product.

Second, we will carry out innovation in the R&D process. Up until now, we had worked to build relationships with KOL doctors and will continue such efforts going forward. Furthermore, previously, MANI would carry out product champion-type development, that is, a type of development where a single technical engineer covers the entirety of the development process. This development scheme was well-suited for us at MANI, but it also had some drawbacks in that this process is too dependent on a single person and is also slower. We have therefore shifted to a form of concurrent development by teams, especially concurrent development between R&D and manufacturing.

Another important area is open innovation. Within this scope, we have already started limited partnership investment in VC firms to explore venture capital opportunities.

Lastly, we seek to strengthen long-term research. In particular, we are carrying out joint research with the National Research and Development Agency for the development of next-generational materials like nickel-titanium, etc. We want to utilize these new next-generation materials in products like “JIZAI.”



Another important element is manufacturing capabilities that "only MANI can provide." It was this process that over the years delivered success cases in the form of products like our ophthalmic knives, and Chairperson Saito is currently leading our efforts to go back to MANI's roots.

MANI tends to be a late entrant to new markets as, historically, we usually wait to see what the competition is doing before taking the plunge, leveraging MANI's unique capabilities to develop superior products perfectly tailored to doctors' unmet needs.

This process involves 3 elements.

The first is problem-solving ability. Here, for example, we take a unique scientific and numerical approach to describe sensation and motion in the way doctors use our instruments.

Second, we take this data and leverage our technical capabilities to create products reflecting these insights.

Third, we pride ourselves in our ability to persevere and never give up.

In summary, we are in the process of re-focusing on these core elements to carry out manufacturing.

MANI

Enhancement of Business Infrastructure

Operational Excellence

S&OP(Sales & Operation) reform
- Improve demand forecast accuracy and shorter lead time
  → Improve satisfaction of sales partners
- Improve CCC

Strengthen global regulatory processes

Initiatives for DX
- Establish Global IT Governance
- Key projects: 7 themes

Ongoing cost reduction activities

Human Capital Management

Develop and acquire human resources to implement growth strategies

Company-wide movement “Transform M”
- Improvement of the new personnel system (introduced in 2021)
- foster a culture of taking on challenges
- Respond to employee survey results

D&I (Diversity & Inclusion)
- Ratio of female managers: 15% or more (non-consolidated)
- Development of global human resources

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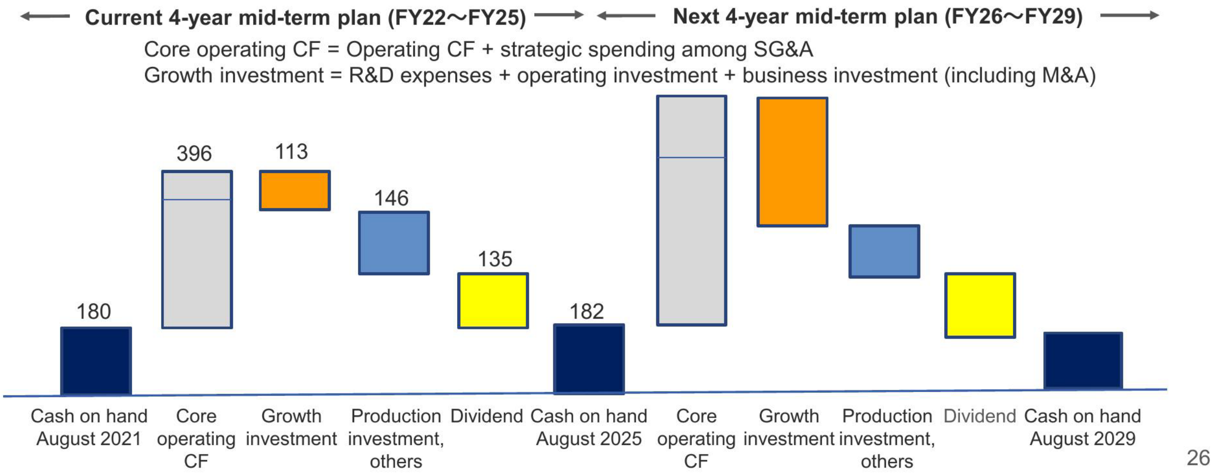
Next is the enhancement of business infrastructure.

Within this, we will strive for operational excellence, which is shown here on the left side. More specifically, we will promote S&OP reform, strengthen global regulatory processes, carry out initiatives for DX, and optimize costs overall.

We also focus on human capital management, as we seek to develop and acquire human resources to implement growth strategies.

Capital Allocation

- Shift investment focus from production investments (e.g., Smart Factory) to growth investments
- Stable dividend increases for shareholder returns



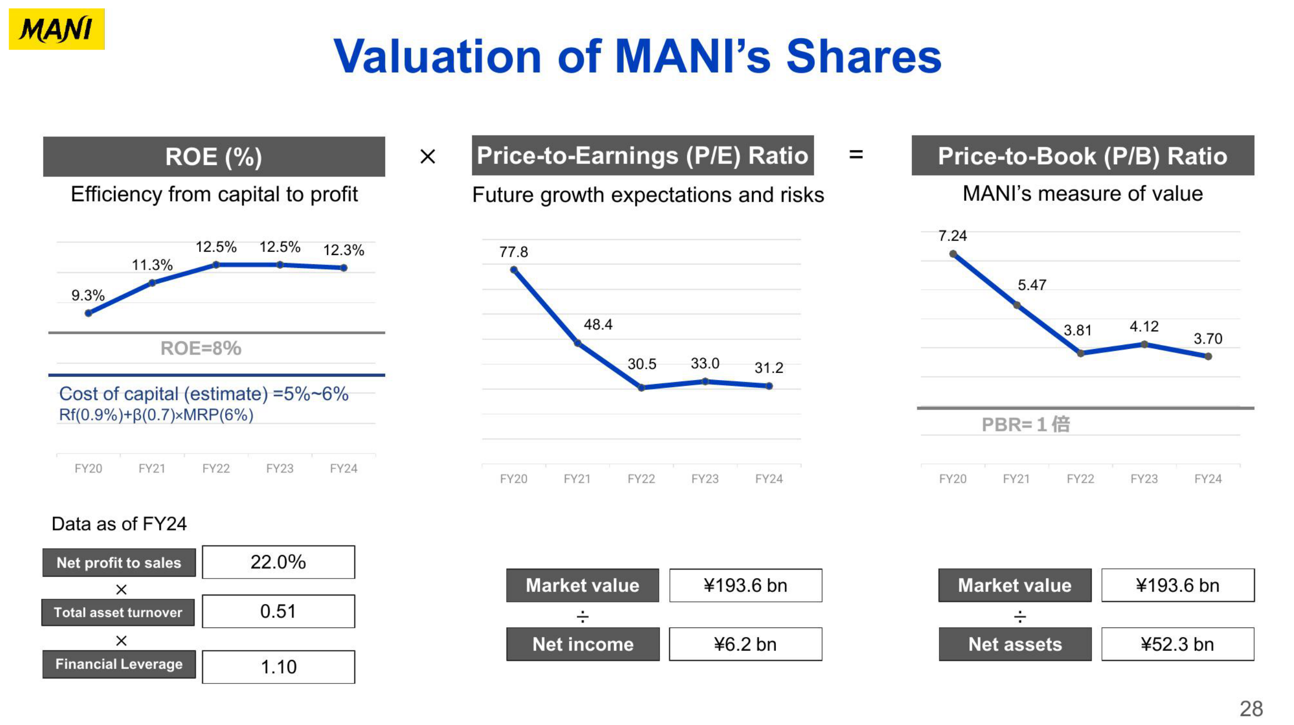
Next is the topic of capital allocation.

The left half of the waterfall chart shows the capital allocation plan for the four years from fiscal years 2022 to 2025, and the right half shows the plans and targets for the following four years from fiscal years 2026 to 2029.

We use our own proprietary metric called "core operating cash flow," calculated by adding back strategic investment within SG&A expenses to operating cash flow. You can see this distinction in the second vertical bar from the left. More specifically, the bar is divided into two sections: the bottom one corresponds to operating cash flow, and the second one to strategic investment within SG&A.

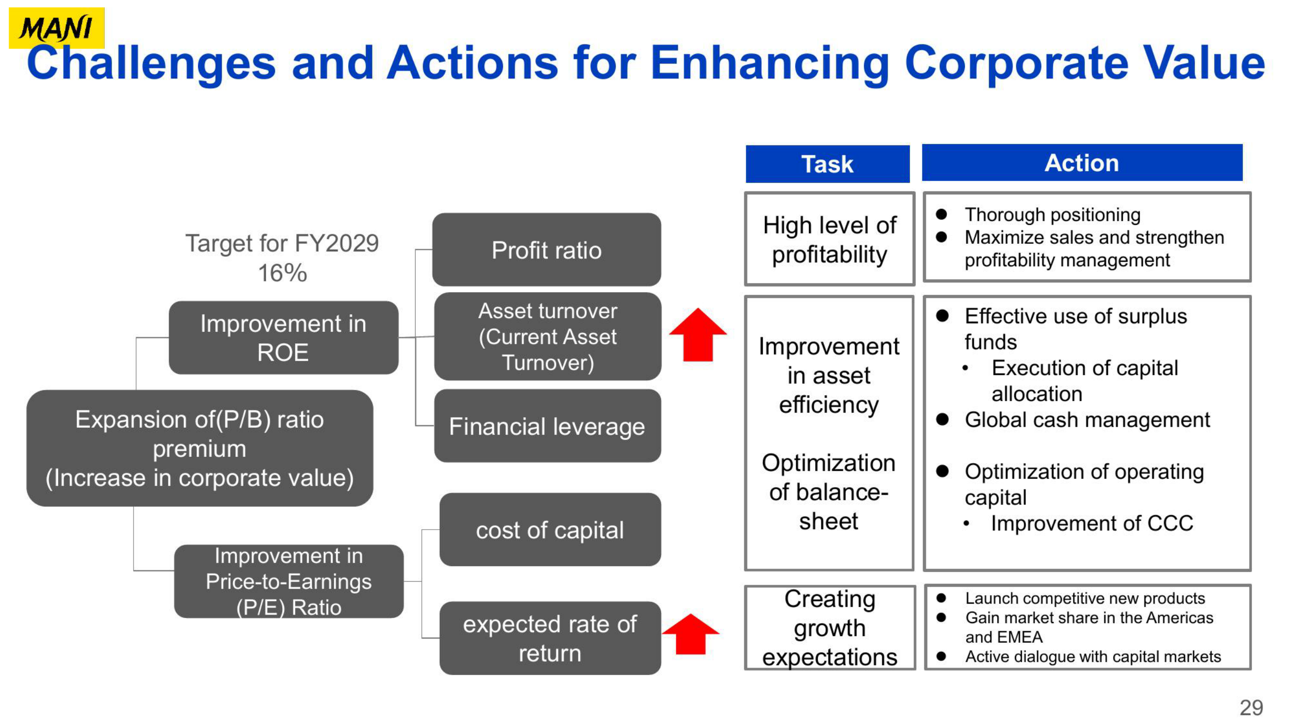
As you can see, over the past four years, we allocated significant amounts to investment in manufacturing, especially toward the construction of our Smart Factory. Production investment and others therefore came to 14.6 billion yen. We expect the investment amount to go down this year. Over the next four years, we expect core operating cash flow to grow to around 50 to 60 billion yen, and we will be using this cash flow toward further growth investment. We will also advance R&D and sales investment, and strategic business investment.

Additionally, we are committed to continuing to raise dividends at a steady clip, in order to return value to shareholders.



Finally, I will now explain about our approach to management conscious of the cost of capital and the Company's stock price.

The figures as of August 31, 2024 are shown here at the bottom. Over the past 3 years, we recognize that ROE, PER, and PBR have all seen a slump and have stagnated a bit.



In our work to improve these metrics, we broke down this problem into two points that are important to MANI. One is to improve asset turnover. The other is to raise the expected rate of return.

We have received ample feedback from stakeholders regarding asset turnover, urging us to put our cash on hand to accretive uses. As I mentioned earlier on the topic of capital allocation, we will be taking on a more strategic approach and directing this cash to growth investment.

Another important concept is global cash management. We have quite a large amount of cash spread out amongst our local subsidiaries, so we want to optimize things on this front as well.

In terms of balance sheet optimization, we are also looking to improve the CCC.

Lastly, we will work to create growth expectations by executing necessary initiatives on our own and through a proactive dialogue with stakeholders.

MANI

Financial Targets

	Forecasts for FY25	Targets for FY29
Business	Net sales: ¥30.2 bn Operating income: ¥8.9 bn	Net sales: ¥50 bn Operating income: ¥15 bn
ROE	12%	16%
Dividend	Stable dividend increases	Stable dividend increases

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We are targeting 50 billion yen in net sales, 15 billion yen in operating income, and an ROE of 16% for fiscal year 2029. These were originally the targets for fiscal year 2031, which we are now pulling forward by two years.

These targets are a bit ambitious, so I request your vote of confidence in our ability to make the numbers.

MANI

Summary

- Accelerate growth by setting the medium-term management plan as a 4-year plan for both the current and the next. Through this plan, we aim to achieve the target of ¥50 billion in sales two years ahead of schedule, in FY29.
- Respect the values that have built MANI's strengths to date and maximize the potential of products, development, production, and sales, while implementing growth strategies such as strengthening the management foundation, launching new businesses, and making strategic investments by utilizing cash on hand.
- The next 10 years will be a period of great progress as MANI aims to become a ¥50 billion company and then a ¥100 billion company, and we will discuss a bold growth strategy for the future.
- The next medium-term management plan will be announced around July to September 2025. (Tentative)

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Last is the summary.

First, our plan is to accelerate growth by setting the medium-term management plan as a 4-year plan.

Second, we believe respecting the values that have built MANI's strengths to date will allow us to maximize our potential. Within this, we will execute initiatives, enhance the management foundation, take on new challenges, and execute strategic investments.

Third, we believe we are at a pivotal turning point for us as, over the next 5 years, MANI seeks to reach 50 billion yen in sales, and ultimately 100 billion yen. To this end, we will discuss a bold growth strategy for the future.

Therefore, we are aiming to set our next medium-term management plan between July and September, and we would like to announce it to you once it is set.

We look forward to relaying the details to stakeholders, so we request your continued support and understanding of MANI's corporate activities.

This concludes today's presentation.

Moderator: Thank you for your explanation.

Question & Answer

Moderator [M]: Now, as mentioned, I would like to begin the Q&A session with those present in the audience. If you have any questions, please raise your hand and a staff member will bring the microphone to you.

The IR meeting will be transcribed and published in its entirety, including the question-and-answer portion. If you wish to remain anonymous, we ask that you do not give your name when asking a question.

Thank you. Please ask your question.

Tokumoto [Q]: I am Tokumoto from SMBC Nikko Securities. Thank you for your cooperation. I have two questions.

Firstly, I think this is the first time that you have been addressing investors since you became the new president, but in the release, I think there were some changes in management as part of the plan to accelerate the transformation into "a true global company."

Now that you have assumed the position of president, and including your time as an outside director, what was the most important thing that you think that MANI lacked in the end to accelerate its transformation into a "true global company?"

Also, while there are many initiatives in this medium-term management plan, could you first tell us where you would like to place particular emphasis and take management leadership?

Watanabe [A]: Thank you for your question.

When we say, "a true global company," we also refer to our corporate philosophy which is "The Best Quality in the World, to the World," which I think is a very good phrase.

Basically, we need to realize our corporate philosophy, and to do that we need to carry three measures, which are important. First measure is to develop products that are unique to MANI as a manufacturer. Our company is fundamentally an R&D company, we have taken on various challenges over the past 69 years of our history, and now, we have four products to support our business. The fundamental idea is to produce new mainstay products firmly.

I believe that the challenge is that since the launch of the ophthalmic knife, we have not had a mainstay product that is typical of MANI. Therefore, I have appointed Chairperson Saito as a technical research fellow, so that we can once again develop MANI's unique technology, create products that are useful in the medical field, and deliver them to the market.

The second measure is to expand our overseas sales network to cover all corners of the world. We cannot reach some areas if we start with an export-oriented model and build local bases one by one, as we have done in the past. Our subsidiaries in China and India have very strong connections with the customers, and I believe that such local subsidiaries could deliver more added value to customers. Therefore, I think it is important to take our global sales and business structure to another level.

The third measure is to strengthen the current management foundation for the other 2 measures. In the current management foundation, there are areas where management processes and operations are a little weak. For example, when we look at S&OP (Sales and Operation), the process of creating a sales plan, incorporating it into the production plan, producing the product within a short lead time, and delivering it to the sales partner is a little weak, as we caused some hardships for our partners in the past, since there were not enough products to supply. When we factor this in, I believe that MANI can further evolve in that aspect, and of course, when we look at the total picture, I believe that our fundamental goal is to continue to be a company that is valuable and indispensable to the medical field and doctors.

Tokumoto [Q]: Thank you.

This is my second question. Looking at the direction of the medium-term management plan that you have presented this time, while there are some areas where the Company spends a lot of money, such as strengthening the management base, making strategic investments, and launching new businesses, I believe that sales growth is only possible through additional investments in regular businesses, and new businesses and MMG will inevitably start out with low profitability. With these in mind, I think the 15 billion yen in the operating income plan is quite a challenging hurdle to overcome.

I think it is also a message to the Company internally, but at a glance, I think that the target period could have been two years later separately, or even one year ahead of schedule. I was surprised that you stepped in two years ahead of schedule while the medium-term management plan is not set yet. Could you tell us about your thoughts on this?

Watanabe [A]: So far, we have grown at a CAGR of more than 10%, or about 12%. As I explained, in the future, it does not mean it is fine if we continue doing the same thing, but we must to respond to the new environment and work within a new strategy, and as a fundamental, I would like to maintain such potential for growth.

As you mentioned, when making strategic investments or taking on new challenges, profitability can have a negative impact. For example, the Smart Factory will start to depreciate going forward, so there will be negative elements.

On the other hand, we are also taking on cost optimization and price management. For example, MANI's ophthalmic knives are highly rated, but we sell them at 10% to 20% lower prices than those of competitors. I understand it is not something that can be controlled from our side, but I would like our customers to recognize the value of our products. So, there is room for such improvements through cost optimization and price management in order to increase value.

So, I would like to set a goal of 30% for a certain four-year goal, which is a combination of pluses and minuses, although I have not yet had firm access to these aspects. However, as you mentioned, it may happen along the way that the Company becomes ahead of investment, but in the long run, we would like to consider maintaining a profit margin of about 30% as one guideline.

Moderator [M]: Thank you for your question.

Does anyone have any other questions? Thank you very much.

Yoshida [Q]: My name is Yoshida from Tokai Tokyo Intelligence Laboratory. Thank you for your explanation. I would also like to ask two questions.

First of all, as you explained at the beginning of the presentation, there were some unexpected negative factors only in the first quarter, and I wonder if there are any factors that the Company can recover from going forward.

We have also heard that dental sales in China have fallen short by 200 million yen due in part to the so-called voluntary recall, and if SG&A expenses exceed the forecast by 200 million yen, the Company will probably fall short by about 300 million yen in terms of operating income. I would like to hear your thoughts on how this can be recovered in the second quarter and beyond.

Watanabe [A]: First of all, regarding the operating income in the first quarter, there are two temporary factors. One is expenses related to bonuses for the fiscal year, and the other is the control of shipments due to the voluntary recall of the dia-burs in China.

These two factors occur only in the first quarter and will return to normal from the the second quarter onward. We have already announced that two lots of dia-burs were recalled on October 31, but we are still in the process of submitting a report to the authorities at the end of the last year, so I would like to refrain from going into detail here, as we still have to wait for responses from the authorities.

If we look at these two factors as temporary factors, the positive factor in the remaining three quarters is that the Surgical and the Eyeless Needle segments are performing better than budgeted. The negative factor is that sales of dental products, especially dental files, will struggle in China. The sales in China have been growing steadily for a long time, but it is difficult to expect growth, due to the negative factor, but we would like to maintain the same level of growth in the future. Considering the totality of these factors, we have not changed our forecast for the full year.

Yoshida [Q]: I understand.

Sales are increasing quite a bit in other regions, such as South America, aren't they? It is small, but it has doubled in size, so it seems to have some impact there. Is this due to something that has changed in the first quarter?

Watanabe [A]: In South America, we have a customer for eyeless needles. They have a factory in Costa Rica, and their final consumption point is in the United States. This time, there is a special factor in that the customer purchased a very large quantity. However, there are many American companies that have factories in South America, so I hope you understand that this is a little statistically apparent.

Yoshida [Q]: Are there some sales not only in Q1, but also in Q2 and Q3? Or are sales transient?

Watanabe [A]: I believe that the sales for this customer are transient. However, of course, the trend is steadily upward, and there is a cycle in which customers increase their inventories, so there is a bit of an upward swing. The macro trend is rightward, but the sales in Q1 is a bit overdone.

Yoshida [Q]: I understand.

This is my second question Regarding page 11 of the presentation material on the medium-term management plan that you explained, I might be going to ask the same kind of question as Mr. Tokumoto. The current medium-term management plan may not be simple because of COVID-19, but the operating income was 5.3 billion yen and will be 8.9 billion yen this fiscal year, which is an increase of 3.6 billion yen. Considering these, I think it is quite a challenge for it to be set to increase by 6 billion yen. Is there a certainty about this expectation? Are there any other risks that we should consider? For example, tariffs under the Trump administration, and I was wondering if there are any obstacles to exporting products that your company manufactures in Vietnam. Also, with regard to China, there seems to be a definition of "Made in China," and there is a possibility that the percentage of the cost ratio of parts produced in China will have to be over a certain rate for the next three to five years to be considered "Made in China." What are your thoughts on the risks, such as whether this will have any impact on your business? That is all.

Watanabe [A]: You are right that operating income, if we only look at the numbers, appears to be a very aggressive growth in the next medium-term management plan. We would like to use a profit margin of 30% as a guideline for our business.

As you say, various changes are going to occur in the future, and we need to respond to them. One is to have our products recognized for their quality and to have them purchased as differentiated high-end products. We will also make efforts to reduce manufacturing costs, so I believe we will be able to maintain gross profit margins.

For example, last year, SG&A expenses accounted for 33% of the total expenses, but this year they have increased to 36%, which means that we are spending money to strengthen our management base. However, as the scale of the Company grows, the absolute amount of SG&A expenses will increase, but we expect the ratio of SG&A expenses to decrease a little more.

In addition, as we are aiming to become a global company, we now have 400 employees in Japan, about 100 of whom are direct costs of the factory. In overseas sales subsidiaries, we have around 100 employees. So, when we become a global company, I think the ratio of overseas employees will rise even more. We would like to structure it in a way that people of the overseas subsidiaries will be able to play an active role in ONE MANI.

We need to look at the overall situation in a mix where labor costs are much higher in the U.S. and not so high in Asia. We would like to take some time to see how such a cost structure will change between July and September.

Can I talk about risks? The risks are shown on page 12 of the presentation material, and there are the two biggest risks.

The first risk is the trend toward domestic production in China, India, and Indonesia, where preferential treatment for domestically produced products is progressing very well. The standards for certification of domestic production in China are also becoming stricter, and it will become more and more difficult to have it considered "Made in China" by just assembling products there. In particular, since China accounts for 30% of our total sales, we need to address this issue.

The other risk is that there are competitors from emerging countries in markets for eyeless needles and ophthalmic knives, and there is price competition among them. Therefore, we need to consider how address this challenge in the future, whether to control our costs, or to encourage our customers to recognize the value of our products.

As for our eyeless needles, not only we just sell eyeless needles, but we can also support our customers. For example, we would like to build business relationships various customers by supporting them with our crimping machines. We think there are many ways we can do this in this area. We would like to maintain profitability of about 30% in total.

Yoshida [Q]: May I have one follow-up question? Thank you.

Regarding the first phase of the next medium-term management plan, you mentioned earlier that the depreciation of the Smart Factory is a part of the plan. Is that a factor that would hinder earnings, or do I not need to think that much about it?

Is it safe to assume that the total profitability will not change that much because of some of the automation? I would like to know more about the movement of profitability from the first year to the final year in the plan.

Thank you.

Watanabe [A]: The Smart Factory, when depreciation begins and production is low, there is a slight negative impact from depreciation. The impact will continue for two to three years. From there, the production volume would increase, and we could take it back as a business. We would like to move to the positive in the long run.

We also need to think a bit about the operation of the Smart Factory. We have automated production lines in Japan to some extent, but basically we would like to roll out these machines and increase productivity in Vietnam. Therefore, there are still some technical difficulties, such as the timing of when such things can be done, and the inspection process is quite difficult to automate.

We are trying to automate the process of image recognition, which is a challenging task, as it requires a lot of human expertise. If such a system can be established, we need to manage the 4,000 people currently in Vietnam, which will increase to a substantial number as the scale of the company grows.

We would like to think a little more about our strategy for global optimization. However, I believe that by operating the Smart Factory on a macro level, we will be able to maintain and enhance MANI's overall production capacity and cost advantage.

Yoshida [M]: Thank you very much.

Moderator [M]: Thank you for your question.

Does anyone have any other questions? Due to time constraints, we would appreciate it if you could keep it brief.

Touyama [Q]: I am Touyama from Shimotsuke Shimbun. Thank you very much for your presentation today.

In the area of technological development, I understand that you are going to double the development costs to strengthen product development capabilities and that you are also going to renew the development process, with Mr. Saito as a fellow playing a significant role. Can you be more specific about the details of these enhancements or how the changes will be made?

Watanabe [A]: For us, the ultimate goal is to further expand the delivery of new products to the world. For this purpose, we are trying to double or more than double the speed of development, and with Chairperson Saito's leadership, we will once again firmly embed the process of creating MANI's unique top-of-the-line products within the organization. Another goal is to explore opportunities for new technological opportunities, such as CVC and venture investment.

If we raise R&D expenses to 10%, we will be able to invest twice as much in development as now. We would like to discuss this aspect in the medium-term management plan, as I consider it as an important theme to talk about, with consideration of how to link it with product strategy.

Moderator [M]: Thank you very much.

I know there is not much time left, but we still have one question.

Participant [Q]: Thank you.

You mentioned earlier about alliances and M&A within the fiscal year 2029 goal of 50 billion yen, but how much is expected, and what is the direction of the alliances and M&A in terms of products and technologies or in terms of areas?

Watanabe [A]: Right now, we have a little over 20 billion yen in cash on hand, and looking ahead, I believe that we have a certain amount of money that can be used for M&A. We have not yet reached the point where we can say exactly how much we are willing to spend.

We are currently making a long list of themes in which we would like to engage in M&A. One is to increase our Go-to-Market capabilities, especially going into Europe and the United States, which I mentioned earlier, or India, because we want to accelerate our growth a little bit more, so one area is Go-to-Market investment.

Another theme is to acquire products and modern technologies. Research and development period is very long, only coming out in cycles of 10 or 15 years, and that is what has been slowing MANI's growth. There are products and technologies in adjacent areas that have the same mentality as Manny's, ophthalmology and dental areas, and there are some areas that are a little beyond that, but I think we are a very strong candidate to acquire those areas.

Moderator [M]: Thank you very much.

We apologize for the inconvenience. I am sure there are many more questions, but since the scheduled closing time has passed, I would like to conclude the financial results briefing.

Thank you very much for your explanation, President Watanabe and Vice President Takahashi. To all participants, thank you for joining us today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
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