



MANI, INC.

Briefing on Financial Results for the Second Quarter of the Fiscal Year Ending August 2025

April 11, 2025

Event Summary

[Company Name]	MANI, INC.	
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[Event Name]	Briefing on Financial Results for the Second Quarter of the Fiscal Year Ending August 2025	
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[Venue]	Onsite venue: Sapia Tower, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo, 100-0005 Webcast: Microsoft Teams webinar	
[Venue Size]	154 m ²	
[Participants]	Total 123 (Onsite: 37, webinar: 86)	
[Number of Speakers]	2 Masaya Watanabe Executive Officer, CEO Kazuo Takahashi Director, Executive Vice President, Assistant to the President (Special Appointive Officer), CRO	
[Analyst Names]*	Masao Yoshida Kazue Yanagisawa Anna Kato	Tokai Tokyo Intelligence Laboratory CLSA Securities Daiwa Securities

*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.

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Presentation

Moderator: It is now time, so we will begin the financial results briefing of MANI, INC. This briefing will be held in a hybrid format, with a livestreaming online session in addition to the on-site session.

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

Today, Mr. Watanabe, the president of the Company, will give a presentation. After the presentation, there will be time for questions and answers from the audience. Please note that we will not be accepting questions from online participants at this time. After the briefing, if you have any questions, please send an email to the IR staff in charge.

All right then, Mr. Watanabe, you may now have the floor.

MANI FY2025 2Q Financial Results & Forecasts

Apology for the Voluntary Recall of “MANI DIA-BURS” in China

We deeply apologize for any inconvenience caused by the voluntary recall of our “MANI DIA-BURS (Generic name is Dental Diamond Burs).”

We have discovered that the product registration information submitted to the Chinese regulatory authorities was incomplete, and currently, we are taking appropriate measures. Since this matter is related to the application to the Chinese regulatory authorities, we have determined that there are no problems with the efficacy and safety of the products and that there will be no impact on patients’ health. In addition, there will be no impact on sales in other regions.

The impact on the consolidated financial results for fiscal year ending August 31, 2025, is currently under close examination, and if any matters arise that should be announced in the future, we will disclose them promptly.

Please refer to the following timely disclosure link for further details.

[April 9, 2025 “Notice Regarding Voluntary Product Recall of 'MANI DIA-BURS'”](#)

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Watanabe: 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 second quarter of fiscal year 2025.

The first issue on today's agenda is the voluntary recall of MANI DIA-BURS in China. On March 14th, upon discovery that the product registration information submitted to the Chinese regulatory authorities was incomplete, we decided to carry out the voluntary recall of the product lines affected. The recall is currently underway.

Since this issue is related to the application to the Chinese regulatory authorities, we have determined that there will be no impact on patients’ health as well as sales to other regions. We are also examining the impact on our business performance for the fiscal year ending August 31, 2025, and will disclose any information that needs to be disclosed in the future. All of the rough estimates have been factored into today's explanation.

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Background and Future Actions

Background

- Discovered that the product registration information submitted to the Chinese regulatory authorities (NMPA) for two product numbers of “MANI DIA-BURS” was incomplete. Voluntarily recalled 2 LOTs (disclosed on October 31, 2024)

Contents disclosed on April 9, 2025

- Discovered that some of the product registration information for other “MANI DIA-BURS” was incomplete and needed to apply for changes. Due to this discovery, we have decided to conduct an additional voluntary recall.
- Approximately 50% of the “MANI DIA-BURS” will require changes to their product registration information, and sales of these products will be suspended until the application for changes is certified.
- Products will be back for sales after gaining approval from NMPA.

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Let me give you a more detailed overview. On October 31, 2024, we voluntarily recalled 2 lots due to the discovery that the product registration information for MANI DIA-BURS was incomplete, and therefore, we recalled the products in question.

Following this, we voluntarily stopped product shipments of all 400 items to check whether other dia-burs also had incomplete registration information. As a result, it was found that 50% of the total 400 items had incomplete product registration information. Since it was an error in the description, we have been negotiating with the regulatory authorities to correct it. However, the regulatory authorities have decided that submitting another application for change is necessary.

Rules and regulations in China require us to temporarily stop shipments and recall the affected products and only allow us to resume sales operations once the updated registration information has been approved.

Approximately 50% of MANI DIA-BURS will require changes to their product registration information, while the remaining 50% only require minor changes to the manufacturing process specifications.

MANI DIA-BURS have a market share of more than 70% in China, and our customers use our products with a very high regard for their reliability.

It pains us terribly that this error ended up having the effect of betraying the trust of our loyal customer base in China, and for this, we would like to apologize.

This also affected the approximately 200 distributors we deal with in China and it also negatively impacted the Company's stock price and, consequently, our shareholders.

Once again, allow us to express our deepest apologies.

As I mentioned earlier, we have already reapplied for regulatory approval for the product, which is expected to take about one year. During this time, we will make all the necessary preparations so that we can return to normal business operations.

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This is the biggest crisis MANI has faced since COVID, so we are committed to making sure we address this issue and minimize disruptions caused to our clients and the medical institutions that use our products.

Management at MANI is also committed to achieving the best recovery possible for the benefit of all investors and stakeholders.

MANI FY2025 2Q Financial Results & Forecasts

Business Execution Structure after May 1, 2025

Chairperson of Board of Executive Officers	Masahiko Saito	Technical Fellow, Department Head of Quality Assurance Department
Director, President and Representative Executive Officer,	Masaya Watanabe	Chief Executive Officer
Director, Executive Vice President,	Kazuo Takahashi	Assistant to the President (Special Appointive Officer), Chief Financial Officer , Chief Risk Management Officer , Office Head of Corporate Planning Office
Senior Managing Executive Officer	Hideshi Fukumoto	Division Head of Monozukuri Division, Department Head of Research and Development Department
Senior Managing Executive Officer	Shuichi Kurita	Division Head of Business Division, Department Head of Global Sales Department
Managing Executive Officer	Tomomi Kosaka	Assistant Division Head of Monozukuri Division, Department Head of Manufacturing Department
Managing Executive Officer	Naohisa Hashimoto	Assistant to the President (Deputy Corporate Officer), Office Head of Audit Office
Administrative Officer	Kentaro Inatomi	President of MANI MEDICAL GERMANY GmbH
Administrative Officer	Kaoru Ogane	Department Head of Global Operations Department
Administrative Officer	Hajime Terada	Assistant to the President

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To overcome this crisis, we will be enacting several changes to our business execution structure, to go into effect on May 1, 2025. One such change is to strengthen quality assurance and pharmaceutical affairs, and to this end, Chairman Saito will take on this role by concurrently serving as the Department Head of the Quality Assurance Department.

Executive Vice President Takahashi had long held the position of CFO and was in the process of passing on the baton and delegating CFO functions, but the current crisis we face necessitates his return to the site to provide solid management.

These changes will go into effect on May 1, 2025.

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Consolidated Financial Results

(¥ million)

- In FY25 2Q, net sales have increased while operating income remained steady
 - Despite the negative impact of the voluntary recall of “MANI DIA-BURS,” net sales increased [up 6.5% YoY] due to strong sales in the Surgical and Eyeless Needle segments.
 - Operating income remained flat, while ordinary income and net income decreased due to reduced foreign exchange gains.

	FY24 2Q Results (A)	FY25 2Q Results (B)	Changes in Amount (C=B-A)	Changes in % (C/A)	FY25 Forecasts (D)	Forecast Progress Rate (B/D)
Net sales	13,908	14,810	+902	+6.5%	30,200	49.0%
Cost of sales [%]	5,213 [37.5%]	5,317 [35.9%]	+103	+2.0%	10,500 (34.8%)	50.6%
SG&A expenses [%]	4,497 [32.3%]	5,321 [35.9%]	+824	+18.3%	10,800 (35.8%)	49.3%
Operating income [%]	4,197 [30.2%]	4,172 [28.2%]	(25)	(0.6%)	8,900 (29.5%)	46.9%
Ordinary income	4,551	4,277	(274)	(6.0%)	8,850	48.3%
Net income	3,191	2,940	(251)	(7.9%)	6,350	46.3%

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I would now like to explain our financial results for the second quarter of fiscal year 2025.

As you can see here, consolidated net sales for the second quarter stood at 14.810 billion yen, which is a year-on-year increase of 6.5%, while the operating income was 4.172 billion yen, slightly below the results from the same period last fiscal year.

I will be going over the details later, but in broad terms, while the voluntary recall of dia-burs did have a negative impact of approximately 800 million yen, strong sales in the Surgical and Eyeless Needle segments nevertheless allowed us to offset this impact.

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Operating Income to Profit Before Income Taxes (Details) (¥ million)

	FY24 2Q Results	FY25 2Q Results	YoY	Notes
Operating income	4,197	4,172	(25)	
Non-operating income	371	187	(183)	
Foreign exchange gains	210	20	(189)	Foreign exchange gains decreased due to yen appreciation
Interest income	115	103	(11)	
Non-operating expenses	18	82	+ 64	
Depreciation costs	0	31	+31	Increase in depreciation related to Hanaoka Factory (Smart Factory) before operation
Ordinary income	4,551	4,277	(274)	
Extraordinary income	2	10	+ 7	Gain on sale of non-current assets (Realization of internal gain on proceeds from sale of subsidiary's production equipment of a subsidiary)
Extraordinary losses	3	16	+ 13	Loss on retirement of non-current assets
Profit before income taxes	4,550	4,271	(279)	

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This table details our non-operating income and expense results.

Specifically, foreign exchange gains decreased due to yen appreciation. Additionally, depreciation has now started for the Hanaoka Factory, which was completed on January 31. Consequently, we recorded depreciation expenses for the month of February under the line item of non-operating expenses. Once the Factory enters a mass production regime, depreciation expenses will then be moved to the operating portion of the income statement.

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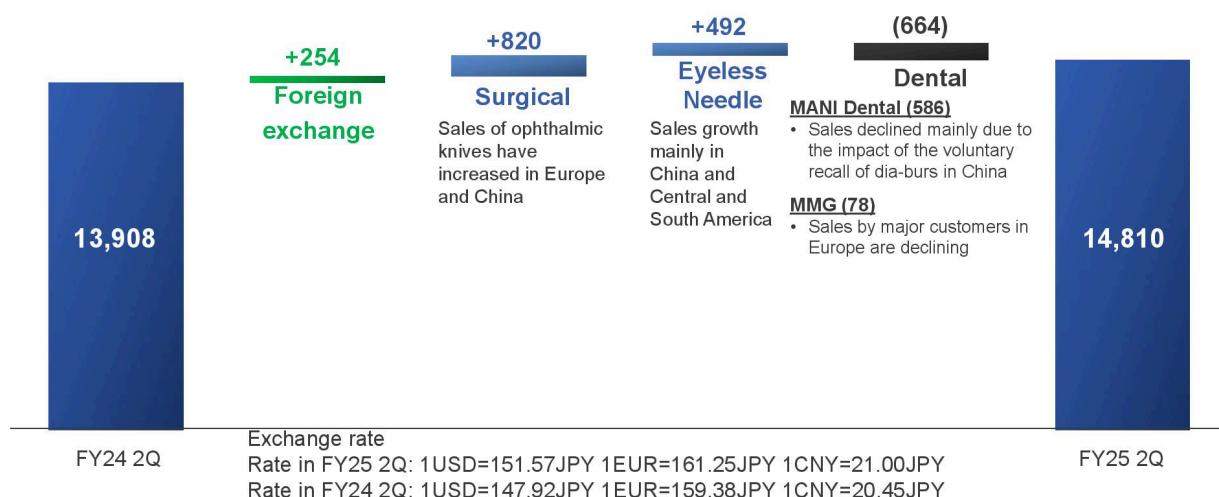
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Net Sales Status by Segment

(¥ million)

- Increase in sales YoY +¥902 million [+6.5%]
 - Sales of Surgical and Eyeless Needle segments continued to grow, while sales of Dental segment declined mainly in the Chinese market.



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This is the net sales status by segment.

Foreign exchange and the results for the Surgical and Eyeless Needle segments contributed to a year-on-year sales increase, while sales at MANI Dental declined by 586 million yen.

The sales decline in MANI Dental was mainly due to the negative impact of the voluntary recall of dia-burs in China totaled 800 million yen. Other than that, sales in the other remaining areas of this business were positive.

Also, within the Dental segment, we have MMG, MANI's German subsidiary and manufacturer of dental restoration materials. Sales for this business declined on a year-on-year basis. Consequently, we are aware that this is an issue and are thus in the process of executing measures toward recovery.

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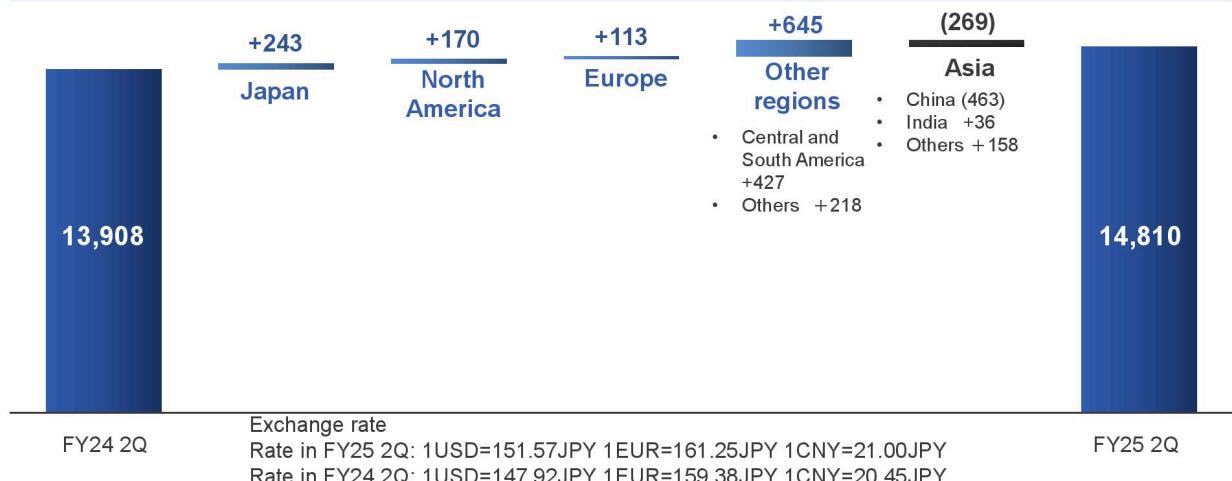
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Net Sales Status by Region

(¥ million)

- Reaping market growth in each region
- Emerging countries, such as Central and South America and Egypt, grew (Eyeless Needle and Dental segments)
- In China, sales of the Surgical and Eyeless Needle segments grew, however, sales declined due to the Dental segment's voluntary recall of dia-burs.



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Next is the net sales status by region.

Sales grew in Japan, North America, Europe, and Other regions, as the global healthcare market for the products we offer continues to grow, and as we believe that our product market is growing broadly.

In particular, sales have been booming in emerging countries such as Central and South America and Egypt.

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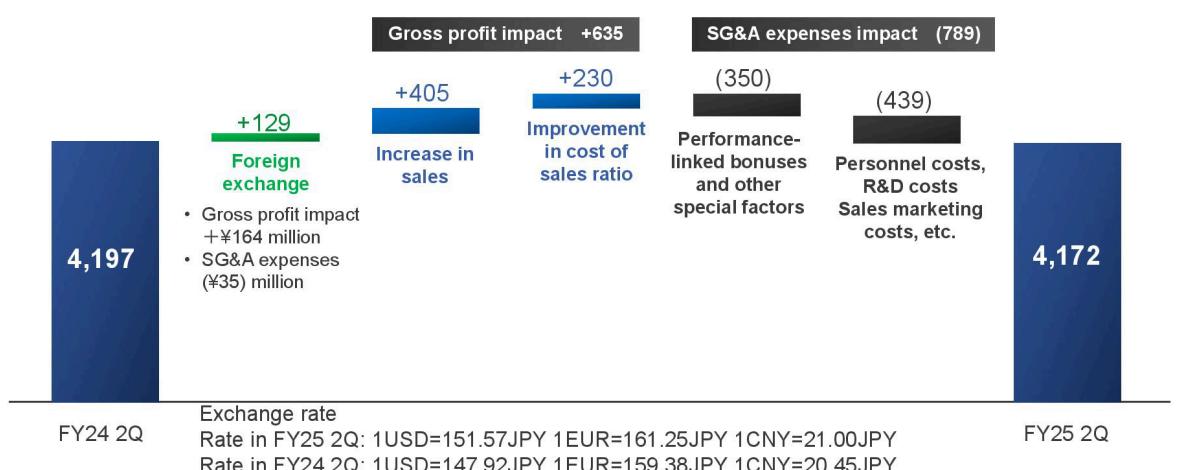
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Operating Income Status

(¥ million)

- Operating income remained steady YoY (¥25 million) [(0.6%)]

- Although there was a temporary increase in costs (performance-linked bonuses) in FY25 1Q, both gross profit margin and SG&A expenses were in line with the plan in FY25 2Q



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Next is the operating income status.

Foreign exchange, an increase in sales, and an improvement in the cost of sales ratio had a positive effect on operating income.

Conversely, the payment of performance-linked bonuses weighed down on results. As I explained during the results presentation for the first quarter, we ended up recording 230 million yen that had originally been expected for the last fiscal year, and this consequently weighed down on operating income.

Lastly, while we did record an increase in SG&A, personnel costs, R&D costs, and sales marketing costs were once again in line with the plan.

Taking all of these factors into account, operating income results were unchanged and in line with last fiscal year's results, as of the end of the second quarter.

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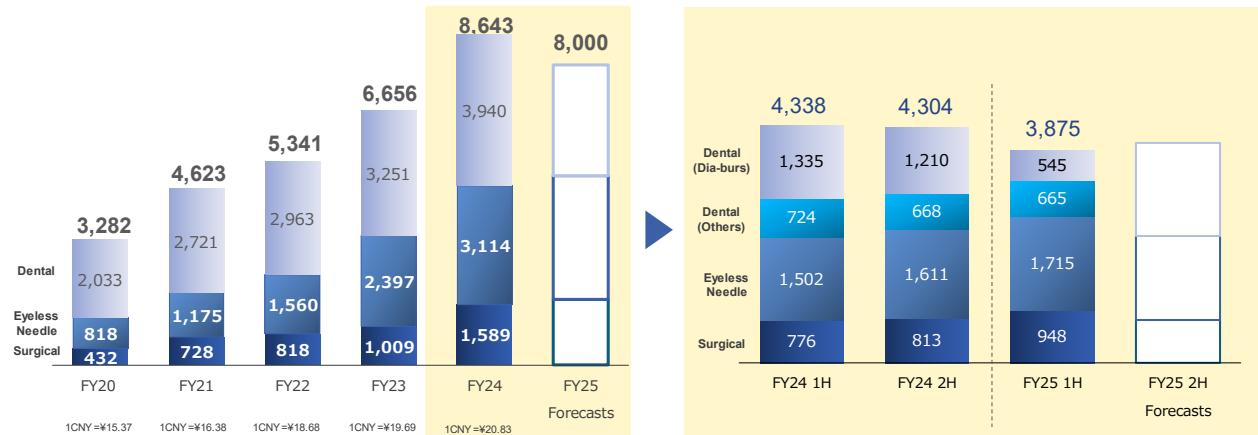
Status of Business in China

(¥ million)

Status of FY25 1H: Sales of the Dental segment [down 41% YoY] voluntary recall of dia-burs had a ¥800 million negative impact on sales
 Sales of the Surgical segment [up 22% YoY] and the Eyeless Needle segment [up 14% YoY] have increased steadily

Future outlook: Recovery expected in FY27 with the reacquisition of dia-bur's product certification and the launch of JIZAI.

Sales Trend in China



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I would now like to explain in greater detail the status of our business in China. The vertical bar graph on the left shows the sales trend from fiscal year 2020. Values are denominated in Japanese yen.

As you can see, CAGR has risen by 21% in Japanese yen terms and increased by 14% in local currency terms due to the appreciation of the Chinese yuan. This sales expansion over the years has been driving MANI's growth thus far.

In contrast, the current issue with dia-burs has caused some stagnation, or rather, led us to a very challenging phase. The graph on the right shows a first and second-half results breakdown for fiscal years 2024 and 2025. To reiterate, the voluntary recall of dia-burs had a negative impact of 800 million yen on sales in the first half, and we expect the full year impact for fiscal year 2025 to be between around 1 and 1.5 billion yen.

Meanwhile, the Surgical and Eyeless Needle segments remained positive in the first half of the fiscal year. Our first priority right now is to seriously deal with the voluntary recall in the Chinese market, hoping to make a proper recovery in about a year.

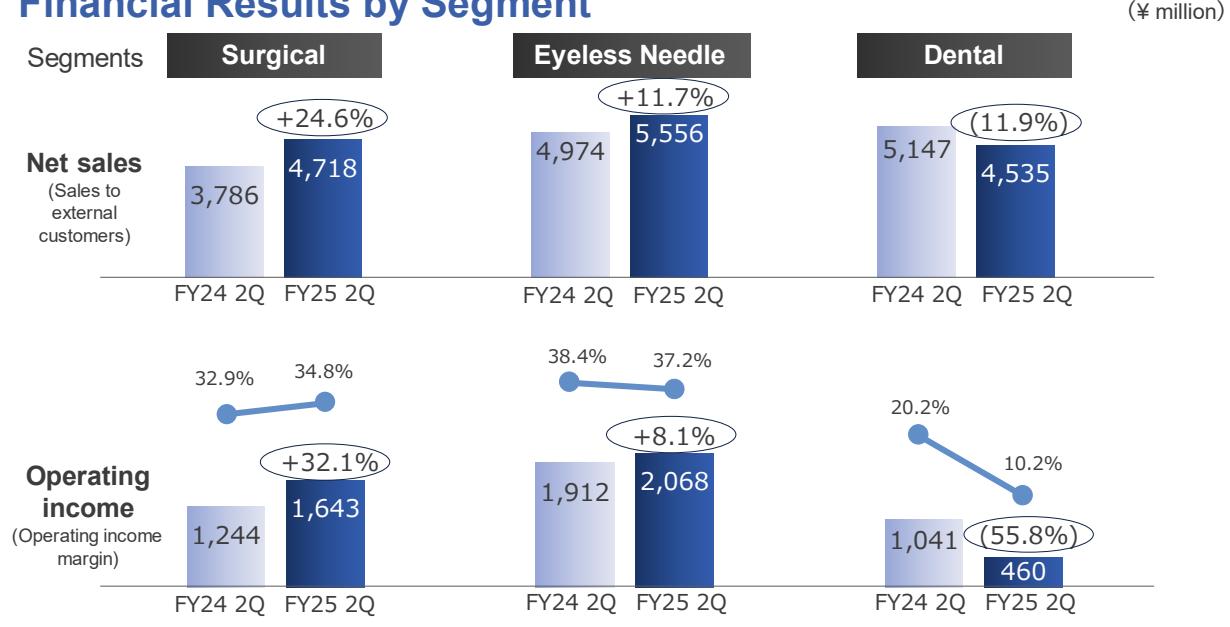
So, in light of all these factors, we are guiding for 8 billion yen in sales in China in fiscal year 2025.

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Financial Results by Segment



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Next are the financial results by segment.

Net sales grew by approximately 25% in the Surgical segment and by approximately 12% in the Eyeless Needle segment, underscoring a strong performance by these two segments.

Conversely, net sales were down in the Dental segment.

Allow me to explain the details for each segment.

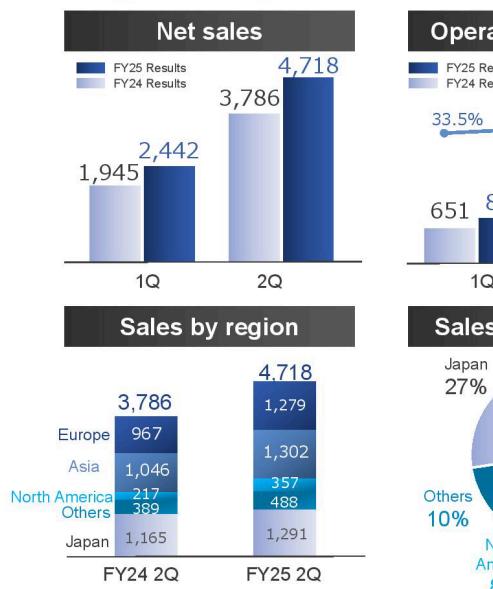
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Surgical Segment – Results Analysis

(¥ million)



Overview of Business Results

- Sales of ophthalmic knives grew in Europe and Asia, especially in China.
- In Europe, strengthened customer base and sales force have boosted sales for ophthalmic products overall.
- Profit margin improved due to increase in sales and productivity improvement

Future Key Measures

- Accelerate business start-up in the U.S. (Developing connections with sales distributors)
- In Southeast Asia, we will focus more on sales in Indonesia and Malaysia

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First, the Surgical segment delivered growth focused on Europe and Asia, especially in China. In Europe, we saw strong results in Switzerland, Germany, and the United Kingdom. These results weren't restricted to ophthalmic knives and include trocars and other medical instruments, indicating strong demand for our products.

In terms of future key measures, we established a local subsidiary in the U.S. and are working in earnest to promote sales of ophthalmic knives in this market. At the moment, we are just about to finalize contracts with distributors. We are aware that we are making clear progress in this area.

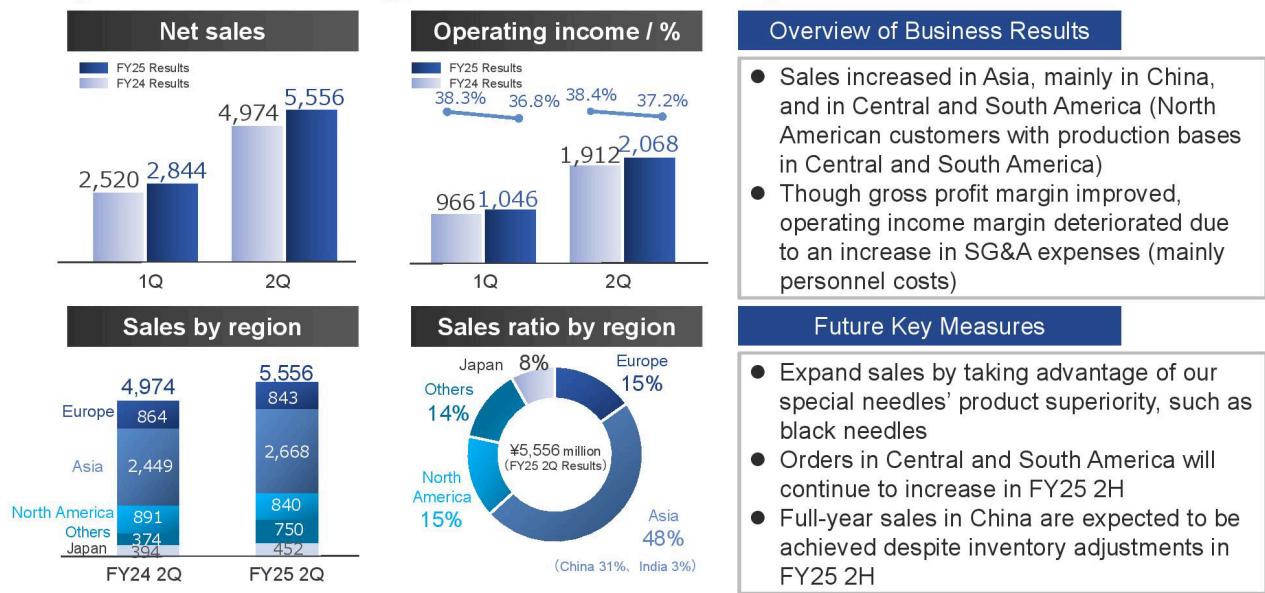
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Eyeless Needle Segment – Results Analysis

(¥ million)



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In the Eyeless Needle segment, the regions where sales grew in the first half were China, Asia, and Central and South America. Specifically, our North American customers have production bases in Central and South America, so while the final destination for these products is North America, sales in these regions increased.

Additionally, although the gross profit margin improved, operating income dipped slightly in the second quarter due to an increase in SG&A expenses.

In terms of future key measures, MANI's superior products, especially black needles, have been very well received, so we would like to focus on expanding such products.

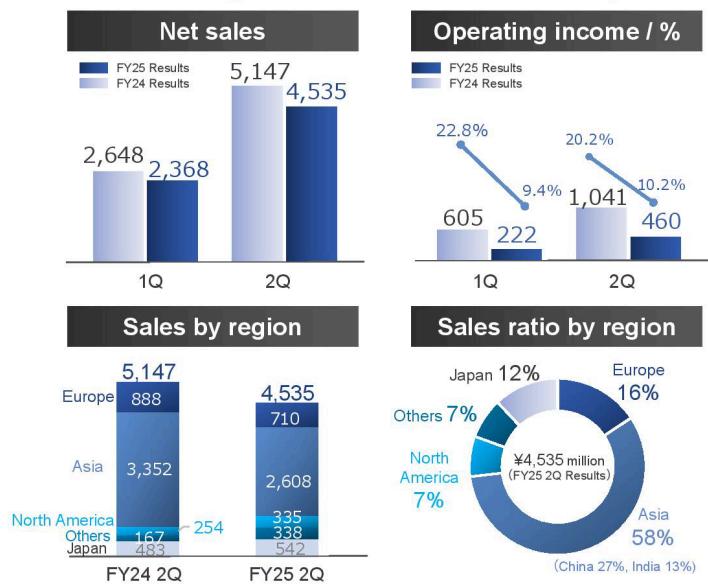
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Dental Segment – Results Analysis

(¥ million)



Overview of Business Results

- MANI Dental [(13.0%)]: Significant decrease in sales due to the impact of the voluntary recall of dia-burs in China
- MMG [(6.9%)]: Sales declined due to lower orders from our major customers
- Operating income margin declined due to decline in sales

Future Key Measures

- JIZAI: Steady sales growth, especially in Japan and India, due to the effect of SKU expansion (3 products) and penetration of dentists' high evaluation
- China: Proceeding with the product re-registration for dia-burs
- MMG: Reinforce the sales structure by reforming the management system; promote OEM and brand businesses

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In the Dental segment, we are striving to recover and reinforce our business in the face of the voluntary recall of dia-burs in China and the decline in orders from major customers at MMG.

In terms of future key measures, we have added 3 SKU items to our JIZAI lineup, meaning that we now offer products covering all steps of the root canal treatment sequence. These products have been very well received, so, while the scale is still small, sales of this product line have been growing steadily.

As we have explained about JIZAI, we have received a very positive response to the addition of three SKUs to cover new root canal treatment, and although sales are still small, they are growing steadily.

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Balance Sheet Status

(¥ million)

- Maintained strong equity capital
 - Assets +¥1,158 million: Non-current assets increased due to investments related to the Hanaoka Factory, while cash & deposits decreased due to investing and financing activities.
 - Liabilities +¥77 million: Current liabilities increased due to an increase in accounts payable and income taxes payable.
 - Net assets +¥1,081 million: Increase in retained earnings and increase in foreign currency translation adjustments due to yen depreciation



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As for our balance sheet, non-current assets are in a positive position following the completion of the Hanaoka Factory.

With regard to liabilities, consumption taxes paid and current liabilities, such as accounts payable and income taxes payable, are recorded here. Both are related to the Hanaoka Factory.

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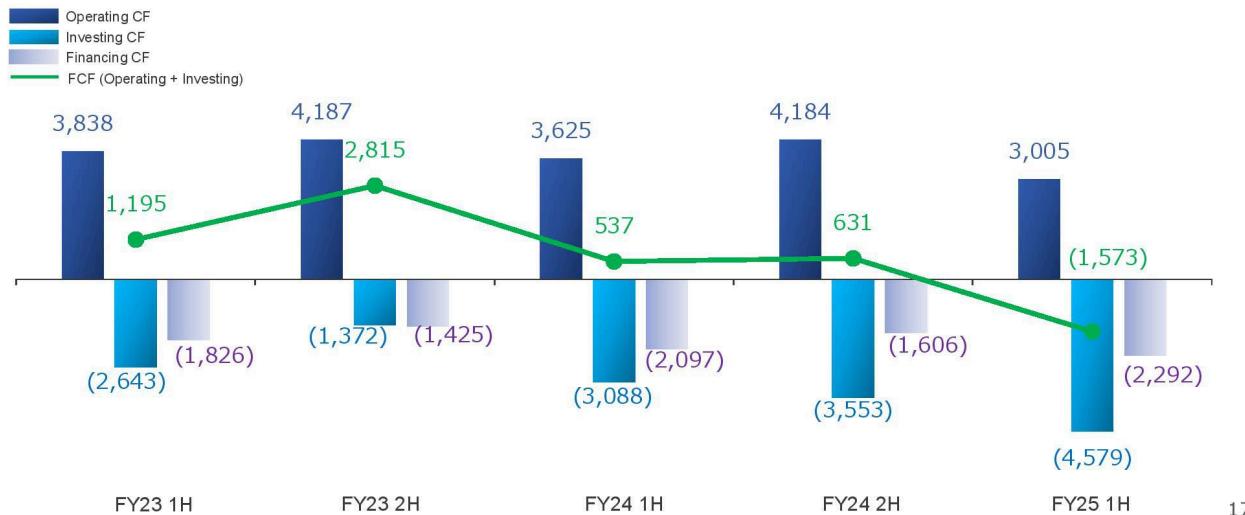
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Cash Flow Status

(¥ million)

- With the completion of the Hanaoka Factory, investments for the Smart Factory have finally settled down



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As you can see, within investing cash flow, over the past one-and-a-half years, spanning the first and second halves of fiscal year 2024 and the first half of fiscal year 2025, we carried out investments for our Smart Factory, also known as the Hanaoka Factory.

Production lines, each for JIZAI and ophthalmic knives, are expected to start operations in the second half of fiscal year 2025. As such, upon an additional investment of approximately 2 billion yen, we expect investments for the Hanaoka Factory to finally settle down.

We recorded 3 billion yen in operating cash flow in the first half of fiscal year 2025, down approximately 1 billion yen from the second half of fiscal year 2024. That said, operating activities and CCC remain unchanged, so this decrease was the result of the payment of consumption tax.

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Progress in Plan

(¥ million)

- Despite the negative impact of the voluntary recall of “MANI DIA -BURS” in China, the full-year forecasts (disclosed on October 8, 2024) for FY2025 remain unchanged due to the effect of yen depreciation and favorable sales in other segments.

	FY25 2Q Forecasts	FY25 2Q Results	Forecast progress rate (half year)	FY25 Forecasts	Forecast progress rate (full year)
Net sales	14,750	14,810	100.4%	30,200	49.0%
Cost of sales [%]	5,100 (34.6%)	5,317 (35.9%)	104.3%	10,500 (34.8%)	50.6%
SG&A expenses [%]	5,450 (36.9%)	5,321 (35.9%)	97.6%	10,800 (35.8%)	49.3%
Operating income [%]	4,200 (28.5%)	4,172 (28.2%)	99.3%	8,900 (29.5%)	46.9%
Ordinary income	4,200	4,277	101.8%	8,850	48.3%
Net income	3,000	2,940	98.0%	6,350	46.3%

Exchange rate

Rate in FY25 2Q Results: 1USD=151.57JPY 1EUR=161.25JPY 1CNY=21.00JPY

Rate in FY25 Forecasts: 1USD=136.00JPY 1EUR=147.00JPY 1CNY=19.00JPY

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These are our forecasts for the full year.

As for the forecasts for the full year, the second column on the right shows that we are in line with our initial forecasts.

We are also presenting a comparison of our forecasts and actual results for the second quarter. As I mentioned earlier, despite the negative impact of the voluntary recall of dia-burs in China, sales of other segments performed well. We also benefited from foreign exchange tailwinds, as the U.S. dollar strengthened to 151 versus the Japanese yen, exceeding our forecast of 136 yen. Ultimately, the overall results were in line with the forecasts.

Therefore, as I have explained, we have factored in the negative impact of the voluntary recall and our business in China, and today, I have explained to you that our results are in line with our full-year forecasts.

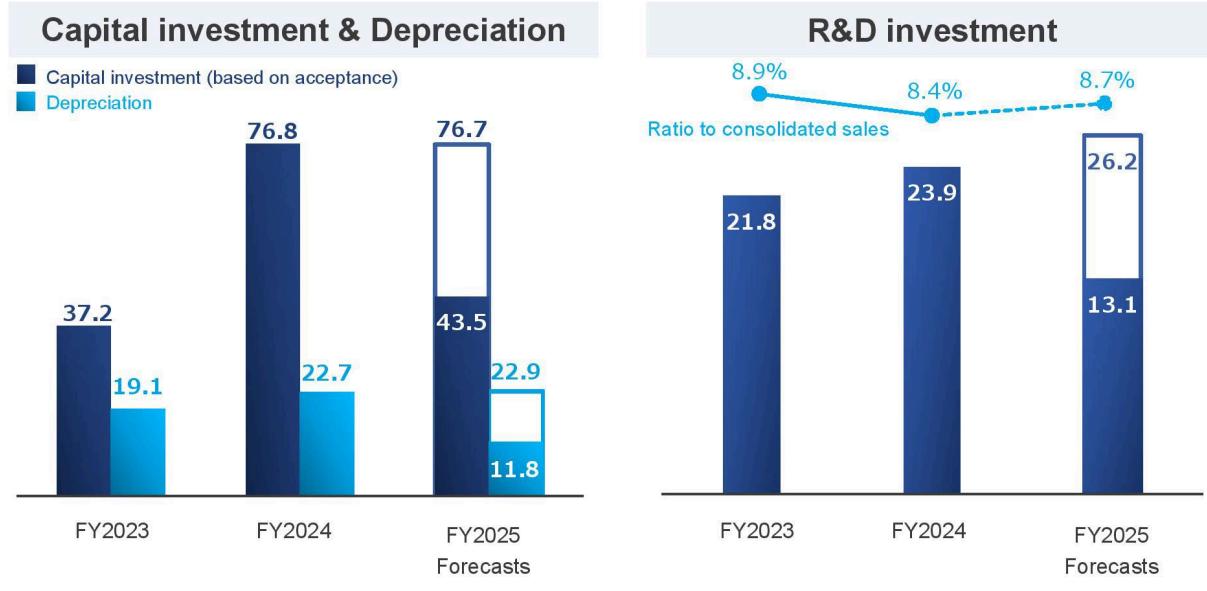
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Capital investment and R&D investment (FY2025)

(¥ 100 million)



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Capital investment and R&D expenses are as shown here and have been in line with our forecasts.

Dividends

(Unit: ¥)

- Maintain high level of dividend payout ratio and ensure allocation of funds for investment in growth
 - FY2025: Pay an interim dividend of 16 yen per share and an annual dividend of 39 yen per share (as originally planned)
- Steadily implement growth strategies to enhance corporate value



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As for dividends, we have decided to pay an interim dividend of 16 yen per share, as I have explained so far, and there is no change in the annual dividend of 39 yen per share.

This concludes our financial results presentation for the second quarter of the fiscal year 2025. Thank you very much for your kind attention.

Moderator: Thank you for your explanation.

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Question & Answer

Moderator [M]: As announced, we would now like to begin the question-and-answer session with questions from the audience. If you have any questions, please raise your hand and a staff member will bring the microphone to you.

This IR meeting, including the question-and-answer portion, will be transcribed and made public. If you wish to remain anonymous, please do not give your name when asking a question.

Does anybody have a question? Thank you for your prompt attention. Please go ahead.

Yoshida [Q]: I am Yoshida from Tokai Tokyo Intelligence Laboratory. Thank you very much for your explanation. Now, if I may ask two main questions.

The first question is about the voluntary recall. You mentioned earlier that it resulted in an 800 million yen decline in sales in the first half. The negative impact for the full year will be 1 billion to 1.5 billion yen and the basis of this is, for example, half of last year's sales of 2.5 billion yen, which I think would be 1.25 billion yen. If the negative impact for the first half was 800 million yen, would the estimated negative impact for the full year be enough?

For starters, I think your customers would be in much trouble since your company holds a 70% market share. In response to this voluntary recall, can you be more specific and let us know if you can substitute the products in question to some extent? Or, if they are completely different in size and cannot be replaced, what must the customers do? I don't think we can wait a year to find out, so could you please tell us a little more about how to minimize the negative impact on this area?

Watanabe [A]: First of all, regarding the impact on our business performance, we mentioned last year's sales of 2.5 billion yen, of which 50% of the MANI DIA-BURS products can continue to be sold. As for the other half, the basis is that sales must be stopped while the products are being registered with the regulatory authorities.

The negative impact for the first half of the current fiscal year is 800 million yen, which represents monthly sales of 200 million yen that were halted for four months. Moving forward, we will advise our customers to buy and use the remaining half of the products, and we will also refill insufficient inventory.

Customers can use half of the products, however, half is not enough. There are a few customers who want to use one manufacturer for everything, so there is some negative impact there. Looking at it in total, this amounts to 1 billion to 1.5 billion yen for the fiscal year.

Therefore, we have been carefully explaining the situation to our customers, especially our top 600 customers, who highly value the quality of MANI's products. As you mentioned in your question, we have received various opinions on alternative products. Therefore, taking all of these into account, the impact is expected to be between 1 billion to 1.5 billion yen at this point.

Regarding alternative products, MANI currently holds a 70% market share. In the Chinese dia-burs market, around 30 manufacturers provide imported dia-burs and around 60 manufacturers provide domestic dia-burs. While there is an extremely large number of manufacturers that supply dia-burs, there is an overwhelming difference in quality, and that is why customers have been choosing MANI.

We have considered various ways to continue supplying MANI's products, such as by introducing products from other manufacturers or by other means, but we have not been able to find such a solution, so we have

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decided to have our customers purchase these products from other manufacturers. In fact, medical institutions are now also making such moves.

Yoshida [Q]: You mentioned roughly one year, but since actions have already been taken and I believe it will take a year, when do you think will you be able to obtain re-approval?

Watanabe [A]: We have already reapplied, and our rough estimate is that it will take nine months to a year for us to get the re-approval, as that is the time required for the review by the authorities.

Yoshida [Q]: All right, my second question is about the impact of the Trump tariffs. I think 10% of your sales are in North America, and if you include sales from South and Central America and other regions where you supply the eyeless needles on an OEM basis, that sales figure could be a little higher to maybe 13% to 14%. I think it would be around that much.

I would like to know if you have any ideas on how to minimize the impact. It is still a hypothetical matter, so although we are not sure what will happen, I would still like to know your thoughts on this.

Watanabe [A]: I think the impact of the Trump tariffs is the same for all companies, but it would be very difficult to predict and deal with. As you just pointed out, 10% of sales, plus 10% in our US business via South and Central America, would amount to an additional 3 billion yen.

Right now, for products from Japan, the tariff as of yesterday is 24%. Vietnam is at 46%, although that has been paused for now. The majority of the products are shipped from our MHC factory in Vietnam, and if the tax is still the same there, then it would apply.

There are reports that Vietnam has also started zero-zero negotiations, so we are hopeful. Although as a makeshift measure, it is possible to have the products be shipped via Japan, we recognize that we must negotiate with our customers on such matters as well.

Yoshida [Q]: This may be a bit detailed, but I think that most North American imports are now shipped to distributors. As for OEMs, they may be direct, but I wonder if it would be possible to lower the value of North American imports by, for example, going through a North American subsidiary to minimize the tariffs.

If the imports are direct, then the price would be close to sales. However, if the imports go through a subsidiary, you might be able to slightly lower the purchase price and then inflate the price. Could you please tell me if that is correct?

Watanabe [A]: Thanks for the idea. We are not specifically considering that idea, but what you have just said makes me think that this might be an option.

When negotiating with customers, if there is a Japanese tariff of 24%, there are many customers who are willing to negotiate within a certain range our sales are mainly B2B. Therefore, I think we will be talking to each of these customers one by one, although it is not the kind of deal that President Trump is talking about. That is if it actually happens.

Yoshida [M]: I understand. Thank you very much.

Moderator [M]: Thank you very much for your question. Any other questions? Since you already have this opportunity, you might want to ask your questions. Thank you very much.

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Yanagisawa [Q]: My name is Yanagisawa from CLSA Securities. I understand that the Surgical segment is growing steadily in China, but what do you think about the possibility of risks, just like the current issue with the Chinese authorities?

Also, in the Surgical segment, concerning the reinforcement of sales of ophthalmic knives in the U.S., in terms of timing, given the tariff issue that was mentioned earlier, if you already have a relationship with customers now, they may be able absorb it to some extent. When the business starts, though, there will be tariffs, so is there a possibility that the negotiations will be delayed or take more time?

Watanabe [A]: Regarding your first question, we are aware that the impact of China is limited to dia-burs, since it is a product-related issue. Therefore, we understand that other products from the Dental segments are not affected, nor are products from the Surgical and Eyeless Needle segments.

As for the second question about the Surgical segment in the U.S., we are making progress in its launch. Up until now, sales have been handled by one distributor with exclusive sales rights, but we are looking to increase our sales channels in the U.S..

In the U.S., we provide kits of cataract surgery devices, so we are trying to create a scheme that will allow us to enter the market with such kits. As a base for this, we have been working on putting up a local subsidiary and hiring strong sales managers.

A sales manager has already been hired and is now working for us. Also, we have made considerable progress in signing new contracts with the first two distributors and in creating a scheme that will enable us to offer a full lineup of kits. We actually wanted to announce this today, but we are not done yet. We are almost there.

Yanagisawa [Q]: Are there any setbacks due to the tariffs, or actually something that was supposed to be finished by the end of this fiscal year but had to be postponed?

Watanabe [M]: In North America?

Yanagisawa [M]: Yes, North America.

Watanabe [A]: It is difficult to predict the impact of President Trump's tariffs, but at this point we do not expect such factors.

Moderator [M]: Thank you for your question. Any other questions? Thank you very much. Please go ahead. Please wait.

Kato [Q]: I am Kato from Daiwa Securities. Thank you very much. I would like to ask you about the voluntary recall in China. I would like to know your thoughts on whether or not you will be able to recover the previous market share of 70% once shipments resume.

Of course, the quality of your products is higher than that of other Chinese manufacturers, both foreign and domestic, so I think your customers will probably come back to you; but what are your thoughts on the risk of customers moving to other companies and not returning to your company in terms of market share?

Watanabe [A]: Thank you for your question. We are very sorry for any inconvenience this may cause our customers, and I think that they will move away from our products for a while. From there, it will take up to three to five years of selling MANI's products again to get back our original market share. We recognize that we must do what we can to gain our customers' understanding over the long term.

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In order to have customers come back to MANI at that time, we need to make our products better. As for the dia-burs, there is room for further improvement in various technical aspects, such as the quality of diamonds and the way they are attached. We must also make efforts in terms of products so that our customers will come back to MANI.

Kato [Q]: Thank you. I have one more question. In light of the voluntary recall, Mr. Saito has been appointed to head the quality assurance department. What part of your company caused the problem of the voluntary recall, and what measures are you considering to address such problem in the future? If there is anything you can tell us, we would like to know.

Watanabe [A]: I believe that we need to properly investigate why this voluntary recall occurred and take the necessary actions.

One of the reasons why this happened is because a registration error occurred. This happened a long time ago. Therefore, we still have a general understanding of the facts, but we are still at the stage where we need to confirm them.

We also think that there are things that have been ignored for a long time, so we would like to undertake proper fact-finding on both sides and take action to address this issue.

Kato [M]: Thank you very much.

Moderator [M]: Thank you very much for your question. Any other questions? Thank you very much.

Yoshida [Q]: I am Yoshida from Tokai Tokyo Intelligence Laboratory. Sorry, but this is my second time. Thank you.

With regard to the impact of tariffs, I would like to check the figures for the first half a little bit, in terms of the eyeless needles in South and Central America. Sales are about twice as much as those of last year, but is there any impact from companies that make products in Central and South America and bring them to the U.S. placing their orders ahead of schedule due to the tariffs? Is there not much of an impact? Sales have abnormally increased by about twice as much, so I wonder if it's because they made such a move before the tariffs went up.

Watanabe [A]: Thank you. The target countries are a mix of customers whose final destination of their products is the US and those whose products will be consumed in South and Central America; the ratio is about 50:50.

There are certainly customers who have placed orders to refill their inventories, so we are not sure how much of this is attributable to the fact that they were aware of tariffs. But I think that the factor that you just pointed out is possible. However, the doubling of the figure is not entirely because of this.

Yoshida [Q]: I understand. If so, I feel that another way to avoid tariffs would be to change the destination of products depending on where the customer's production base is located, which would make them avoid tariffs to some extent. Will you be able to discuss this with your customers in the future?

Watanabe [A]: When it comes to our major customers, some of them have several factories, so it will be a decision we have to make with the customers. I hope we can talk with major customers about that as well. We will have to try to make it a win-win situation.

Yoshida [M]: I understand. Thank you very much.

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Moderator [M]: Thank you very much. Any other questions? Okay? All right, please go ahead with your additional question.

Yanagisawa [Q]: I'm sorry, I know it's still early to tell, but you said gaining reapproval for the dia-burs' product registration in China will take a year, and it will take two to three years to recover your market share in the dia-bur market. Is it then okay to think that sales of dia-burs in China will still be declining next fiscal year?

Will it affect JIZAI in any way? I think that the authorities' inspections are getting stricter, and approvals are running a little later than expected, so what will the impact be on your company?

Watanabe [A]: As you just pointed out, the first thing we know is that it will take two to three years for dia-burs to recover in China.

On the other hand, we are hoping to recover or expand the dental business by introducing JIZAI. Since the application for regulatory approval takes two years, our current plan is to have approval by between January and June 2026, so I do not think there will be any impact.

However, there are some things that the authorities are talking about, so we are not sure. In the meantime, however, we would like to focus quite a bit on growing JIZAI.

Yanagisawa [Q]: Next fiscal year, the sales forecast for China is that it will end up being affected by about 200 million to 300 million yen less than 8 billion yen. There will be no growth, but are you okay with that kind of scenario?

Watanabe [A]: We are projecting 8 billion yen sales for the current fiscal year, and we would like to make this the first year of an upward trend.

Yanagisawa [Q]: So, in terms of projections, are you saying that although sales of dia-burs will fall, China as a whole is expected to increase from 8 billion yen in the next fiscal year and beyond?

Watanabe [A]: We will see what happens to the 8 billion yen increase.

Yanagisawa [M]: Will the sales be flat at worst.

Watanabe [A]: I think it would be a little sad if it were flat, so we will do our best.

Yanagisawa [M]: Thank you.

Moderator [M]: Thank you very much. Does anybody have a question?

Now that we have heard all the questions, I would like to conclude today's financial results briefing.

Thank you very much for your explanation, Mr. Watanabe.

Watanabe [M]: Thank you very much.

Moderator [M]: Thank you very much for your participation.

[END]

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