



MANI, INC.

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

July 9, 2025

Event Summary

[Company Name]	MANI, INC.	
[Company ID]	7730-QCODE	
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[Event Name]	Briefing on Financial Results for the Third Quarter of the Fiscal Year Ending August 2025	
[Fiscal Period]	FY2025 Q3	
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[Time]	16:30 – 17:22 (Total: 52 minutes, Presentation: 20 minutes, Q&A: 32 minutes)	
[Venue]	Onsite venue: 4th floor, Tekko Building South Tower, 1-8-2 Marunouchi, Chiyoda-ku, Tokyo, 100-0005 Webcast: Microsoft Teams webinar	
[Venue Size]	101 m ²	
[Participants]	Total 91 (Onsite: 25, webinar: 66)	
[Number of Speakers]	2 Masaya Watanabe Director, President and Representative Executive Officer Kazuo Takahashi Director, Executive Vice President	
[Analyst Names]*	Shinnosuke Tokumoto Masao Yoshida Anna Kato Tomoko Yoshihara	SMBC Nikko Securities Tokai Tokyo Intelligence Laboratory Daiwa Securities UBS 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: Now that the time has arrived, we will begin the financial results briefing for the third quarter of the fiscal year ending August 31, 2025, for MANI, INC. This briefing will be held in a hybrid format, with a live-streaming online session in addition to the on-site session.

To begin, I would like to introduce today's two speakers: Mr. Masaya Watanabe, President and Representative Executive Officer, and Mr. Kazuo Takahashi, Executive Vice President.

Today, Mr. Watanabe will give the briefing. Questions from the audience will be accepted after the briefing. Please note that we do not accept questions from online participants. If you have any questions, please email our IR staff later.

Now, Mr. Watanabe, please go ahead.

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Voluntary Recall of “MANI DIA-BURS” in China

- We have discovered that the product registration information submitted to the Chinese regulatory authorities contained inaccuracies. As a result, **we conducted a voluntary recall in March 2025**.
- **The recall has been progressing smoothly and is expected to be completed by the end of August 2025.**
- Compared to the initial outlook as of April 9, 2025, the volume of recalled burs has increased (from 1.5 million burs to 3.75 million burs).

Impact on Business Performance		(¥ million)
Impact amount (YoY)	FY25 3Q	FY25 full year
Sales reduction	(1,330)	(1,520)
	(1,080)	(1,190)
Returned amount	*(250)	(370)
Impact on profit	(1,040)	(1,200)

*This includes the impact amount of June 2025, which is ¥80 million.

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Watanabe: Thank you for taking the time off your busy schedules to brave the heat and attend today's presentation. I would like to begin by explaining our financial results for the third quarter of fiscal year 2025.

The first issue on today's agenda is the state of the voluntary recall of MANI DIA-BURS in China. As previously announced, we started this recall in March, and it has been progressing smoothly for four months now. We expect this recall to be completed by August.

We now have a fairly accurate idea of the scale of this recall and of its impact on Company results, which we have compiled into the table on page 2 and incorporated into the forecasts. The main point I would like to make today is therefore the fact that we have already reflected the impact of this recall on the forecasts.

The table shows the impact on sales and profit through the end of the third quarter on the left, and the full-year forecast on the right. As you can see, we are forecasting a full-year sales reduction of 1.19 billion yen from reduced new shipments, and 330 million yen from product returns due to the recall. Similarly, we expect this recall to weigh down on fiscal year 2025 profit results by 1.2 billion yen.

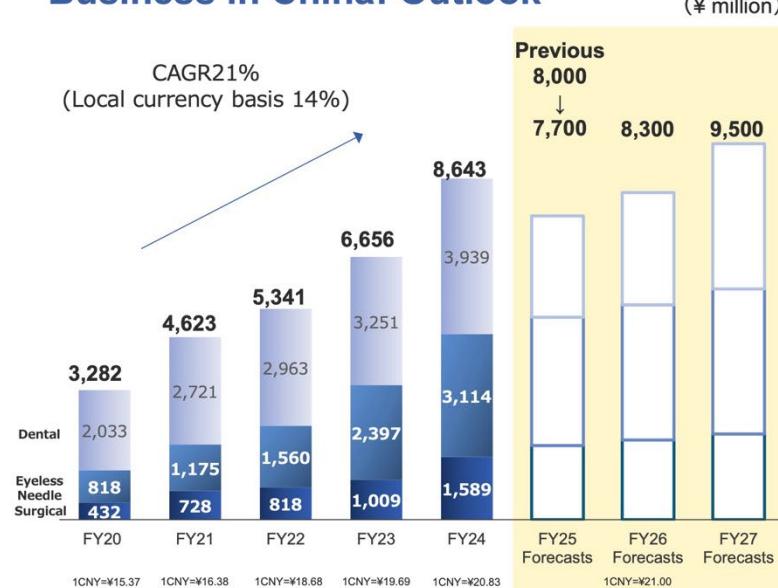
Compared to the initial outlook announced back in the second quarter, the volume of recalled dia-burs has increased. Based on past experience, we initially expected about 10% of the dia-burs in the market to be returned. However, we are now seeing that around 25% have come back. Regardless of the actual percentage, we want to complete this recall so we can put this incident behind us and move forward constructively.

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Business in China: Outlook



Expect full recovery in sales growth during the FY26. FY25 will serve as the bottom line.

- **FY25**

- Only dia-burs with no registration issues are being sold.
- Steady sales growth of both surgical and eyeless needle segments.

- **Expect approval of the amendment application by the Chinese regulatory authorities by March 2026, and resume sales for the full line up of "MANI DIA-BURS."**

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The following graph shows the outlook for our business in China for fiscal year 2025 and our expected recovery that will follow.

As shown here, unfortunately, our revenue forecast for fiscal year 2025 has been revised downward from 8.0 billion yen to 7.7 billion yen. This 300 million yen decrease from our previous guidance is due to the increased recall volume, as I mentioned earlier. However, we view fiscal year 2025 as the bottom line, and we aim to get back on a growth track in fiscal years 2026 and 2027.

In fiscal year 2025, we will continue sales of products with no registration issues, which account for 50% of our entire product lineup, and expect approval of the amendment application for the remaining products to be approved by the Chinese regulatory authorities by March 2026.

Things are progressing slightly ahead of schedule.

The graph does not show the number forecasts for the Surgical and Eyeless Needle segments, but, as you can see, we expect strong growth in sales of these products outside of the Dental segment.

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Revised Full-Year Forecast for FY2025

- Reflecting the impact of the voluntary recall of "MANI DIA-BURS" in China, we have revised downward the consolidated financial forecasts for FY2025.
- The effects of President Trump's tariff policy in the U.S. is unclear, however, current assumptions have been considered (profit impact of 40 million yen)

	Previous Forecasts (A)	Revised Forecasts (B)	Changes in Amount (C=B-A)	Changes in % (C/A)	(¥ million) (Reference) Results of FY2024
Net sales	30,200	29,600	(600)	(2.0%)	28,513
Cost of sales [%]	10,500 (34.8%)	10,800 (36.5%)	+300	+2.9%	10,616 (37.2%)
SG&A expenses [%]	10,800 (35.8%)	10,900 (36.8%)	+100	+0.9%	9,505 (33.3%)
Operating income [%]	8,900 (29.5%)	7,900 (26.7%)	(1,000)	(11.2%)	8,392 (29.4%)
Ordinary income	8,850	7,800	(1,050)	(11.9%)	8,464
Net income	6,350	5,450	(900)	(14.2%)	6,286

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In light of these factors, we have revised our full-year forecast for fiscal year 2025. The second column on the left shows that we are now guiding for 29.6 billion yen in net sales, 7.9 billion yen in operating income, and 5.45 billion yen in net income.

If we were to exclude the negative impact from the recall of our MANI DIA-BURS, the operating income margin would be close to the previous forecast of 29.5%. Furthermore, this indicates that our other segments are performing well.

Another factor is the effects of President Trump's tariff policy. We ship products from Vietnam, and according to reports, a 20% tariff has been agreed upon. We do around 3 billion yen in business to the U.S. annually, so we can take this number and apply the tariff rate to get an estimate of the impact.

We also sell to B-to-B customers, and the relationship with our customers is currently mixed. For example, some absorb the extra tariff costs, while others stock up before the tariffs are enforced. Given this mix, different clients will have different responses to the tariffs, making it quite difficult for us to predict the impact. Currently, we estimate that around 40% will be affected, and we have factored in a ¥40 million impact.

This concludes my overview of the revised full-year forecast for fiscal year 2025.

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Consolidated Financial Results

(¥ million)

- In FY25 3Q, net sales have increased while each income declined**
 - Significant impact from the voluntary recall of dia-burs:
Sales declined by ¥1.33 billion YoY and operating income declined by ¥1.04 billion YoY.
 - Surgical and Eyeless Needle segments are performing well, while the dental segment saw a decline in both revenue and income.

	FY24 3Q Results (A)	FY25 3Q Results (B)	Changes in Amount (C=B-A)	Changes in % (C/A)	FY25 Revised Forecasts (D)	Forecast Progress Rate (B/D)
Net sales	21,610	22,280	+670	+3.1%	29,600	75.3%
Cost of sales [%]	8,001 (37.0%)	8,031 (36.0%)	+29	+0.4%	10,800 (36.5%)	74.4%
SG&A expenses [%]	7,110 (32.9%)	8,113 (36.4%)	+1,003	+14.1%	10,900 (36.8%)	74.4%
Operating income [%]	6,498 (30.1%)	6,135 (27.5%)	△363	△5.6%	7,900 (26.7%)	77.7%
Ordinary income	7,125	6,028	△1,097	△15.4%	7,800	77.3%
Net income	5,082	4,254	△828	△16.3%	5,450	78.1%

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Allow me to start with the consolidated financial results for the third quarter. As we went over just now, results were significantly impacted by the voluntary recall of dia-burs, but, conversely, the Surgical and Eyeless Needle segments delivered strong results.

We recorded a year-on-year decrease in sales and income in the Dental segment.

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Operating Income to Profit Before Income Taxes (Details)

(¥ million)

	FY24 3Q Results	FY25 3Q Results	YoY	Notes
Operating income	6,498	6,135	(363)	
Non-operating income	658	211	(446)	
<i>Foreign exchange gains</i>	447	—	(447)	Foreign exchange gains decreased due to yen appreciation
<i>Interest income</i>	140	136	(4)	
Non-operating expenses	31	318	+287	
<i>Foreign exchange losses</i>	—	114	+114	
<i>Depreciation</i>	—	126	+126	Increase in depreciation related to Hanaoka Factory (Smart Factory) before operation
Ordinary income	7,125	6,028	(1,097)	
Extraordinary income	3	12	+9	Gain on sale of non-current assets (sale of a subsidiary's production equipment)
Extraordinary losses	4	17	+13	Loss on retirement of non-current assets
Profit before income taxes	7,124	6,023	(1,101)	

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This table provides a breakdown from operating income down to profit before income taxes on a year-on-year performance basis. The Japanese yen has appreciated slightly, so this constituted a headwind on the foreign exchange side, and furthermore, we also recorded an increase in depreciation related to the Hanaoka Factory, which was completed in January of this year. We recorded around 120 million yen in depreciation over 4 months. If we extrapolate this figure, we expect around 360 million yen on an annual basis.

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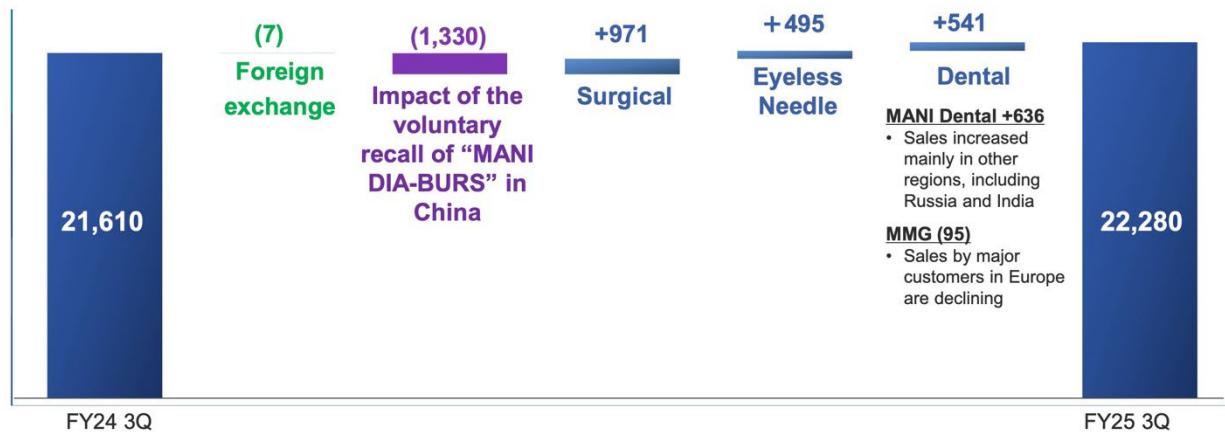
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Net Sales Status by Segment

(¥ million)

- Increase in sales YoY +670 million [+3.1%]
 - Excluding the impact of the voluntary recall of dia-burs, net sales in each segment increased.



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This waterfall chart shows the net sales status by segment. As you can see, sales were negatively impacted by the voluntary recall of dia-burs and weak sales from MMG; however, sales by other segments have posted a year-on-year sales increase. I will explain the details of MMG's sales later on.

In this context, you can see that the regions of Russia and India are growing, especially in MANI Dental.

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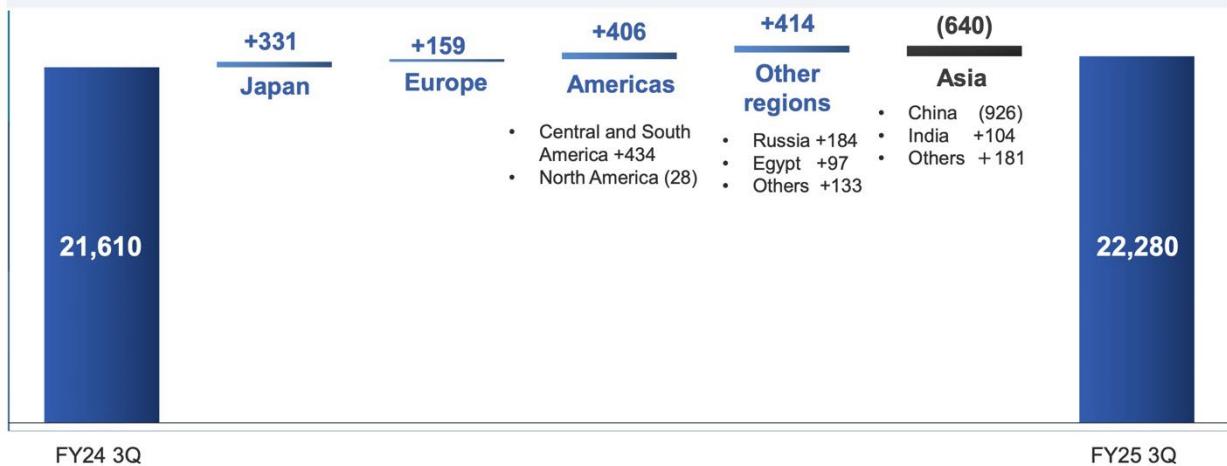
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Net Sales Status by Region

(¥ million)

- Sales grew across all global regions, excluding China**

- Growth in other regions, including Central and South America, Russia and Egypt (Eyeless Needle and Dental segments)
- Sales in Japan rose due to enhanced sales and marketing efforts in collaboration with dental distributors.



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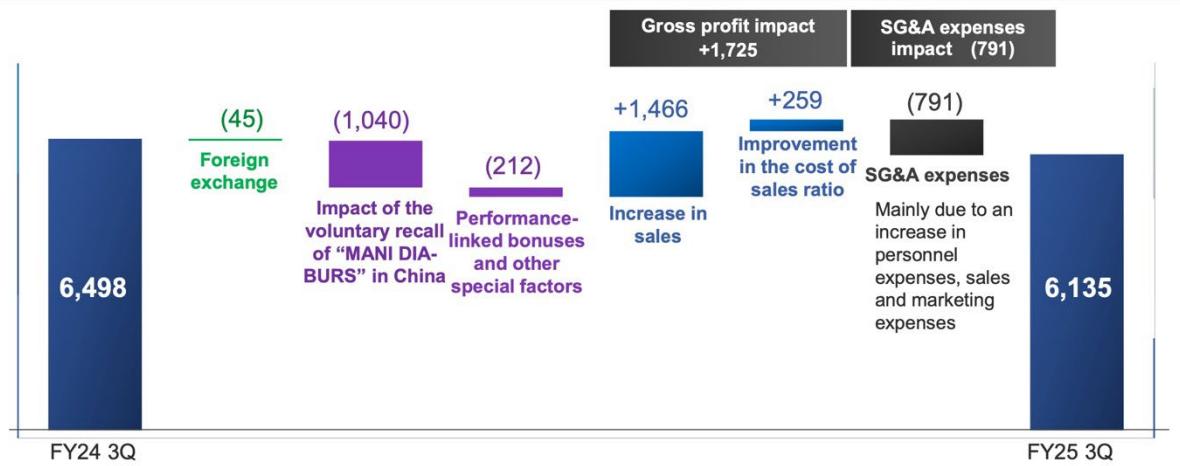
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Operating Income Status

(¥ million)

- Operating income declined YoY (¥363 million) [(5.6%)]**

- Temporary factors: Voluntary recall of dia-burs in China, performance-linked bonuses from the previous fiscal year
- Aside from the temporary factors, business performance remained largely in line with the original plan



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This next waterfall chart shows the operating income status. Operating income is down due to temporary factors like the voluntary recall of dia-burs in China and performance-linked bonuses from the previous fiscal year. As we've mentioned on previous occasions, bonus provisions for the previous fiscal year ended up being paid a lag, so this, together with the impact of the recalls, ended up having a temporary, non-recurring impact of approximately 1.2 billion yen.

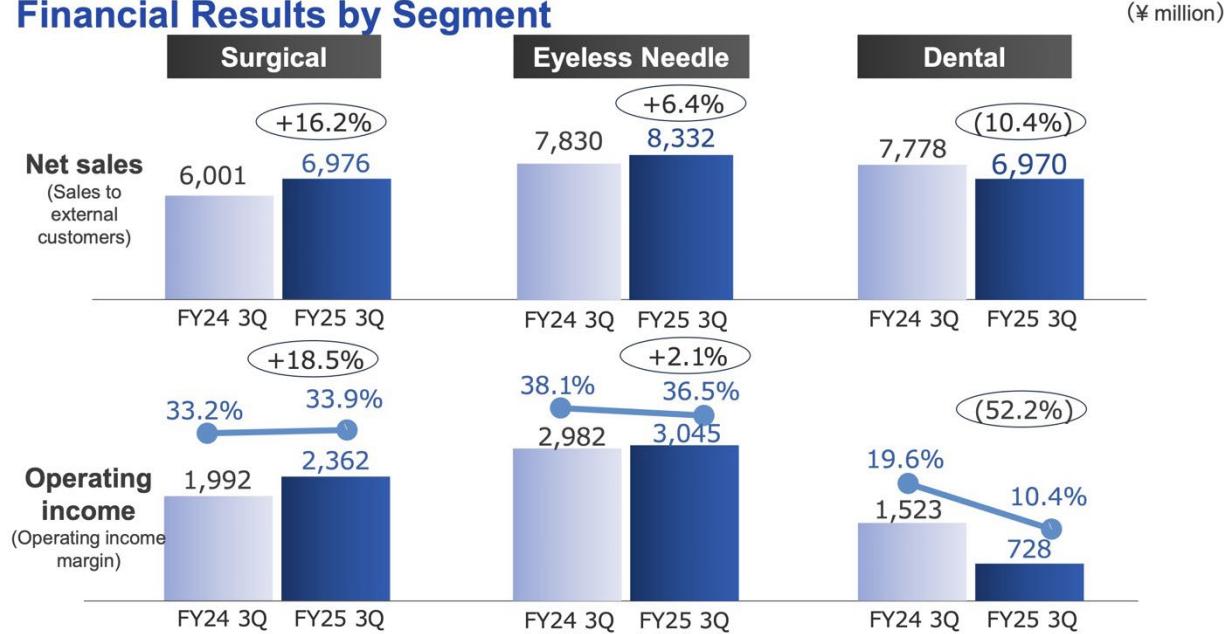
Excluding these impacts, sales were up, and the cost of sales improved, while, conversely, SG&A expenses increased. All in all, these results were more or less in line with Company forecasts.

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Financial Results by Segment



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Next are the financial results by segment. Net sales were up 16% in the Surgical segment, up 6% in the Eyeless Needle segment, and down 10% in the Dental segment.

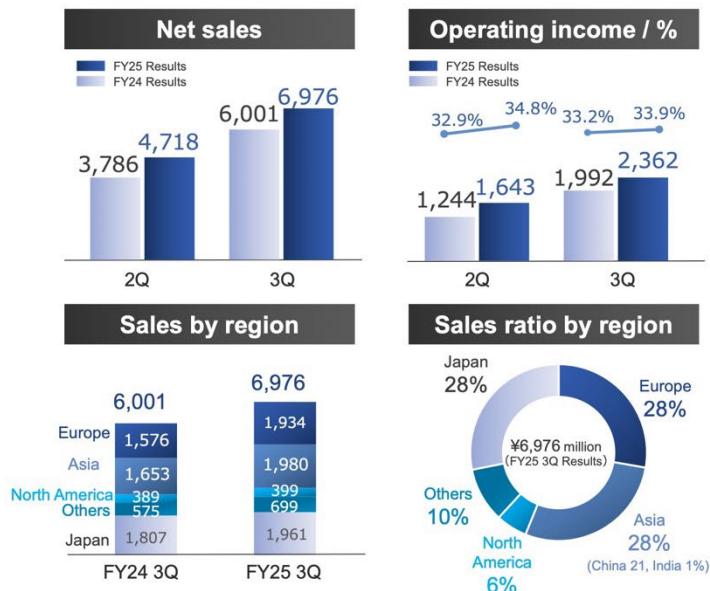
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Surgical Segment – Results Analysis

(¥ million)



Overview of Business Results

- Sales growth: +16% YoY.
- Robust performance in ophthalmic knives across global markets, especially in Europe, Asia (mainly China) and Japan.
- Profitability: Profit improved due to price optimization and cost reductions.

Future Key Measures

- Continue global sales expansion through strengthened sales and marketing.
- U.S.: Launch a strategic alliance with MST.
- Europe: Expanding success from high-market share regions (Germany, UK etc.) to other areas
- Asia: Achieved high market share in Malaysia; focus shifting to Indonesia

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Allow me to go over the results for each segment in more detail, starting with the Surgical segment. Ophthalmic knives drove sales growth in the Surgical segment, where sales increased globally across the board, particularly in Europe, Asia, China, and Japan.

In addition, profitability improved due to price optimization and cost reduction, which has pushed back the increase in SG&A expenses and led to growth in operating income.

Our priority measures for the future are as follows. Firstly, we will continue to strengthen our sales and marketing activities around the world. Secondly, we will actively promote the strategic alliance that we have formed with MST, Microsurgical Technology in the U.S. Thirdly, in Europe and Asia, we already have high market shares in certain regions, so we will aim to expand these leading models in other regions.

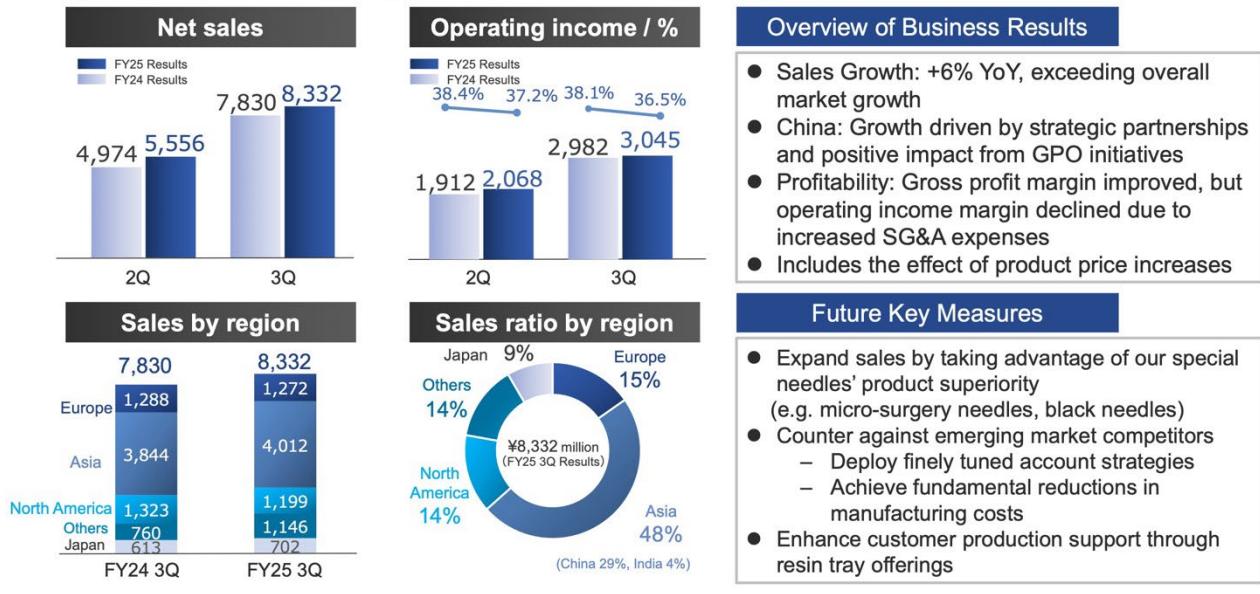
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Eyeless Needle Segment – Results Analysis

(¥ million)



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The Eyeless Needle segment recorded a year-on-year sales growth of 6%, slightly exceeding the overall market growth, as we secured more market share. In China, we are promoting strategic partnerships with JINHUAN, and we are providing needles to suture manufacturers under the GPO, which also stands for VBP (Volume-Based Purchasing) and pertains to collective buying power purchases by the Chinese government. Under this initiative, we benefit from tailwinds from China's preferential treatment of companies that manufacture products within its borders. Gross profit margin improved, but operating income margin declined slightly due to increased SG&A expenses.

Our priority measures for the future are as follows. Firstly, we will expand sales by taking advantage of our special needles' product superiority, for example, our micro-surgery needles and black needles. Secondly, we will enhance our efforts to counter emerging market competitors, with a particular focus on refining account strategies. Thirdly, we would also like to work on catching up in terms of manufacturing costs.

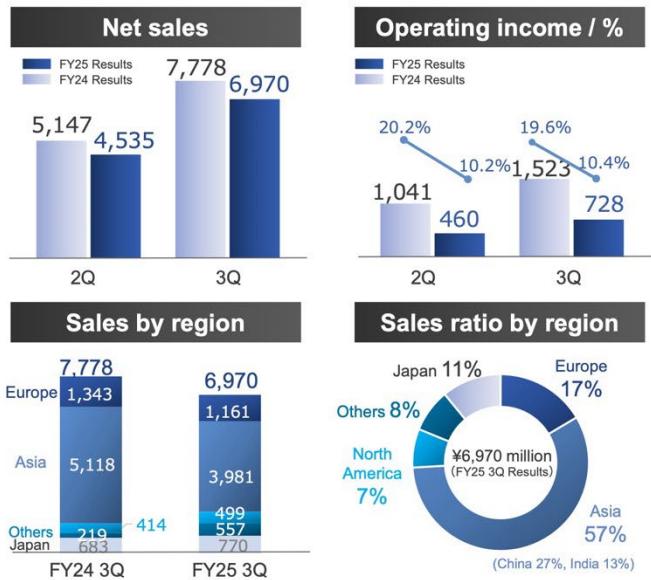
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Dental Segment – Results Analysis

(¥ million)



Overview of Business Results

- Sales and operating profit dropped sharply due to the voluntary recall of dia-burs in China. However, sales increased by +15% YoY in regions outside China (excluding MMG).
- MMG undergoing structural reforms for profitability
 - FY25 3Q: Sales are ¥1.42 billion, Profit is -¥240 million
 - Decline in orders from major customers ⇒ Need to deepen engagement with Tier 2 customers
 - Cost Reform Initiatives
- JIZAI's cumulative shipments reached 280,000 units in FY25/3Q, marking a +66% YoY increase. Sales are progressing nearly as planned.

Future Key Measures

- Recovery from the voluntary recall of dia-burs in China.
- Turnaround for MMG.
- Sales expansion of JIZAI and Development of JIZAI-2.
- Respond to large-scale U.S. inquiries

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As for the Dental segment, while the results were affected by the voluntary recall of dia-burs, excluding this impact, we recorded 15% year-on-year growth.

Our German subsidiary MMG, unfortunately, ended up unprofitable and is an issue for us. This business needs a results turnaround, and we are carrying out structural transformation efforts to this end.

Specifically, MMG has three major customers, and a decline in orders from these customers was a significant negative factor. Against this backdrop, we are working to deepen engagement with tier 2 customers and carry out cost reform initiatives.

As for JIZAI, annual shipments have reached 280,000 units, marking a 66% increase on a year-on-year basis, but our market share is still small, so we will continue to strengthen our efforts on this front. We are also developing JIZAI-2, which we expect to be able to bring to market next fiscal year.

Lastly, in the U.S., we will respond to large-scale inquiries in the country.

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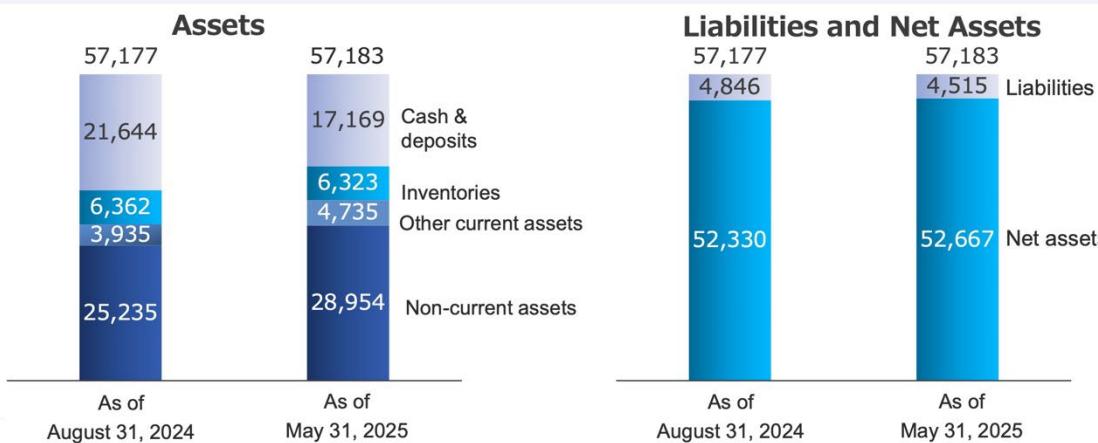
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Balance Sheet Status

(¥ million)

- Maintained strong equity capital**

- Cash & deposits decreased due to investments related to the Hanaoka Factory, while non-current assets increased.
- Inventory efficiency: Inventory turnover improved, with holding days reduced from 81 to 77
- Liabilities (¥331 million): Current liabilities decreased due to lower accrued corporate taxes..



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Next is the balance sheet. In terms of the key topics here, we invested in the construction of the Hanaoka Factory, which is now complete, and we are currently installing the necessary equipment. This has led to a decrease in cash and deposits, while non-current assets increased.

While inventories remained more or less flat at 6.3 billion yen, sales have gone up, meaning a reduction of 4 holding days. In other words, we are seeing the results of our transformation efforts at the supply chain management level.

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Topic #1 Business Progress in the North American Market

Sept. 2024
Established Sales
Subsidiary (MMA)
in the U.S.

- Entered a strategic partnership with Microsurgical Technology (MST)
- Hired a local manager and are currently strengthening our local sales structure

Future Key Measures

Through strategic priority investments, we aim to expand sales (increase our ophthalmic knife market share from 10% to 30%) and build a market-in business model that is closely aligned with the medical field's needs.

- Surgical segment:
 - Enter the U.S. kit business, which is a common commercial practice.
 - Maximize collaboration opportunities through a strategic alliance with MST.
 - Launch new products (vitreous forceps and hooks) to expand into a broader business domain.
- Measures toward President Trump's tariff policy :
 - Promoting changes in distribution channels:
Shifting from MHC (factory in Vietnam) → MMA → customer.
 - Engaging in detailed and careful negotiations with B-to-B customers.
- Eyeless Needle segment
 - Creating new opportunities by deepening relationships with existing OEM clients.

Sales trend in the North American region

(¥ million)

Net sales	FY23 Results	FY24 Results	FY25 Forecasts
Surgical	365	566	600
Eyeless Needle	1,140	1,631	1,500
Dental	528	590	700
Total	2,033	2,787	2,800



"American Society of Cataract and Refractive Surgery (ASCRS)" held in April 2025

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Next, I would like to introduce two key topics.

The first key topic is the business progress in the North American market.

We position business expansion in North America as a key initiative for MANI. As previously announced, we established a local subsidiary in the U.S. in September last year, called MANI MEDICAL AMERICA, INC.

We then entered a strategic partnership with MicroSurgical Technology in April of this year. We also hired a local manager with extensive industry experience, who has helped us make significant progress in strengthening our sales structure in the Surgical segment.

In light of these various initiatives, we position expanding our business presence in the U.S. as a key strategic investment theme. Specifically, we will work to increase our ophthalmic knife market share in the country from 10% to 30%. Additionally, as we develop a closer relationship with customers, the dynamic shifts away from the mere sale of medical devices and toward touchpoints with KOL doctors.

As such, we want to leverage this to build a business in the U.S. based on a customer-centric approach. The Surgical device market in the U.S. centers primarily around pre-packaged kits. In particular, top industry players like Alcon have phacoemulsification machines, and their business revolves around disposable consumable components for these machines. This is a business model very particular to the U.S., and we are currently carrying out efforts to enter this business.

In this context, our alliance with MST is therefore very valuable, and both MANI and MST are now discussing and planning the best ways to offer each other's products on a global scale.

Then, we will be launching new products in the domain of ophthalmology, like vitreous forceps and hooks, allowing us to grow our device lineup and expand into a broader business domain.

As for measures to cope with President Trump's tariff policy, although we do not have a perfect solution, one of our countermeasures is to promote changes in the commercial distribution channels. We have been selling

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directly from our factory in Vietnam to our customers, but going forward, we will shift to selling through MANI MEDICAL AMERICA, INC.

Additionally, we will engage in detailed and careful negotiations with B-to-B customers as it pertains to these tariffs. We have over 10 client accounts in the Eyeless Needle segment in the U.S., so we will work to create new opportunities by deepening relationships with these clients.

The sales trend is shown in the upper right, and the forecast for fiscal year 2025 is slightly above 2.8 billion yen. Earlier, I mentioned the impact on Eyeless Needle segment sales of our U.S. customers relocating their factories to Central America, and, going forward, we intend to grow sales to the U.S.

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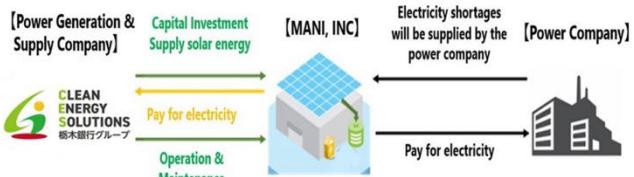
Topic #2 PPA Services at the Hanaoka Factory

- From April 2025, the Hanaoka Factory has commenced the PPA (Power Purchase Agreement) services.
- MANI will continue to promote activities to reduce environmental impact through solar power generation in cooperation with regional financial institutions(*) to achieve both sustainable growth and a sustainable society.



The Hanaoka Factory (as of March 2025)

【Business Scheme of PPA】



*PPA: Abbreviation for Power Purchase Agreement. A system whereby a company that owns and manages solar power generation equipment (PPA provider) installs solar power generation.

(*) TOCHIGI BANK, LTD.'s subsidiary CLEAN ENERGY SOLUTIONS, INC.

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The second key topic is the start of PPA (Power Purchase Agreement) services at the Hanaoka Factory. This initiative involves the installation of a solar power system in collaboration with TOCHIGI BANK, LTD., and we have now begun operations using this system.

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Notice

The next Medium-Term Management Plan will be announced on October 8, 2025 (scheduled date to announce full-year earnings of FY25).

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Lastly, during MANI's results presentation in January, we said we would be releasing the next Medium-Term Management Plan at some point between July and September, but we have now decided on October 8, 2025 as the date, which is the scheduled date for the full-year earnings announcement for fiscal year 2025.

This concludes today's presentation.

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Question & Answer

Moderator [M]: Thank you. We will begin by taking questions from the audience.

A full transcript of this presentation, including the Q&A session, will be made available at a later date. If you wish to remain anonymous, please do not give your name when asking a question.

If you have any questions, please raise your hand.

Tokumoto [Q]: This is Tokumoto from Nikko Securities. Thank you for your presentation.

I have two questions. First, I would like to ask more about the impact of tariffs. Looking ahead to the next fiscal year, this year's impact was 40 million yen, and I believe that was only for the fourth quarter. Is it reasonable to think of it as something like multiplying this number by four for the full-year estimate?

From what you mentioned earlier, I understand that some customers are willing to absorb the cost, while others are not. In the U.S., I believe many eyeless needle customers have a high sales ratio and profitability, so I wonder if the situation differs by segment. Could you please help clarify the expected impact of tariffs for the next fiscal year?

Watanabe [A]: First, in terms of scale, our annual sales to North America are approximately 3 billion yen, and we are assuming a 20% tariff will be applied to that amount.

Many of our customers, particularly for eyeless needles, are B-to-B customers, mostly large companies. Since the cost of eyeless needles account for a very small portion of the total cost of suture products, many of these customers have agreed to absorb the tariff increase.

As for ophthalmic knives and dental products, we expect that the increased tariff burden will be shared reasonably between us and our distributors through negotiations.

At this point, we estimate that about 40% of the total sales base will be affected. However, this is subject to change depending on future tariff developments and negotiations with customers, making it difficult to make a precise forecast. That said, we have incorporated this view into our figures for the fourth quarter.

Tokumoto [Q]: I understand. The second question is the outlook for the business in China, which I think you have already mentioned on the first page. The voluntary recall of dia-burs that occurred this year was already mentioned for some time, but what I'm particularly curious about is the forecast for the next and following fiscal years. Since approval for the amendment will not be obtained until March 2026, the impact will continue into the next fiscal year, so I understand why the growth rate is low.

However, if we look at the following year, the growth rate will be about 14%. Looking at the outlook for the Dental segment, the shift from stainless steel files to nickel-titanium files is progressing, and considering the possibility of centralized procurement of ophthalmic knives in China, I feel that the market assumptions may be changing from previous patterns.

Given that sales were lowered this fiscal year, how confident are you that the Chinese market will recover firmly in the next and following fiscal years? If you have any thoughts on this at the moment, I'd appreciate it if you could share them.

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Watanabe [A]: First of all, regarding the dia-burs, our market share has dropped from 70% to around 30%, as we are currently only selling half the volume we used to. Other vendors have filled the gap, and we've observed that local Chinese vendors in particular are stepping in. In this context, we are aiming to regain our market share by relaunching the full lineup of dia-burs.

Since we have some time before the relaunch, we are working to improve product quality. Currently, we have around 100 distributors, but we are also pushing to expand access to nearly 200 stores.

Therefore, we will take measures both in terms of products and sales. Although it may be difficult to immediately return to a 70% share within the following year, we hope to restore it over the next three years or so.

As for the sales outlook in China, revenue has declined to 7.7 billion yen, but we are looking at a growth rate of about 11%. Looking at past performance, growth in local currency terms has been about 14%, so we expect a slight slowdown. Since we already hold a very high market share, the room for further growth is naturally narrowing.

To drive sales under these conditions, we are now considering launching new products. Additionally, we will obtain regulatory approval for JIZAI in China and plan to begin sales next year. We see this as a key offensive strategy.

Also, regarding the dental hand files, when I explained the situation in April, I may have conveyed a somewhat negative tone and given a misleading explanation. In reality, we do not expect a decline in sales or market share; rather, we anticipate flat or slightly positive growth, albeit at a very modest rate.

Especially on the sales front, about 10% of our SKUs are products designed to be used alongside nickel-titanium files. These items are highly distinctive as MANI products and are widely adopted. Therefore, we do not view hand files as being entirely negative in terms of performance or market potential.

Tokumoto [Q]: How about the centralized procurement?

Watanabe [A]: Centralized procurement is a policy-driven initiative, so there are a few scenarios that might materialize, but if you look at other products, generally, once centralized procurement goes forward, it typically continues for about two years.

Surgical ophthalmic knives have not been subject to centralized procurement so far. However, based on trends observed in other product categories, items tend to become targets for centralized procurement once domestic Chinese manufacturers reach a certain level of market share. In the ophthalmic knife market, our company currently holds over 50% market share, meaning that domestic competitors have not yet gained significant ground.

That said, we must not let our guard down, so we are now actively preparing for the possibility of centralized procurement and are currently considering establishing a manufacturing facility in China.

In particular, since we will have a production line placed in the Smart Factory, we will roll it out in China, especially by taking the downstream processes there.

Moderator [M]: Thank you very much. Does anybody have other questions?

Yoshida [Q]: Thank you for your presentation. My name is Yoshida from Tokai Tokyo Intelligence Laboratory. I have three simple questions.

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First of all, as you commented on the selling price in your presentation, I believe that you have been aware of the issue of the price of your products being a little low compared to other companies' products in the past, despite their high quality. Since you mentioned that you are working on the price revisions, I wondered if progress had been made in this area based on the results of this quarter. Looking at your catalogue, some products in Japan have increased prices by around 10%.

If this is being implemented globally, I would expect to see more tangible effects. Could you share your thoughts on this? Has the initiative been carried out during the third quarter, and is there still room for further improvement? Given that the full-year earnings forecast has been revised and we are already in the fourth quarter, has the price improvement already been fully executed? I would appreciate it if you could answer this first question.

Watanabe [A]: Thank you for your question. While we have not disclosed specific figures, we are expecting a positive impact of several hundred million yen from our pricing initiatives. We have been actively negotiating and have already seen a fair amount of success.

Therefore, rather than just in the fourth quarter, we will continue to view strategic pricing as an ongoing management priority heading into the next fiscal year as well.

As for MANI's price positioning, as you rightly pointed out, our prices are generally not high despite the excellent quality of our products, which I also find unfortunate. For example, our ophthalmic knife is sharper than our competitors' knives, yet our prices are about 10% lower in terms of street pricing.

Another point is the significant variation in pricing across regions. In negotiating selling prices, ophthalmic knives are very strong products, so negotiations can be successfully concluded. In the case of eyeless needles, since our customers are suture manufacturers, the cost of our needles represents only a small portion of their overall product cost, which makes negotiations relatively smooth. On the other hand, the Dental segment is a somewhat competitive, and we are having some difficulty.

In summary, while ups and downs depend on the product and region, we are committed to pursuing strategic pricing across the board.

Yoshida [Q]: In that case, I would also like to ask about the gross profit margin. Looking at the gross profit margin, it remains at the same level as the previous year in the third quarter. With the upcoming efforts to further raise prices, how should we expect the gross profit margin to change?

Watanabe [A]: Two main factors determine the gross profit margin: one is the effect of price increases, and the other is factory productivity. We are working on cost reductions in the Vietnam factory, which is expected to be a positive factor.

Although there are challenges related to the product mix, overall, the gross profit margin is trending toward improvement. However, SG&A expenses have been rising significantly, which is offsetting some of the gains.

Yoshida [Q]: Thank you very much. The second question is about MST (Microsurgical Technology), I understand that they manufacture pupil expansion rings used in cataract surgery and sell them as part of a kit pack. I have heard that the current ophthalmic knives used in their kit pack are made in India. If these Indian-made knives are replaced with your company's knives, I believe there could be a noticeable impact. Could you please share what kind of quantitative effects you are expecting from this change? Also, I would appreciate it if you could let me know the expected timeline for when these effects will begin to manifest.

Watanabe [A]: MST's device is used in cataract surgeries for patients with small pupils, featuring a pupil expansion ring. This ring has incredible technology and is primarily used for patients with relatively difficult

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cases. Our ophthalmic knives are typically used in standard cataract surgeries and are part of the daily surgical toolkit for physicians. In contrast, MST's products are mainly designed for more challenging cases.

Regarding MST's market share, it varies by region, some areas show around 5% or 10%, while others reach approximately 70%. We are aiming to expand the sales of our ophthalmic knives to MST's customer base. Currently, our market share for ophthalmic knives in North America is about 10%, and we are targeting an increase to 30%. We estimate that our partnership with MST could contribute roughly 5–10% toward that goal.

Sales to MST have already begun, albeit in small volumes, but we plan to accelerate efforts moving forward. Therefore, we expect the impact to start appearing relatively soon.

Yoshida [Q]: Thank you very much. Lastly, you explained that the details of the next medium-term management plan would be announced on October 8, but in the previous announcement made in January 2025, you said that the next medium-term plan would be achieved two years ahead of schedule, both in terms of sales and profits.

In comparison with that previous announcement, could you share any positive and negative aspects we should be aware of? I understand that the voluntary recall has started in March 2025, but since you had already been in discussions with the Chinese authorities prior to the announcement made in January 2025, it's difficult for external observers to understand what assumptions may have changed. So, I would like to know about the positive and negative aspects, comparing your position now with the previous one.

Watanabe [A]: As you rightly pointed out, the dia-bur issue has a reasonably large impact, and we view the current fiscal year as a period where we must temporarily shrink back. However, we believe this issue will be resolved within the current fiscal year, and from there, we intend to return to a growth trajectory. The medium-term plan we presented in January 2025 will continue to be pursued within that original framework.

While we stated that we will achieve the 30 billion yen target in the medium-term management plan, the actual figure will be 29.6 billion yen, so we hope you'll allow us to round off the amount to a larger amount. That said, we believe the strategic focus is shifting in a qualitative sense, and we see this as a graduation from the previous five-year medium-term management plan after four years, not a dropout, but a graduation. Looking ahead, we aim to launch a new four-year medium-term management plan targeting 50 billion yen in net sales and a 30% operating income margin, as previously mentioned.

Therefore, in the upcoming announcement in October, we plan to present concrete measures toward that goal. In particular, we received many questions previously regarding cash allocation, and we intend to provide clear answers on that point.

Yoshida [Q]: Sorry, just one more question. On the positive side, there is an alliance with MST this time. Was this alliance already in the plan, and what are some of the other good things that have happened since the announcement?

Watanabe [A]: Regarding the partnership with MST, we had previously explained that alliances like this would be used to drive growth, and I believe the alliance with MST represents a concrete example of that strategy.

In terms of introducing specific growth drivers, we are considering further investments in sales channels and other areas. At the same time, we recognize the need to respond to environmental changes and defensive measures.

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measures, such as the impact of Trump tariffs, the competition with emerging countries, and China's GPO (Group Purchasing Organization) system. As these changes unfold, we are working to respond appropriately while continuing to grow in areas where we see potential. This is the framework we are currently organizing and refining.

Yoshida [M]: I understand. Thank you.

Moderator [M]: Thank you very much. Does anyone have any other questions?

Kato [Q]: Thank you for your explanation. My name is Kato from Daiwa Securities. Thank you. I have two questions.

The first question is regarding the downward revision of the full year forecast this time, but if I recall correctly, during the second quarter earnings briefing, the stance was that even considering the impact of the voluntary recall in China, there would be no need to revise the forecast downward. While I understand that the number of units subject to recall has since increased, are there any other changes in outlook compared to the second quarter, not only limited to the dental segment in China? If so, could you please share those differences?

Watanabe [A]: At the time of the second quarter earnings briefing, one of the reasons we maintained our guidance was that the number of units subject to recall and the overall scale of the impact were still difficult to forecast.

Additionally, although the recall had a negative effect, we aimed to recover from it by exceeding our sales targets and improving costs, both of which would be necessary to offset the impact.

As explained today, our Surgical and Eyeless Needle segments grew by 16% and 6% year-on-year, respectively. However, in the previous year, those growth rates were even stronger at 25% and 12%. Therefore, we ambitiously want to maintain such momentum, and when we look at the total balance, we have announced that we will keep the full-year forecast unchanged as of the second quarter.

Kato [Q]: Okay, thank you. The second question is about the development of JIZAI-2, which will be launched in the next fiscal year. It may be difficult to quantify how much you will improve it and what kind of sales contribution you expect from it. If you have any insight, we would like to know.

Watanabe [A]: The lineup of JIZAI-1 was first launched in 2020, and we added an item to the lineup in 2024. As of 2024, the lineup now covers the full sequence of root canal treatment.

The current product lineup forms a complete set. The concept behind JIZAI-1 was to offer high flexibility, making it particularly effective for treating curved root canals. Compared to the nickel-titanium file lineup offered by our top competitor, Dentsply Sirona, our device provides superior flexibility. Additionally, JIZAI-1 was introduced with the added feature of being highly resistant to breakage.

The upcoming JIZAI-2 is designed to treat a wider variety of root canal shapes, including straight and slightly curved canals, and will be expanded into a lineup that can be used more broadly across different cases.

Currently, the JIZAI series includes three products, and we are planning to increase it up to about 10 products. Our strength lies in the trade-off between cutting efficiency and flexibility, and with JIZAI-2, we aim to deliver a product that offers excellent usability and that is unique to MANI for dentists.

Kato [M]: I understood very well. Thank you.

Moderator [M]: Thank you very much. Does anyone have any other questions?

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Yoshihara [Q]: I am Yoshihara from UBS Securities. Thank you. I would like to ask a follow-up question regarding the revision of the Company's plan for the full-year.

I understand that the revision was unavoidable due to the unsettled situation. However, for example, SG&A expenses were revised upward slightly by 100 million yen in this announcement, and I wonder if there was some room to control this increase. Was it a deliberate decision not to cut back as you implement strategic investments?

Also, considering the recent changes in management, I would very much like to hear the President's thoughts on the Company plan again.

Watanabe [A]: Regarding SG&A expenses, I believe it is essential to make appropriate investments, especially to strengthen the management foundation. For example, we recently faced a regulatory issue, which highlighted the need to reinforce our regulatory functions. Beyond that, many of our operational processes still rely heavily on manual work and Excel-based systems, so we determined that upgrading these areas is necessary to move forward.

I understand that your question is about whether there was an option to control SG&A expenses a little more and make a profit, but when you look at the overall balance, MANI has operated for many years as a relatively small-scale company, and there are areas where our management infrastructure remains underdeveloped. We made a strategic decision that these reinforcements cannot be postponed any longer.

Yoshihara [Q]: So, there will be a slight decrease in profits this year, but you are strengthening the management base ahead of time, and hope to see the effects in the next fiscal year and beyond, is that correct?

Watanabe [A]: Yes.

Yoshihara [Q]: I understand. My second question is about China. I must admit I am not very familiar with the Chinese dental market, but with the current Chinese economy in a slowdown and what appears to be cost-containment measures in healthcare, I'd like to ask how your company views the current state of the dental market in China.

If the Chinese market were to grow slower than it has in the past, it might be a little more difficult for dia-burs to recover market share. Please tell us whether risks, such as difficulties in regaining market share for dia-burs, or customers shifting toward cheaper local alternatives.

Watanabe [A]: The economic slowdown in China is also affecting the dental market, and I see from the statistics that the percentage of bankruptcies of hospitals and clinics is about 20%, which seems to be very severe.

However, in our specific field, such as root canal treatment, the impact is relatively limited, even though there is still an impact. That is why we are factoring in a slight slowdown in China's growth rate, which has been growing at about 14% in the past, to maybe 11%.

To maintain growth, we will keep launching new products in China. We plan to launch JIZAI next year, and beyond that, we intend to strengthen our dental product lineup through various means, including in-house development and strategic alliances.

Yoshihara [Q]: Thank you very much. The third question concerns the update on the change in the management structure, which I think was a major change.

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Could you please share what kind of results or progress have been achieved so far from the President's point of view?

Also, I have noticed that there have been some additional changes recently, and they seem to have occurred within a relatively short period of time. If possible, I'd appreciate it if you could explain the background behind these decisions.

Watanabe [A]: The management structure has changed considerably, including myself, and each executive officer has a strong track record in their respective field, be it sales, development, production, or corporate. I believe that this is working as a positive factor for the Company.

I think your concern is that there might be a potential mismatch between the employees and the Company, but the results of our employee engagement survey were very positive. The new management structure, managers, and regular employees are engaged in a variety of activities, and I am aware that they are moving in a relatively smooth and positive direction.

As for your question about the new CFO starting in September, as noted here, Mr. Takahashi is retiring, and in the process of searching for a successor, we've invited Mr. Yamamoto to join us from Toshiba.

Yoshihara [M]: Thank you.

Moderator [M]: Thank you very much. Does anybody have other questions? Are there any more questions?

Since there seem to be no further questions, we will now conclude. Thank you for attending the briefing today.

Watanabe [M]: Thank you.

Takahashi [M]: Thank you very much.

[END]

Document Notes

1. Portions of the document where the audio is unclear are marked with [inaudible].
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