MANI, INC.

Financial Results Briefing for the Fiscal Year Ended August 2025

October 8, 2025

Event Summary

[Company Name]	MANI, INC.
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[Event Language]	JPN
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[Event Name]	Financial Results Briefing for the Fiscal Year Ended August 2025
[Fiscal Period]	FY2025 Annual
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[Venue]	Onsite venue: 6th floor, Sapia Tower, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo, 100-0005 Webcast: Microsoft Teams webinar
[Venue Size]	154 m^2
[Participants]	Total 91 (Onsite: 25, webinar: 66)

[Number of Speakers]	2	
	Masaya Watanabe	Director, President and Representative Executive Officer, CEO
	Takayuki Yamamoto	Managing Executive Officer
[Analyst Names]*	Tomoko Yoshihara	UBS Securities
	Satoshi Tohyama	Shimotsuke Shimbun
	Masao Yoshida	Tokai Tokyo Intelligence Laboratory

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

Presentation

Moderator: Now that the time has arrived, we will begin the financial results and medium-term management plan briefing of the fiscal year ended August 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 speakers. Mr. Masaya Watanabe, President and Representative Executive Officer, and Mr. Takayuki Yamamoto, Managing Executive Officer and CFO.

President Watanabe will give today's presentation. After his presentation, we will take questions from those attending on-site. Please note that we will not be taking questions from online participants. If you have any questions, please email our IR staff afterward.

Now, President Watanabe, please begin.

Watanabe: Thank you for taking the time out of your busy schedules to view MANI's briefing on financial results for Fiscal Year 2025 and the company's new Medium-Term Management Plan 2029.

Mr. Takayuki Yamamoto has assumed the position of CFO starting this September. Until now, Mr. Kazuo Takahashi had been the liaison with stakeholders, and Mr. Yamamoto has now taken on this role.

I would now like to explain MANI's financial results for Fiscal Year 2025.

MANI FY2025 Financial Results & Forecasts

Voluntary Recall of "MANI DIA-BURS" in China

- We have discovered that the product registration information submitted to the Chinese regulatory authorities contained inaccuracies. **The voluntary recall began in March 2025 and was mostly completed by August 2025.**
- We applied for regulatory modification of the corrected products in March 2025. The approval process is progressing ahead of the initial schedule (originally expected by March 2026), and sales of all dia-burs are anticipated to resume from FY26 2Q (between December and February).

Impact on Business Performance (¥ million)

	FY25 Full-Year Forecast (As of FY2025 Q3)	FY25 Full-Year Results
Quantity recalled (units)	**3.75 million**	**4.20 million**
Sales reduction (YoY)	**(1,520)**	**(1,481)**
Decrease in new orders	(1,190)	(1,100)
Returned amount	(330)	(381)
Impact on profit	**(1,200)**	**(1,192)**

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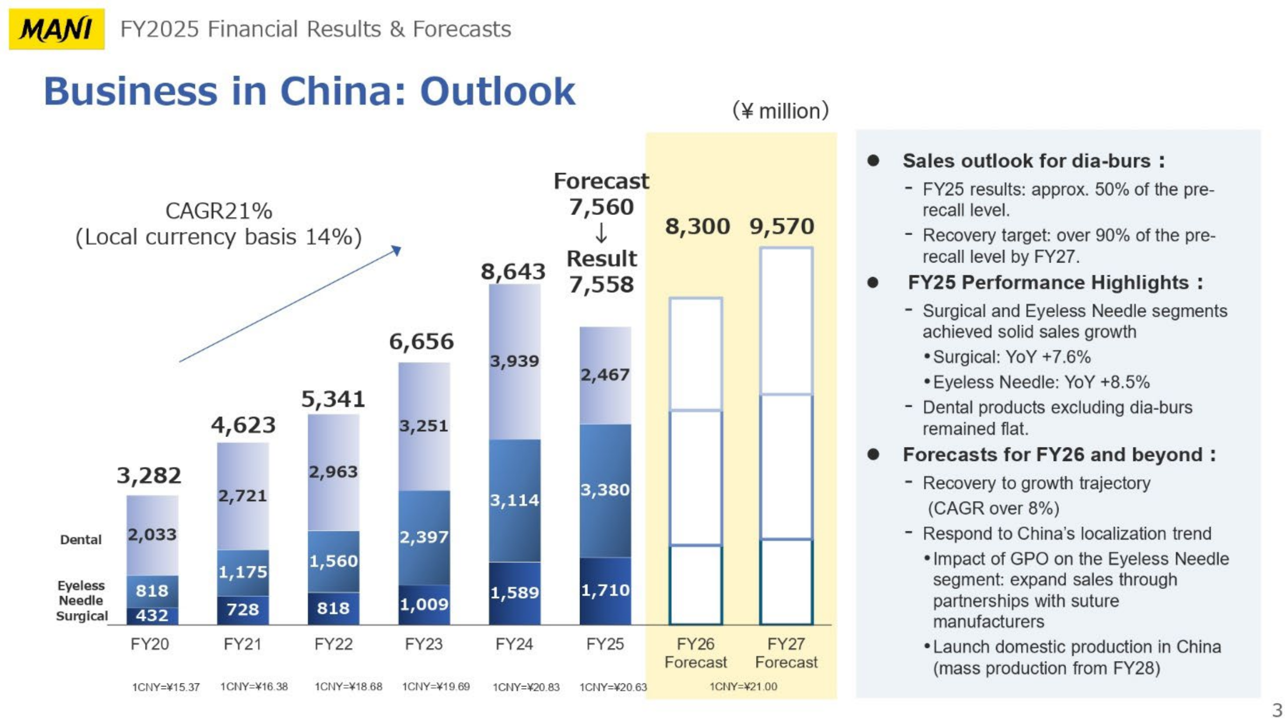
Allow me to start with an update on the voluntary recall of "MANI DIA-BURS" in China. As previously announced, this voluntary recall began in March 2025 and was mostly completed by August 2025. The Company recalled a total of 4.2 million dia-burs.

The impact on business performance is shown in the table below. The voluntary recall led to a decrease in new orders and sales, and we also incurred costs associated with the cancellation of the original sales invoices for the products sold prior to the recall. All in all, the negative impact on profit totaled 1.192 billion yen.

We have applied for regulatory modification of the corrected products, and inquiries from the regulatory authority have, for the most part, been satisfied. It's the PRC National week holiday in China right now, so there's this hiatus, but we expect to obtain approval after that. In summary, we anticipate sales of our full lineup of dia-burs to resume from the second quarter of Fiscal Year 2026, starting in December 2025.



Our outlook for the business in China is premised on the developments I just outlined. As you can see from the chart, the recall led to a sales slump in Fiscal Year 2025. While sales of dia-burs fell to approximately 50% of pre-recall levels, we are targeting a sales recovery in this category and a return to over 90% of pre-recall levels by Fiscal Year 2027.

In fact, among our customers, 90% are using MANI's dia-burs, while also combining them with domestically produced Chinese dia-burs. We are in touch with our clients, so we will work to achieve a recovery on this front.

The Surgical and Eyeless Needle segments achieved solid sales growth in Fiscal Year 2025. Regarding the forecasts for Fiscal Year 2026 and beyond, we will work on a recovery back to a growth trajectory, responding to and capitalizing on China’s localization trend.

Consolidated Financial Results

(¥ million)

- **Higher revenue but lower income due to the temporary voluntary recall of dia-burs in China**
  - Surgical and Eyeless Needle segments maintained their growth, contributing to increased revenue and profit
  - Asset reevaluation:
    ① Impairment of non-current assets at Germany MMG (¥1,190 million recorded in extraordinary loss)
    ② Inventory disposal of long-stagnant products (¥98 million recorded in cost of sales)

	FY24 Results (A)	FY25 Results (B)	Changes in Amount (C=B-A)	Changes in % (C/A)	FY25 Revised Forecasts (D)	Forecast Progress Rate (B/D)
Net sales	28,513	29,968	+1,454	+5.1%	29,600	101.2%
Cost of sales [%]	10,616 (37.2%)	10,650 (35.5%)	+33	+0.3%	10,800 (36.5%)	98.6%
SG&A expenses [%]	9,505 (33.3%)	11,124 (37.1%)	+1,619	+17.0%	10,900 (36.8%)	102.1%
Operating income [%]	8,392 (29.4%)	8,193 (27.3%)	(198)	(2.4%)	7,900 (26.7%)	103.7%
Ordinary income	8,464	8,271	(192)	(2.3%)	7,800	106.0%
Net income	6,286	4,643	(1,643)	(26.1%)	5,450	85.2%

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The consolidated financial results for the fiscal year ended August 2025 were as follows. We recorded 29.968 billion yen in net sales, 8.193 billion yen in operating income, 27.3% in operating income margin, and lastly, 4.643 billion yen in net income.

As you'll remember, we lowered the full-year guidance back in July. The revised forecasts can be found in the second column from the right and show a net sales and operating income outperformance of 300 million yen.

In this fiscal year's results, we conducted an asset reevaluation, which included two major items. The first was an impairment loss on the non-current assets of MMG in Germany. MMG posted its second consecutive year of losses, meaning these assets were at risk of impairment. As such, we carried out a stress test and recorded 1.19 billion yen in extraordinary losses. Specifically, we impaired the value of plant infrastructure and manufacturing equipment assets by 32%.

The second element of this asset reevaluation was the inventory disposal of long-stagnant products. We usually do just under 50 million yen in inventory write-offs, but we ended up with an inventory disposal totaling 98 million yen.

Operating Income to Profit Before Income Taxes (Details)

(¥ million)

	FY24 Results	FY25 Results	YoY	Notes
Operating income	**8,392**	**8,193**	**(199)**	
Non-operating income	309	402	+93	
Foreign exchange gains	-	71	+71	
Interest income	206	240	+34	
Non-operating expenses	237	324	+87	
Foreign exchange losses	164	-	(164)	
Depreciation	-	222	+222	Increase in depreciation related to Hanaoka Factory (Smart Factory) before operation
Ordinary income	**8,464**	**8,271**	**(193)**	
Extraordinary income	31	28	(3)	
Extraordinary losses	71	1,212	+1,141	Impairment of non-current assets at MMG (¥1,190 million)
Profit before income taxes	**8,424**	**7,087**	**(1,337)**	

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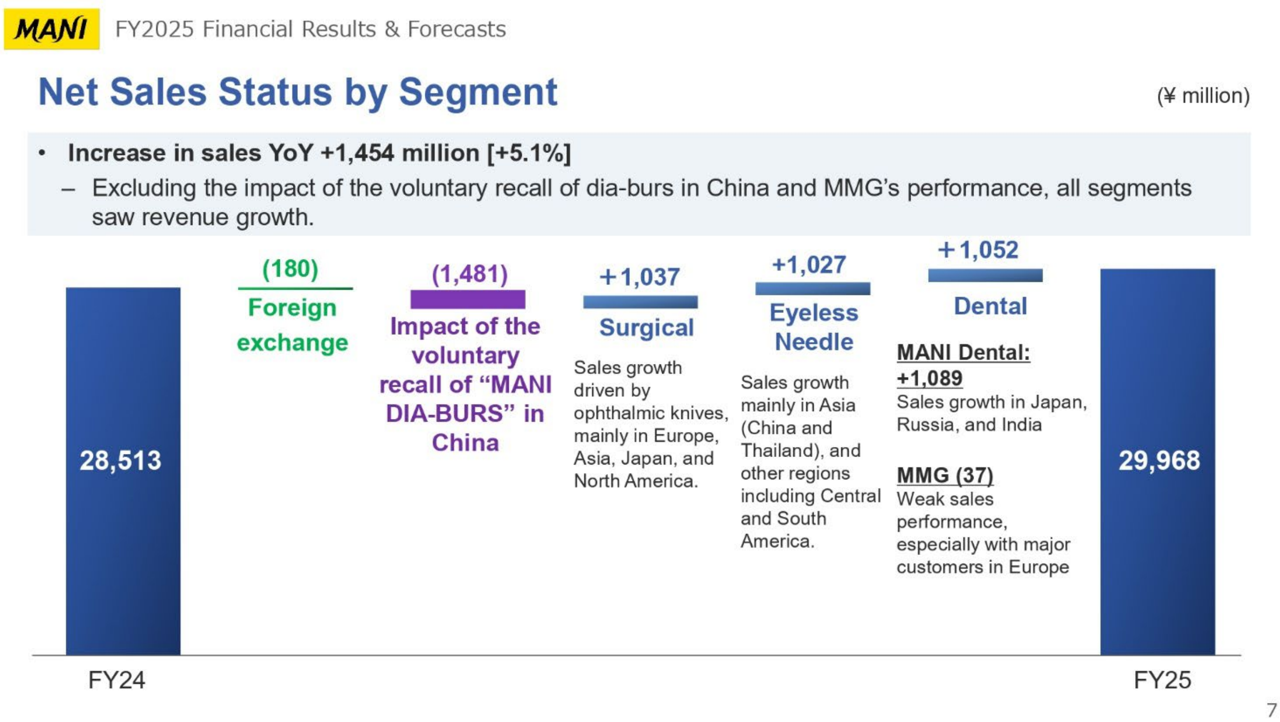
This table shows the detailed results for operating income, ordinary income, and profit before income taxes. Noteworthy here was an increase in depreciation related to the Hanaoka Factory. The factory was unoperated during the first 8 months of the year, starting in January, so we recorded the appropriate depreciation amount under non-operating expenses.

We also recorded the aforementioned impairment of non-current assets at MMG—totaling 1.19 billion yen—under extraordinary losses.



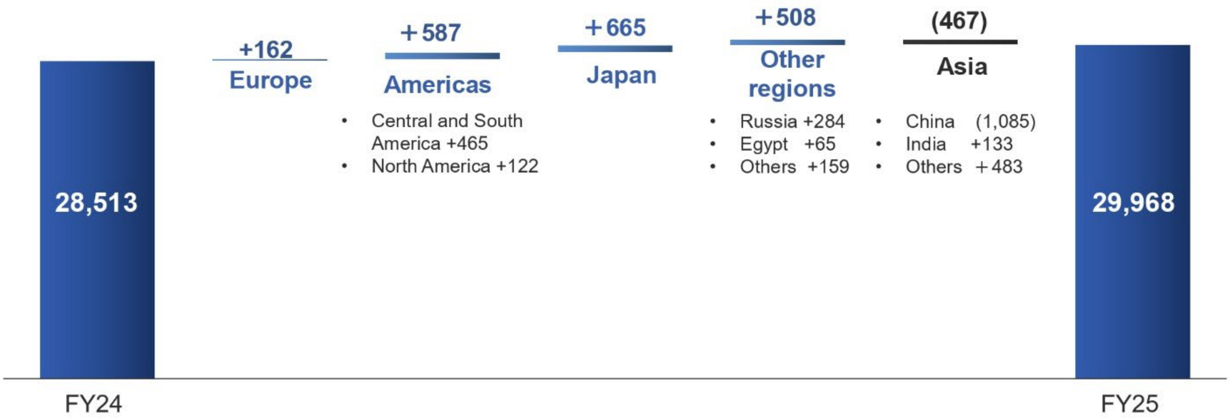
This waterfall chart shows each segment's respective contribution to net sales. While the voluntary recall of "MANI DIA-BURS" in China negatively impacted sales, the Surgical, Eyeless Needle, and Dental—excluding the category of dia-burs—all recorded year-on-year sales growth.

On the other hand, sales decreased by 37 million yen at MMG, mainly due to sluggish sales performance, especially with major customers in Europe.

Net Sales Status by Region

(¥ million)

- **Sales grew across all global regions, excluding China**
  - In Japan, sales were driven by strengthened sales and marketing efforts in the Dental segment.
  - In Central and South America, and Russia, growth was led by Eyeless Needle and Dental segments, while in North America, the Surgical segment led the sales growth.



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This waterfall chart breaks down the net sales status by region. By and large, we saw sales growth across the board.

In Japan, we strengthened sales efforts in the Dental segment, allowing us to grow sales by 40%.

MANI FY2025 Financial Results & Forecasts

Operating Income Status

(¥ million)

- **Operating income declined YoY (¥198 million) [(2.4%)]**
  - Decline mainly due to temporary factors: voluntary recall of dia-burs in China and performance-linked bonuses from the previous fiscal year.
  - Excluding the factors above, SG&A expenses were mostly in line with the plan. Personnel expenses increased with the addition of 29 employees in Japan (432 employees as of the end of FY25).
  - Cost improvements, including cost reductions at the Vietnam Factory, led to better-than-expected results.

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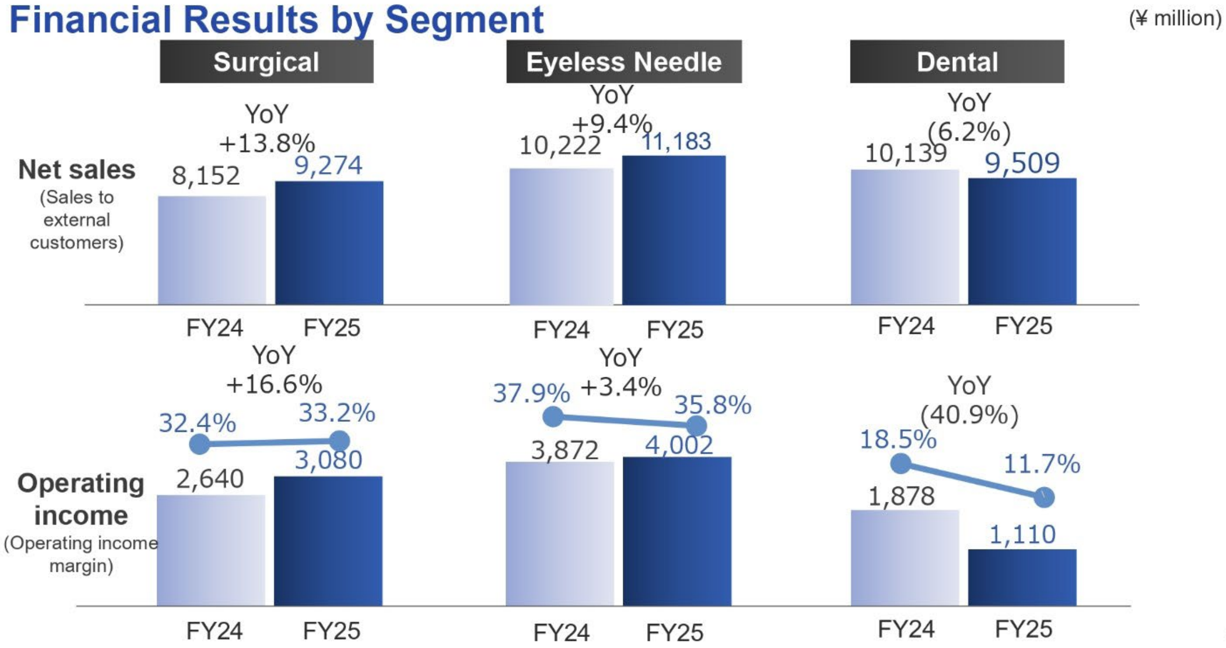
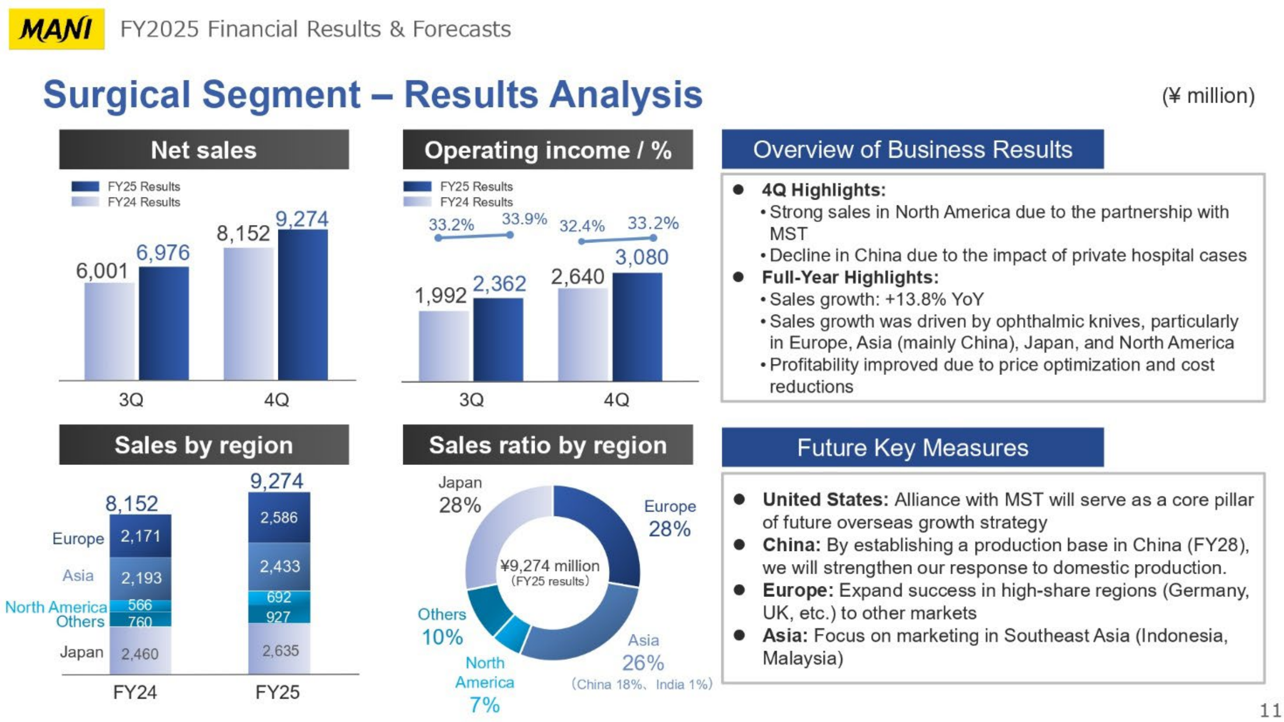
Operating income was negatively impacted by unfavorable foreign exchange rates, the voluntary recall of our dia-burs, and allowances for performance-linked bonuses, which carried over from the prior fiscal year. As I've explained before, this is a temporary factor that is offset by a positive gross profit impact thanks to an increase in sales and an improvement in the cost of sales. Additionally, while the personnel headcount grew, SG&A expenses remained under control.

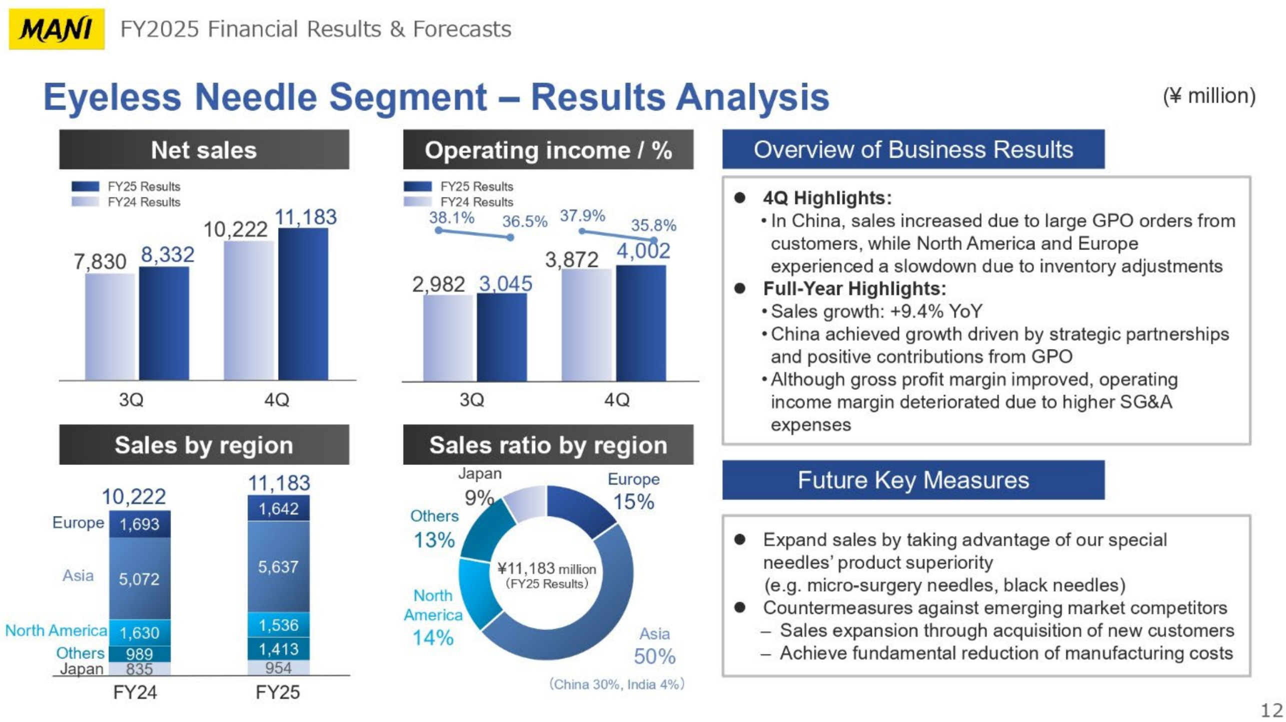


I would now like to explain the financial results by segment: the upper row shows net sales, while the bottom row shows operating income. We will be looking at the results for each segment, starting with the Surgical segment.



In the fourth quarter, we saw strong sales in North America due to the partnership with MST, Microsurgical Technology. We achieved growth on a full-year basis, as sales increased by 13.8% year-on-year. Simultaneously, profitability improved due to price optimization and cost reductions.

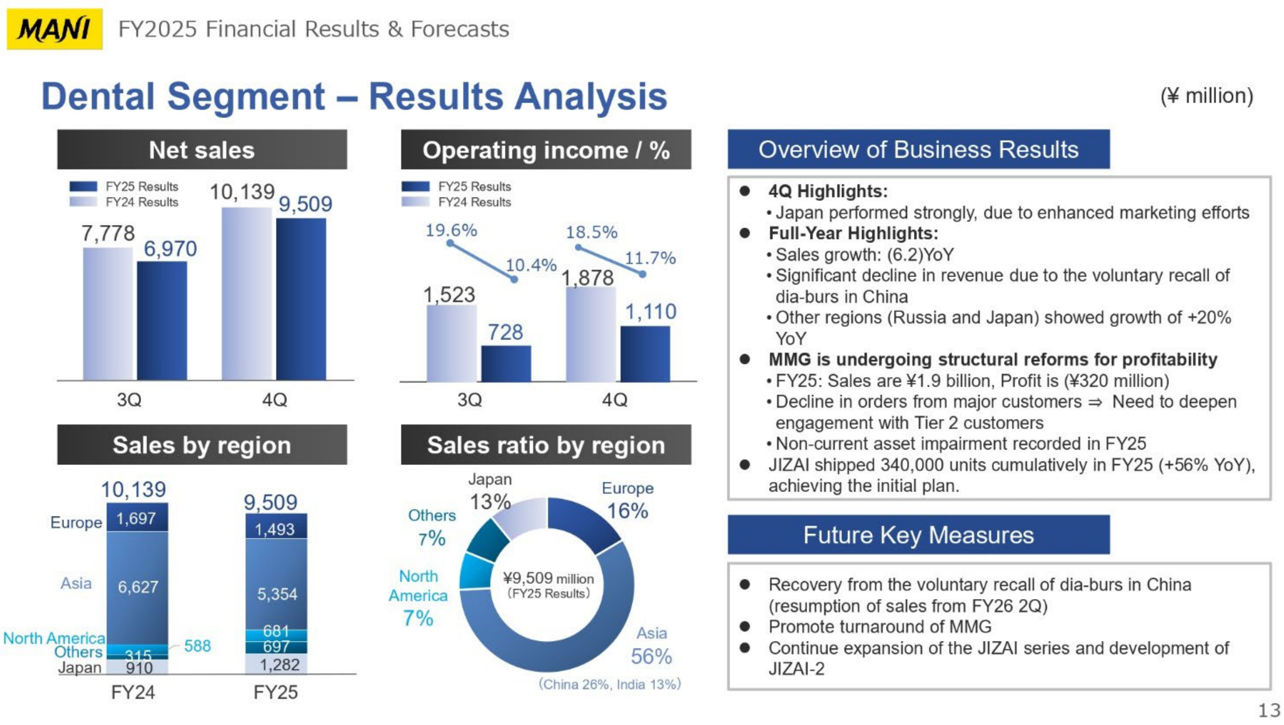
Going forward, we want to operate our business globally—in the United States, China, Europe, and Asia.



Regarding the Eyeless Needle segment, in the fourth quarter, sales increased due to orders from suture manufacturer customers in China that acquired a contract through GPO. Including this, we registered a year-on-year sales growth of 9.4%.

Profit was down slightly. Although gross profit improved, selling, general, and administrative expenses increased by a greater amount, resulting in a slight decline in profit.

In terms of future key measures, we will expand sales in the high-end segment by leveraging our special needles' product superiority, for example, micro-surgery and black needles. Lastly, we will also work to achieve a reduction in manufacturing costs and enhance competitiveness amid increasing competition with emerging market players, particularly manufacturers in India.



Regarding the Dental segment, despite a strong performance in Japan, the Dental Segment saw a year-on-year sales contraction of 6.2%.

Additionally, our dental restoration material business at MMG, our German subsidiary, recorded an operating loss of 320 million yen. This, in turn, led to the impairment of non-current assets at MMG.

JIZAI continued seeing steady sales growth, with 340,000 units shipped cumulatively in Fiscal Year 2025 and exceeding 200 million yen in sales. That said, we view these results as merely a checkpoint on the way to new heights, so we will continue sales promotion efforts going forward.

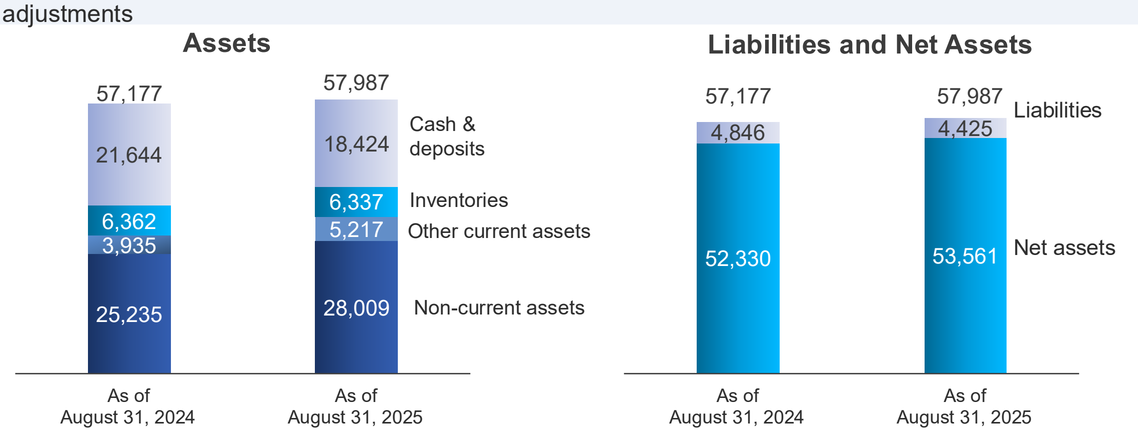
We position a robust recovery in dia-bur sales in Fiscal Year 2026 as a key target.

MANI FY2025 Financial Results & Forecasts

Balance Sheet Status

(¥ million)

- **Maintained strong equity capital**
  - Cash & deposits decreased due to investments related to the Hanaoka Factory
  - Non-current assets +¥2,774 million: While an impairment loss occurred at Germany MMG, there was an increase in buildings and structures at the Hanaoka Plant
  - Net assets +¥1,231 million: Due to an increase in retained earnings and foreign currency translation adjustments



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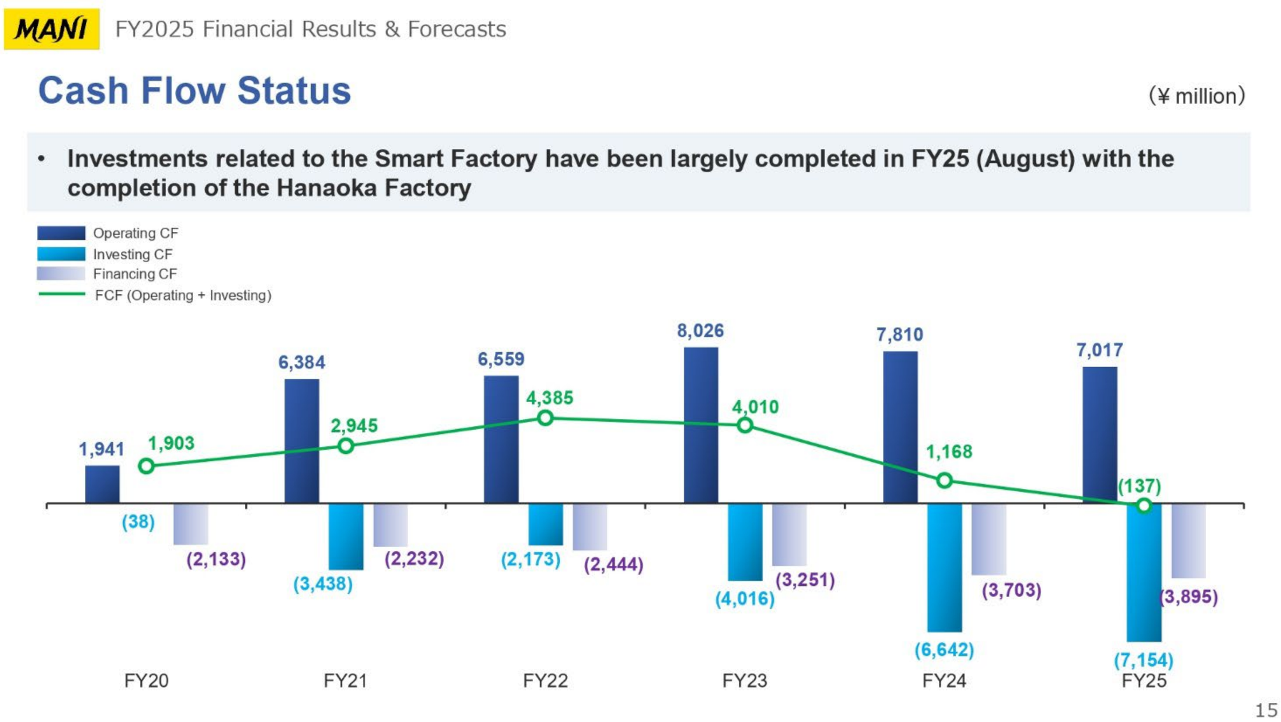
Cash and deposits decreased on the balance sheet due to the completion of the Hanaoka Factory, resulting in an accompanying increase in non-current assets.

Please refer to page 14 for other balance sheet items and details.



We recorded a cash inflow of 7.017 billion yen from operating activities, accompanied by a cash outflow of 7.154 billion yen from investing activities.

Operating cash flow was down on a year-on-year basis due to the payment of consumption tax related to completed construction at the Hanaoka Factory. This amount will be reimbursed to us next fiscal year, so when you factor this in, operating cash flow was mostly in line with the prior year's results.

MANI FY2025 Financial Results & Forecasts

Consolidated Financial Forecasts (FY2026)

(¥ million)

- **Recovery from the voluntary recall of dia-burs in China:** Full-lineup sales to resume from FY26 2Q
- **First year of the new mid-term plan:** Aiming for FY29 targets of ¥45 billion in sales and 32% operating income margin, with a focus on growth strategies and business reinforcement.
- **Strategic initiatives:** Business investments (e.g., U.S. operations, new product development) and strengthening the management foundation (e.g., regulatory affairs, SCM, BPR/DX)

	FY25 Results	FY26 Forecasts	Changes in Amount (C=B-A)	Changes in % (C/A)
Net sales	29,968	**32,800**	2,832	+9.4%
Cost of sales [%]	10,650 [35.5%]	**11,400 [34.8%]**	750	+7.0% [(0.7%)]
SG&A expenses [%]	11,124 [37.1%]	**12,200 [37.2%]**	1,076	+9.7% [+0.1%]
Operating income [%]	8,193 [27.3%]	**9,200 [28.0%]**	1,007	+12.3% [+0.7%]
Ordinary income	8,271	**8,950**	679	+8.2%
Net income	4,643	**6,450**	1,807	+38.9%

FY26 Forecasts	1USD=¥143.00	1EUR=¥161.00	1CNY=¥20.00	1INR＝¥1.70
FY25 Results	1USD=¥148.91	1EUR=¥163.62	1CNY=¥20.63	1INR＝¥1.74

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Next, I would now like to explain the consolidated financial forecasts for fiscal year 2026.

We are guiding for 32.8 billion yen in net sales, which is a year-on-year increase of 9.4%. The operating income guidance is 9.2 billion yen, which corresponds to a margin of 28%, and lastly, we are targeting 6.45 billion yen in net income. We position Fiscal Year 2026 as the first fiscal year of the recovery from the dia-burs recall, as well as the first of the four fiscal years that make up our new Medium-Term Management Plan 2029. MANI will carry out initiatives to enhance our business and delivery growth.

I will be going over the details during my explanation of the Medium-Term Management Plan 2029, but broadly speaking, we are targeting 45 billion yen in organic growth and an operating income margin of 32% by Fiscal Year 2029. MANI's management team's commitment this year is to sow the seeds we believe will ultimately allow us to achieve these goals.

That said, these targets require a variety of upfront investments, and this is expected to weigh on profits somewhat. The execution of strategic initiatives like business development and strengthening the management foundation is expected to have an impact of approximately 2 percentage points. Including these various initiatives, we want to build a robust foundation during the first two years so that we can drive growth.

Financial Forecasts by Segments (FY2026)

(¥ million)

	Items	FY25 Results	FY26 Forecasts	Changes in Amount	Changes in %
Surgical Products	Net sales	9,274	10,150	+876	+9.4%
	Operating income	3,080	3,350	+270	+8.8%
	Operating income margin	33.2%	33.0%	-	(0.2%)
Eyeless Needle Products	Net sales	11,183	11,600	+417	+3.7%
	Operating income	4,002	4,150	+148	+3.7%
	Operating income margin	35.8%	35.8%	-	0.0%
Dental Products	Net sales	9,509	11,050	+1,541	+16.2%
	Operating income	1,110	1,700	+590	+53.1%
	Operating income margin	11.7%	15.4%	-	+3.7%

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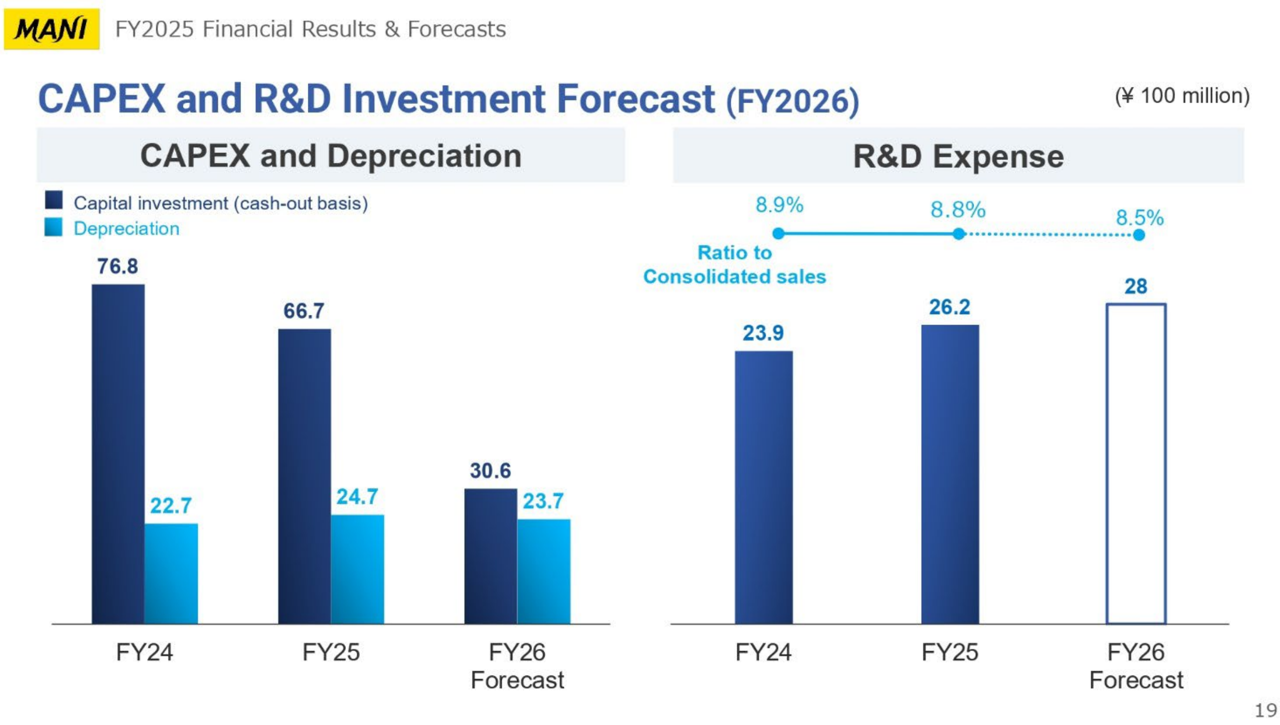
As shown here, we are guiding sales and profit increases across all three segments.

Specifically, while we do expect the rate of growth to slow down in the Surgical and Eyeless Needle Segments, growth in the Dental Segment is expected to make up for this, driven by a recovery in dia-bur sales, the launch of JIZAI, and further market expansion in Japan. All in all, we expect the overall portfolio to grow by just under approximately 10%.



Now that we have completed construction of our Smart Factory, we are guiding for 3 billion yen in capex on a cash basis in fiscal year 2026. We believe this amount represents what could be termed cruising altitude when it comes to the baseline for capex investment.

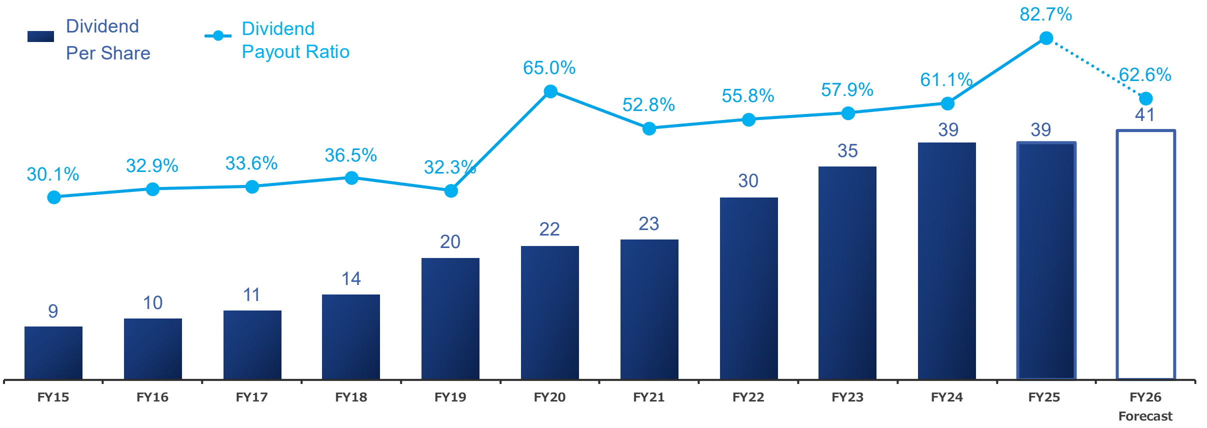
MANI will continue targeting 8.5% in R&D expenses.

FY2025 Financial Results & Forecasts

Dividends Forecast (FY2026)

(Unit: ¥)

- **No change from the FY25 dividend forecast. Steady dividend increases will be executed based on the financial management policy set in the FY29 mid-term plan.**
  - FY2025 Year-end dividend: decided to pay ¥23 (Annual dividend: ¥39 per share)
  - FY2026 Annual dividend forecast is ¥41 per share (interim dividend: ¥17, year-end dividend: ¥24)



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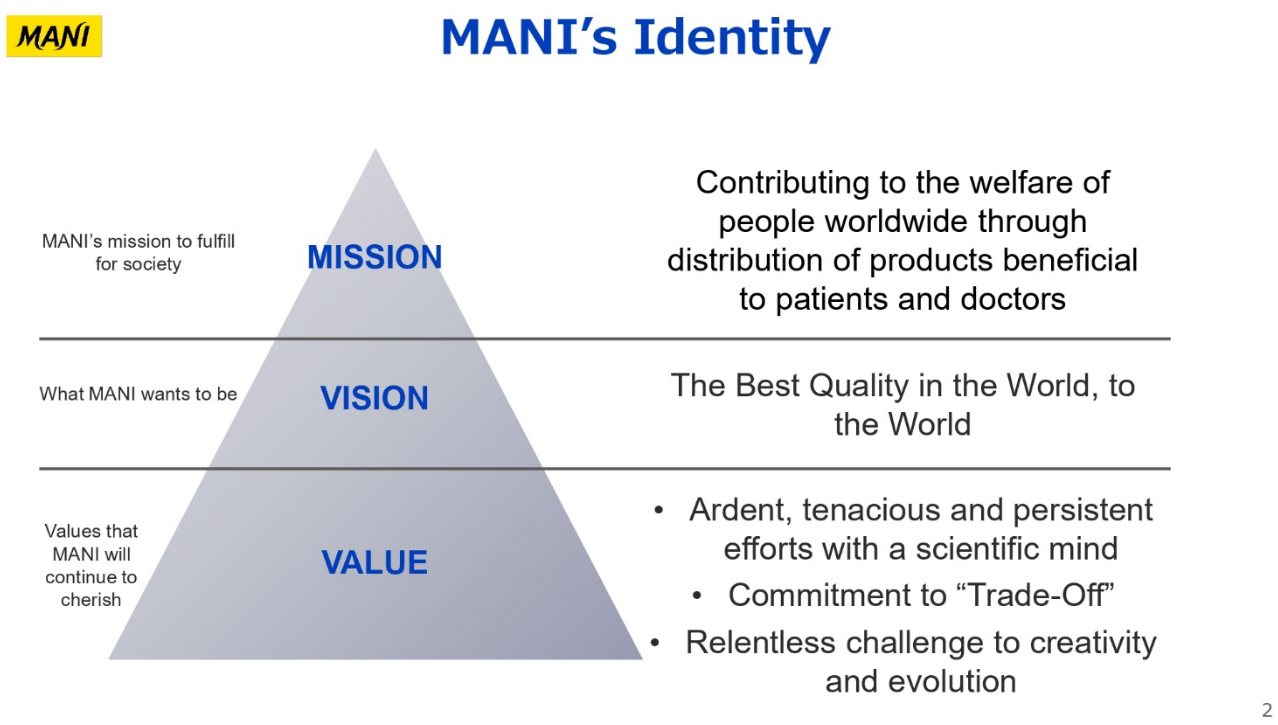
The annual dividend forecast for fiscal year 2026 is 41 yen per share, up 2 yen per share from the prior year.

This concludes our overview of the financial results for Fiscal Year 2025.

Next, I would like to explain the medium-term management plan.



Let's start by defining MANI's identity. As we have discussed in the past, our vision is that of becoming a company offering "The Best Quality in the World, to the World."

Allow me to introduce our new management team: here, the upper row shows our roster of Managing Executive Officers. Mr. Takayuki Yamamoto has assumed the position of Managing Executive Officer, CFO, and Office Head of the Corporate Planning Office.

The bottom row shows our roster of Administrative Officers. Here, we welcome Doctor of Dental Medicine Ms. Keiko Yamamura, in the role of Senior Medical Officer.

Performance Trends

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

	FY25 Mid-Term Plan					
	FY21	FY22	FY23	FY24	FY25	Initial Target
	Actual	Actual	Actual	Actual	Actual	FY26
Net sales	172	204	245	285	300	300
Operating income	53	62	72	84	82	100
ROE	11.3%	12.5%	12.5%	12.3%	8.8%	12%
Exchange rate (USD/JPY)	¥107.1	¥121.7	¥138.6	¥150.8	¥148.9	

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Let's start with a review of the fiscal year 2025 Mid-Term Plan.

The table on page 5 shows the results over the past 4 years. Net sales grew at a CAGR of 15%, going from 17.2 billion yen to 30 billion yen between fiscal years 2021 and 2025. This was accompanied by operating income growth, which we position as a resounding success.

As we communicated back in January this year, we achieved our net sales target of 30 billion yen a year ahead of schedule.

We completed this four-year plan and are now initiating a new four-year plan running through fiscal year 2029.

MANI

Development of New Products

	JIZAI NiTi Rotary File 	Vitreous Forceps 
Strengths / Business Goals	● Excellent root canal centering ability, flexibility, and durability ● Achieved market share equivalent to hand files (20%)	● Tip of the forceps have excellent gripping strength ● Global market share: Over 20%
FY25 Mid-Term Plan Results	● Launched in February 2020 (Japan) ● Added new file to the lineup in September 2024 ● Expanding to major markets (regulatory approval pending in China) ● Establishing the optimal treatment protocol with KOLs	● Launched in April 2023 (27G, Japan) ● Acquired MDR certification in Europe ● Added 25G to the lineup ● Product Improvements (Better user experience)
FY29 Mid-Term Plan	● Additional product lineup (JIZAI-2) ● Mass production at the Smart Factory (from 2027) ● Significant improvement in cutting and operability with new materials (JIZAI-3)	● Launch mainly in Japan, Europe, China ● Develop production technology at the Smart Factory

(Note) KOL: Key Opinion Leader

New product development: Foster JIZAI and vitreous forceps as main products
New product sales target as of FY29: ¥3 billion (including other new products)

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I will be going over the key initiatives and progress in their execution, as well as discussing several initiatives to be carried out within the Fiscal Year 2029 Mid-Term Plan. Over the course of the Fiscal Year 2025 Mid-Term Plan, we focused on our JIZAI nickel titanium rotary file—in the Dental Segment—and our vitreous forceps, as main flagship products.

We have shipped a total of 340,000 JIZAI units. This still represents a minuscule global market share of only 1%, so we will work to grow sales, expand our reach, and improve our product’s competitiveness. We will also focus on gearing up mass production at MANI’s Smart Factory.

MANI launched its vitreous forceps in April 2023, which we continue refining based on feedback from doctors. We will begin shipping this new and improved version in February of 2026, and at last fully catalyze operations in this business.

Going forward, we will continue nurturing these two as main lines in MANI’s product portfolio, and we set a new product sales target of 3 billion yen to be achieved by the end of fiscal year 2029.

MANI Dental Restoration Material Business (MMG)

Strengths / Business Goals
- Compatible with customization, easy to create color tones and shapes, small lot production
- High aesthetics
- Contributes to strengthening dental business portfolio

FY25 Mid-Term Plan Results
- 2015: Acquired Schütz Dental
- 2018: Sold sales subsidiary and began specializing in development and manufacturing
- 2023: Changed company name to MMG and began operation at the new factory
- OEM business for private brands leads
- Develop and expand products as MANI brand in Vietnam, India, Europe (DACH)
- Asset optimization through impairment loss in FY25

FY29 Mid-Term Plan
- Improve profitability in FY26
- Expand sales by OEM business and MANI brand
- Building our strengths by leveraging our R&D capabilities

MMG's New Head Office Factory (Germany)

Turn around from a loss-making situation and get back on the growth track
Sales: ¥1.9 billion (FY25) → ¥4 billion (FY29)

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Next are the results and plans for MMG, which is our subsidiary in the Dental Restoration Material Business. MMG offers extensive customization options and highly aesthetic products, thus contributing to strengthening MANI's dental business portfolio.

Unfortunately, MMG has posted two consecutive years of losses, so we will work to turn around from this loss-making situation as soon as possible. As we work to grow sales, we will expand our OEM business and business under our own MANI brand. In terms of geographical reach, we seek to expand in Vietnam, India, and in the DACH region in Europe.

We also want to further leverage our R&D capabilities and are ultimately targeting 4 billion yen in sales in fiscal year 2029.

MANI

Global Production System

Begin production at our 2 main production bases from 2025

Smart Factory (Hanaoka Factory)
Production technology development/ new product launch
Rolling out to Vietnam and China as the mother factory

- Building completed in January 2025
- Mass production starts in 2026
  Sequential launch: Ophthalmic knives, JIZAI, vitreous forceps, etc.

Vietnam Factory
Main production base
High-quality and low-cost manufacturing

3,300 employees (as of August 2025)

Establish new factory in China (production will start in 2028)

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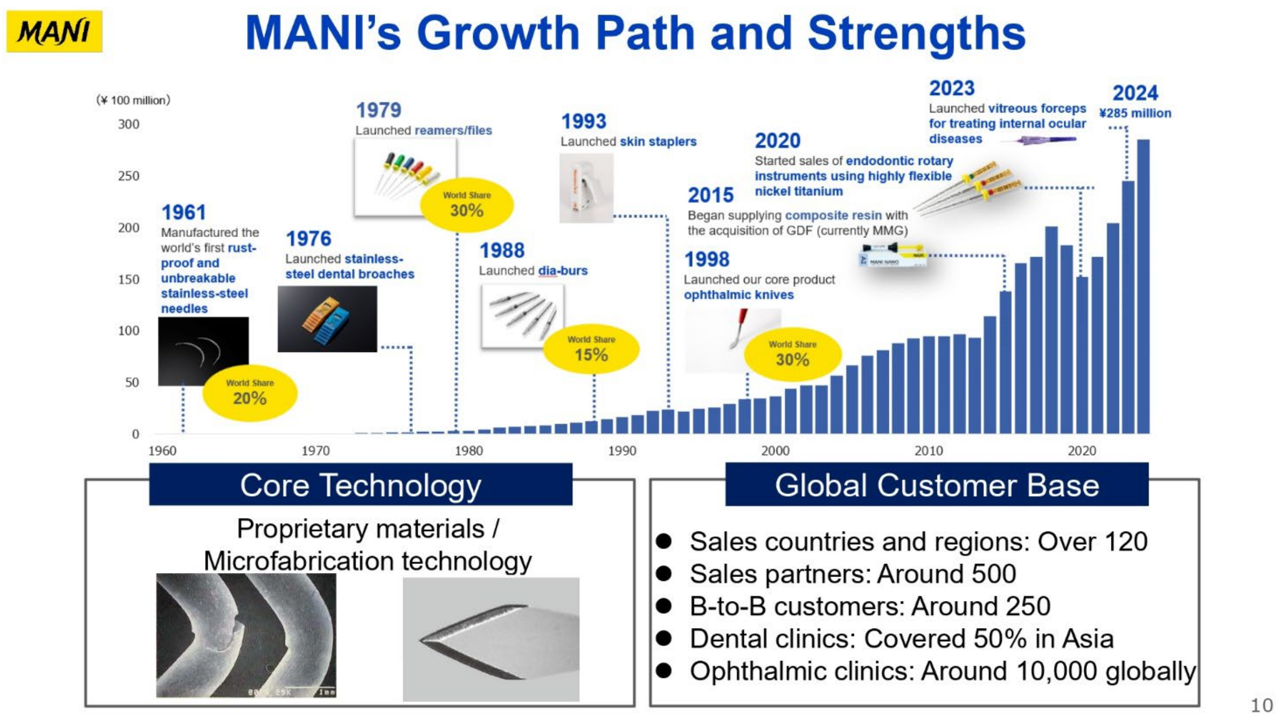
In terms of our production system, construction of our Smart Factory was completed in January 2025. We position the Smart Factory as the mother factory and the Vietnam Factory as our mass production base. In summary, we will establish a two-base production system.

Mass production of ophthalmic knives is scheduled for 2026, and for JIZAI and our vitreous forceps in 2027.

Lastly, we will be establishing a new factory in China, primarily to respond to the trend toward domestic production. Production is scheduled to start in 2028.

China’s State Council recently announced clear directives concerning requirements to have local production bases in China, so these are now really starting to become increasingly strict. MANI will follow these requirements in the Chinese market, starting with the product category of ophthalmic knives, and this is the rationale behind this new planned factory in the country.



Now, I would now like to give you an overview of the Fiscal Year 2029 Mid-Term Plan. The vertical bar chart chronicles MANI's sales over time since the company's founding. One of our competitive advantages is the fact that we are a company with very strong R&D capabilities, which have allowed us to build up core technologies consisting of proprietary materials and advanced microfabrication technology. We also have the requisite infrastructure and capability to manufacture these products.

Second, over the course of selling our products, we have developed a very robust global customer base consisting of an extensive number of sales partners, B-to-B customers, and medical institutions in both the dental and ophthalmic fields. Going forward, we will be further leveraging these two key advantages to drive growth.

MANI

2026 Marks Our 70th Anniversary, Aiming to Become a Century-Old Company

Our Vision	**Become a trusted company that provides outstanding products and solve issues in medical practice**		
What will not Change	Commitment to being the Best in the World Global niche top strategy and trade-off management Achieve high profitability		
What will Change	Product-out	⇨	Solving issues in medical practice
	100% in-house principle	⇨	Use of strategic alliances, M&A Improve business speed
	Operations centered in Japan	⇨	Global management

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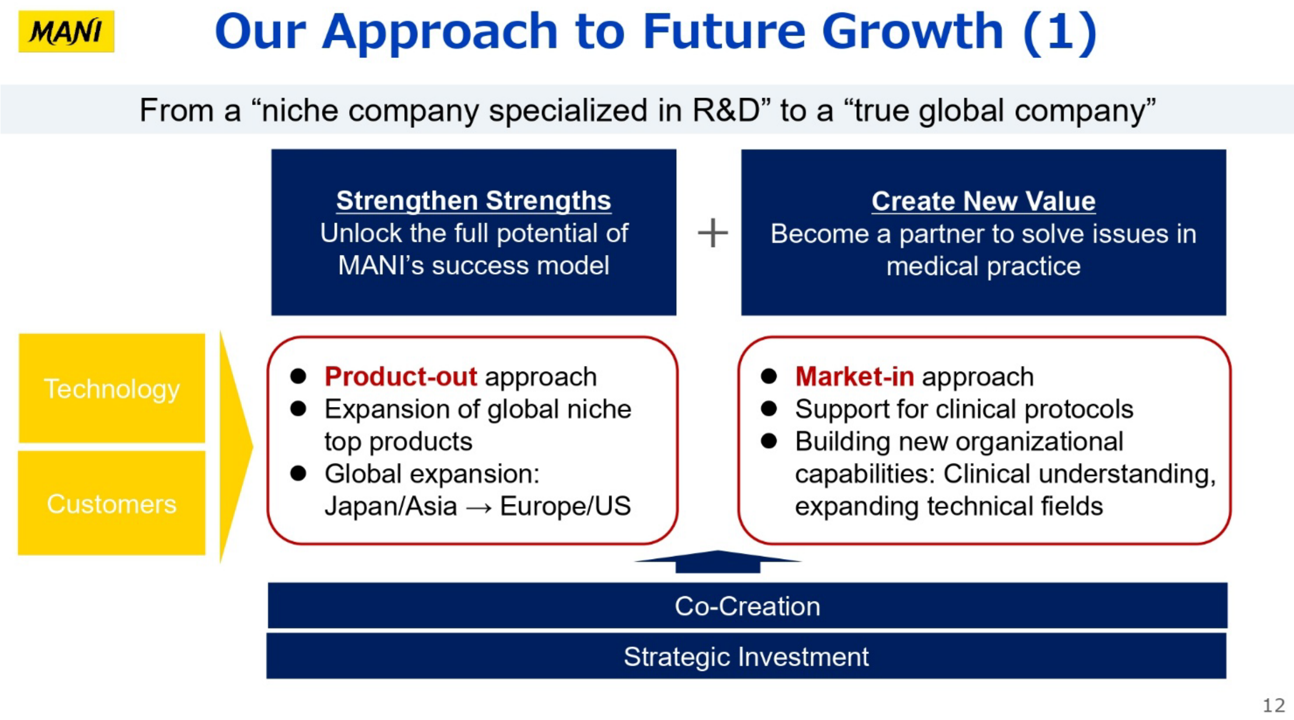
2026 marks our 70th anniversary. MANI aspires to become a century-old company, so the process of formulating the new Mid-Term Plan involved working backwards from this goal to determine the company’s ideal growth trajectory going forward.

Specifically, our vision is to "become a trusted company that provides outstanding products and solves issues in medical practice.”

That said, what will not change is our "commitment to being the Best in the World," our “Global niche top strategy and trade-off management,” and our efforts to "Achieve high profitability."

Lastly, we have identified three areas we need to change. First is our product-out strategy. Here, we need not just to offer the best quality but also to solve issues in medical practice together with doctors. Second, we are transitioning from a 100% in-house principle to using strategic alliances and M&A to improve business speed. Third, we will further enhance our global management efforts.

In summary, we have identified areas we won’t be changing and areas that would benefit from changes.

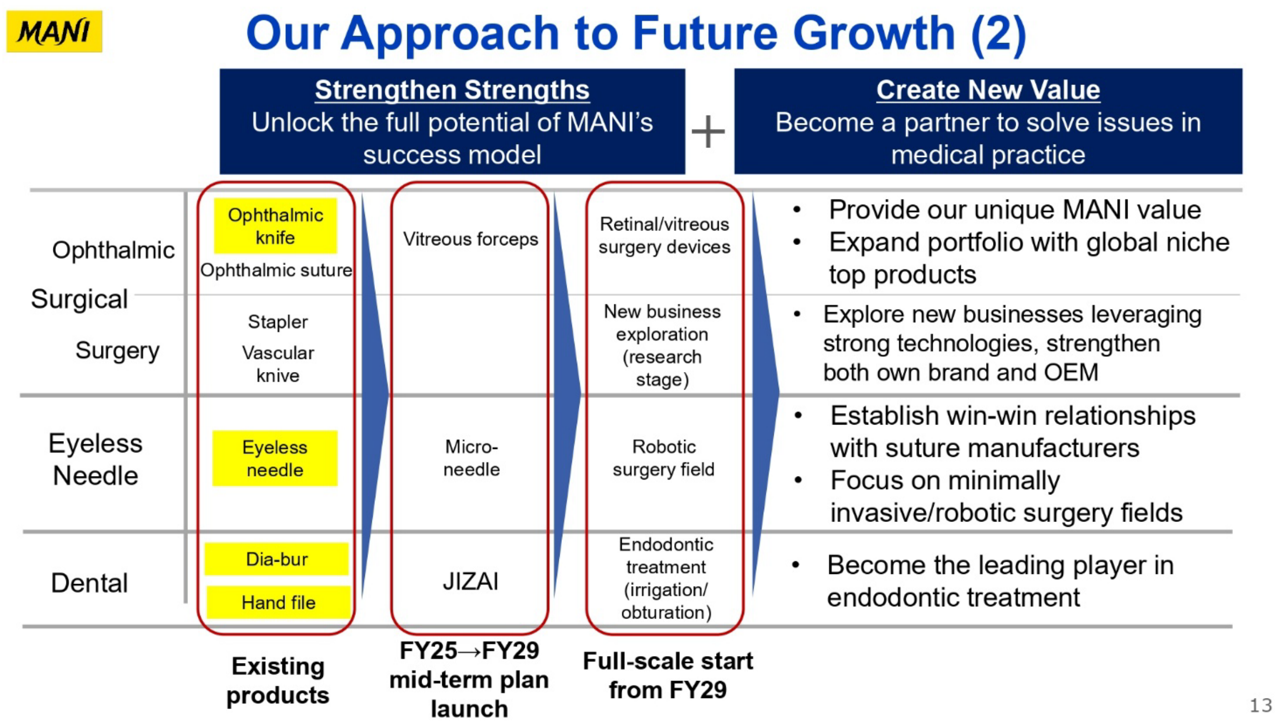


Allow me to flesh out our approach in greater detail. Broadly speaking, our intended trajectory is going from a "niche company specialized in R&D" to a "true global company." To achieve this, we will be enhancing our strengths, unlocking the full potential of MANI's success model.

We will be doing this both on the product front, as well as in terms of regional expansion.

Second, we will be creating new value by becoming a partner to solve issues in medical practice. Within this, we will work to gain a deeper insight into clinical applications and solve our clients' issues in medical practice. In the technical domain, we specialized in the technical process of shaping and coating the wiring used in these instruments, and we now seek to broaden our scope into other areas.

In summary, ambidextrous management is our target here, and this requires co-creation efforts with our clients and partners, and strategic investment.



Here is a breakdown of this strategy for each business domain. On the product front, we have listed existing and planned products across our three core segments. Note our blockbuster products highlighted in yellow: ophthalmic knives, eyeless needles, dia-burs, and hand files; and which have driven MANI's growth over time.

The section in the center shows the product lines we will be adding to our portfolio over the course of the new Mid-Term Plan through Fiscal Year 2029. Then, further to the right are our plans for the full-scale start from fiscal year 2029 of new R&D and business operation efforts. In summary, we want to expand MANI's product lineup.

The column on the right-hand side details the various ways we will contribute to solving issues in medical practice.

In the ophthalmic category, we will provide our unique MANI value with global niche top products.

In the domain of surgery, we believe we can explore further businesses leveraging our technologies in this area.

In terms of eyeless needles, we can establish win-win relationships with suture manufacturers and also focus on robotic surgery—which is expected to grow as a field going forward.

Lastly, in the dental segment, we aim to become the leading player in endodontic treatment.

In summary, we have a two-pronged strategy to offer new value.

Key Policies

1	Further expand global market share by leveraging product advantages Strengthen MANI-style 'monozukuri' capabilities (development and production) as an R&D driven company
2	Expand business to solve issues in medical practice using core technology Plant the seeds for Beyond 2029
3	Strengthen the management foundation in line with MANI's scale expansion Develop and secure human capital to implement growth strategies
4	Strategic business development, including the utilization of alliances and M&A

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

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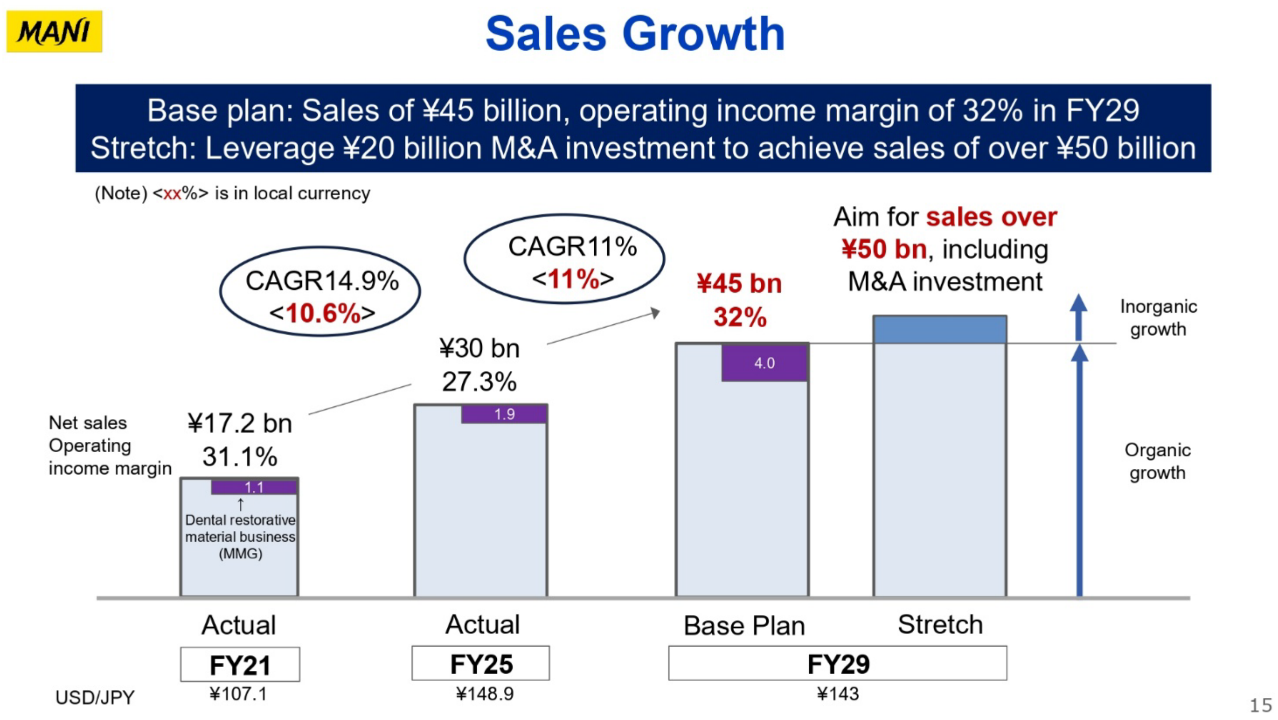
We have formulated 4 key policies, as announced back in January.

First, we want to achieve the full potential of our core businesses. Second, we want to deliver new value.

To achieve this, as outlined in key policy number 3, as we grow the scale of our business—eventually reaching 50 and 100 billion yen in sales—we need to have in place a management foundation in line with this expansion. Concurrently, we also need to secure and develop human capital.

Fourth, we will utilize alliances and M&A.



Our base plan for fiscal year 2029, which is the final year of the new Medium-Term Management Plan, is 45 billion yen in net sales and 32% in operating income margin. We achieved a CAGR of 14.9% over the past 4 years, in part driven by a weaker yen. On a local currency basis, the CAGR was 10.6%.

The strategy going forward is to continue aiming for a strong CAGR, but, as I'll be going over in a moment, we believe we need a new playbook to make sure we remain competitive in this new business climate.

We have also earmarked 20 billion yen for M&A investment to drive inorganic growth. Last time, we mentioned a sales target of over 50 billion yen, and we have since broken this into a base plan and a portion attributable to inorganic growth.

Performance Targets

	FY25	FY29 Base Plan
Net sales	¥30 bn	**¥45 bn**
Operating income [%]	¥8.2 bn [27.3%]	**¥14.5 bn [32%]**
Net income	¥4.6 bn	**¥10.5 bn**
EBITDA	¥10.7 bn	**¥18 bn**
FCF	(¥1 bn)	**¥11.5 bn**
Operating CF	¥7 bn	**¥13.5 bn**
Investment CF	(¥7.1 bn)	**(¥2 bn)**
ROE	8.8%	**16%**

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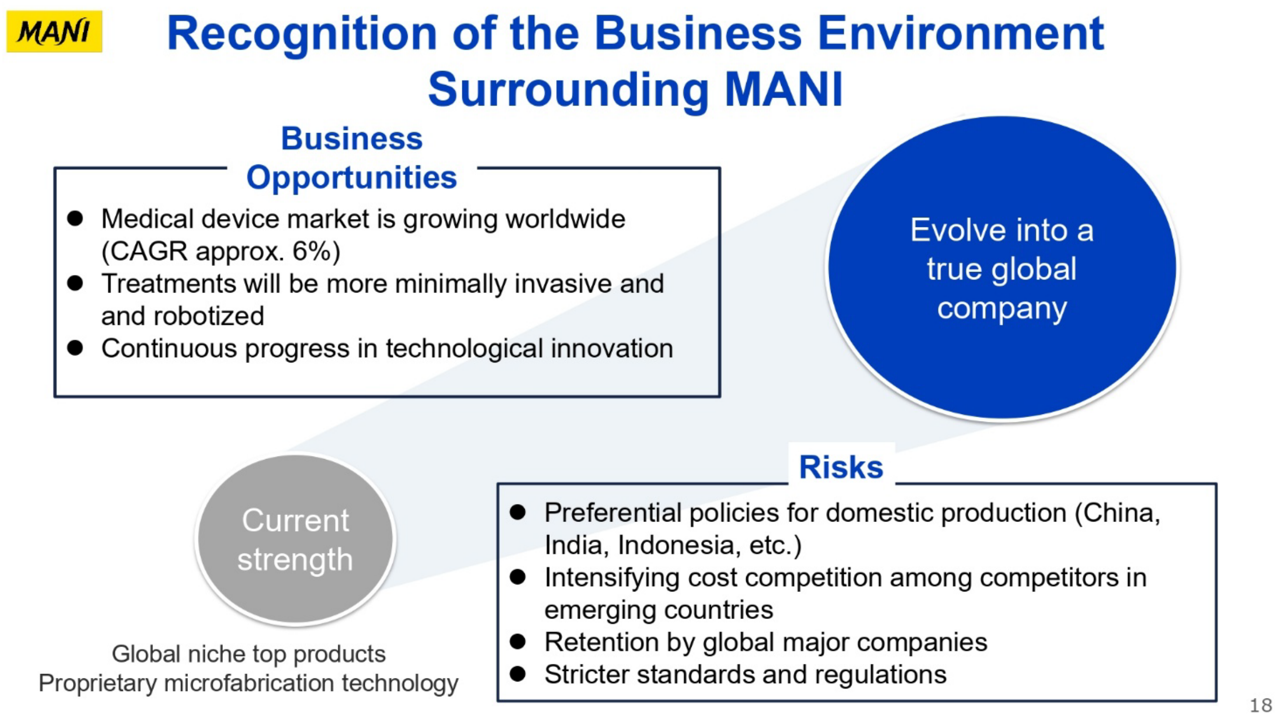
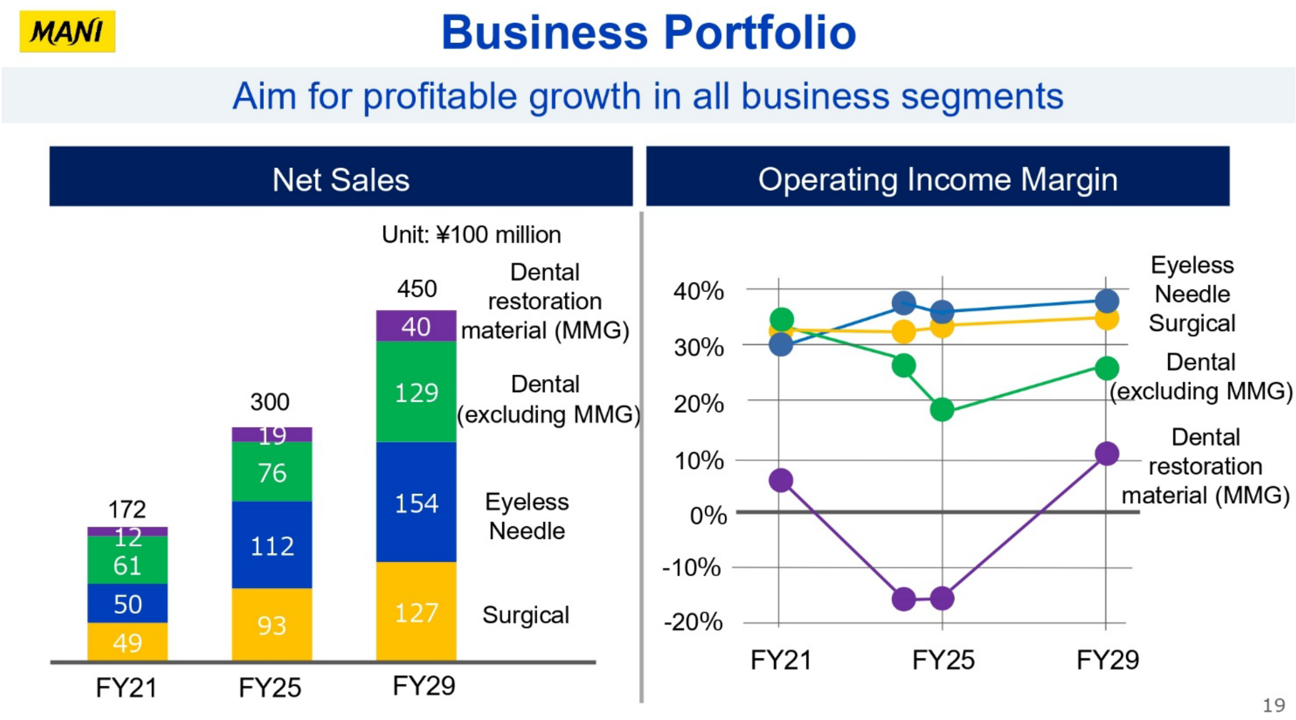
This table contains our base plan for Fiscal Year 2029. We are guiding 45 billion yen in net sales, 32% in operating income margin, 18 billion yen in EBITDA, and an ROE of 16%.



I would now like to go over the details of our business strategy.

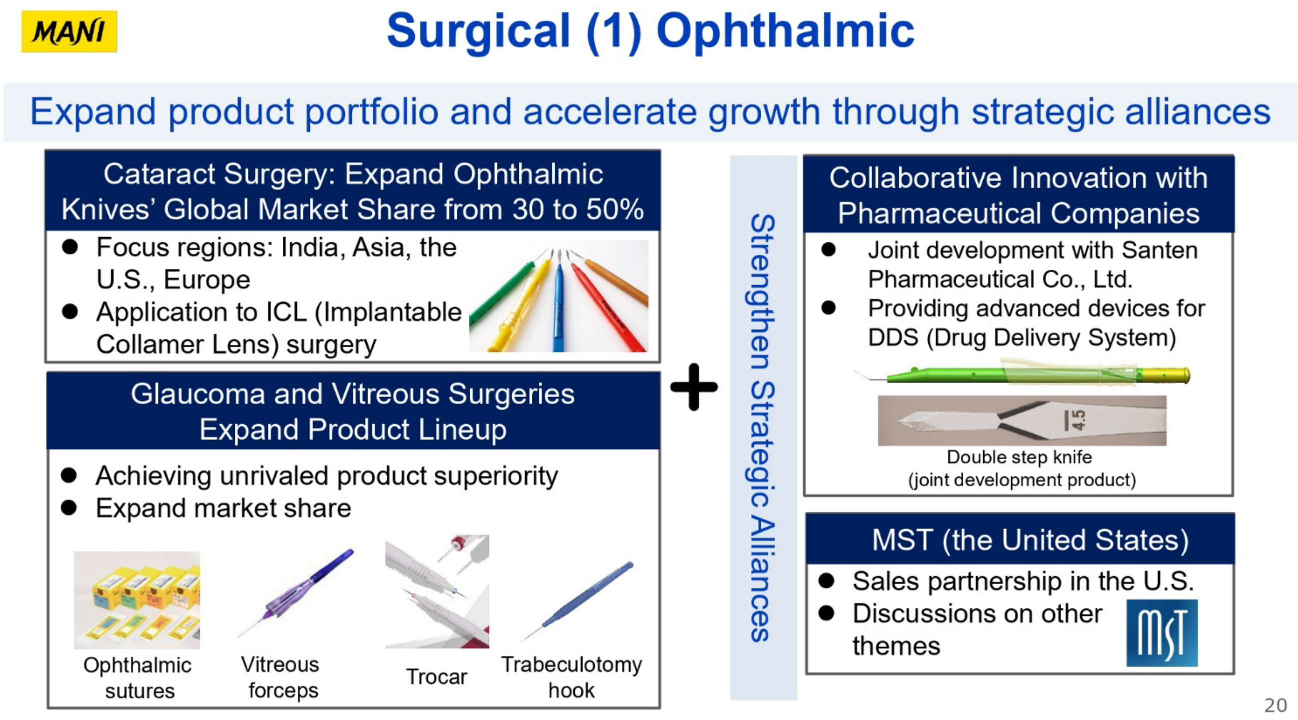
There have been significant changes in the business environment, and this shift brings with it both opportunities and risks. We must address a number of risks, such as preferential policies for domestic production in China, India, and Indonesia, and intensifying competition in emerging countries.



MANI's portfolio consists of three business segments and the Dental Restoration Material business. We want to achieve greater profitability and grow these businesses.

The line graph on the right shows the operating income margin for each business over time. Specifically, we are targeting a mild increase in margins in the Eyeless Needle and Surgical segments, and a recovery in the Dental Segment to pre-recall levels.

Lastly, we hope to turn things around in the Dental Restoration Material segment and achieve an operating income margin of 10%.



Let's now look at the various product categories within each segment.

First are ophthalmic products within the Surgical segment. Here, we will expand our product portfolio and accelerate growth through strategic alliances and joint efforts.

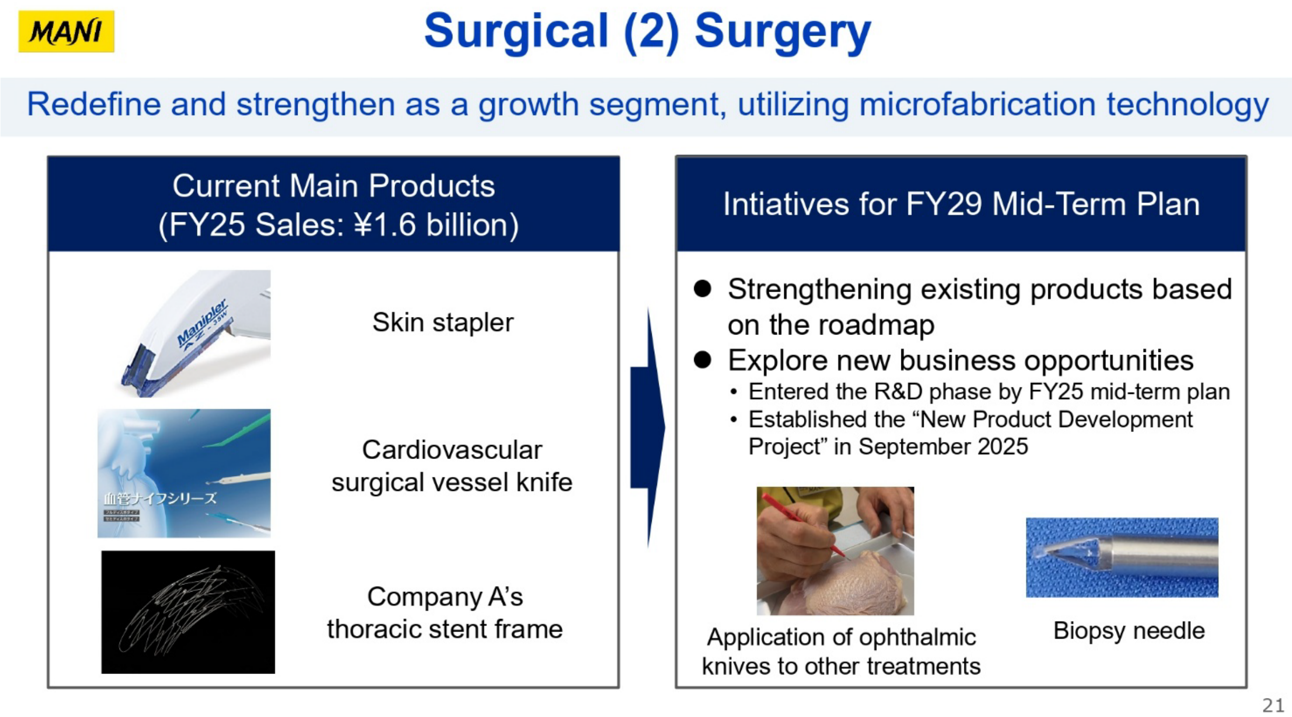
Additionally, we offer solutions for the treatment of a number of ailments, with a special focus on surgical devices used by top-tier players in the ophthalmic field. We want to lean in on this through new business models, involving, for example, kit solutions.

Ophthalmic knives are our core products, and we are aiming to grow our global market share from 30% to 50% in this category. We estimate our current global market share at around 35%, and we will work to further increase this number by expanding our focus regions and the types of surgeries we offer products for.

MANI already ships a variety of instrument lineups—shown here on the bottom row. We want to leverage MANI's technical competitive advantage to add new lineups to our roster, such as glaucoma hooks.

The second prone of our strategy is the use of strategic alliances. Within this scope, we already offer a double step knife product jointly developed with Santen Pharmaceutical Co., Ltd. for use in their InnFocus drainage tube for glaucoma surgery.

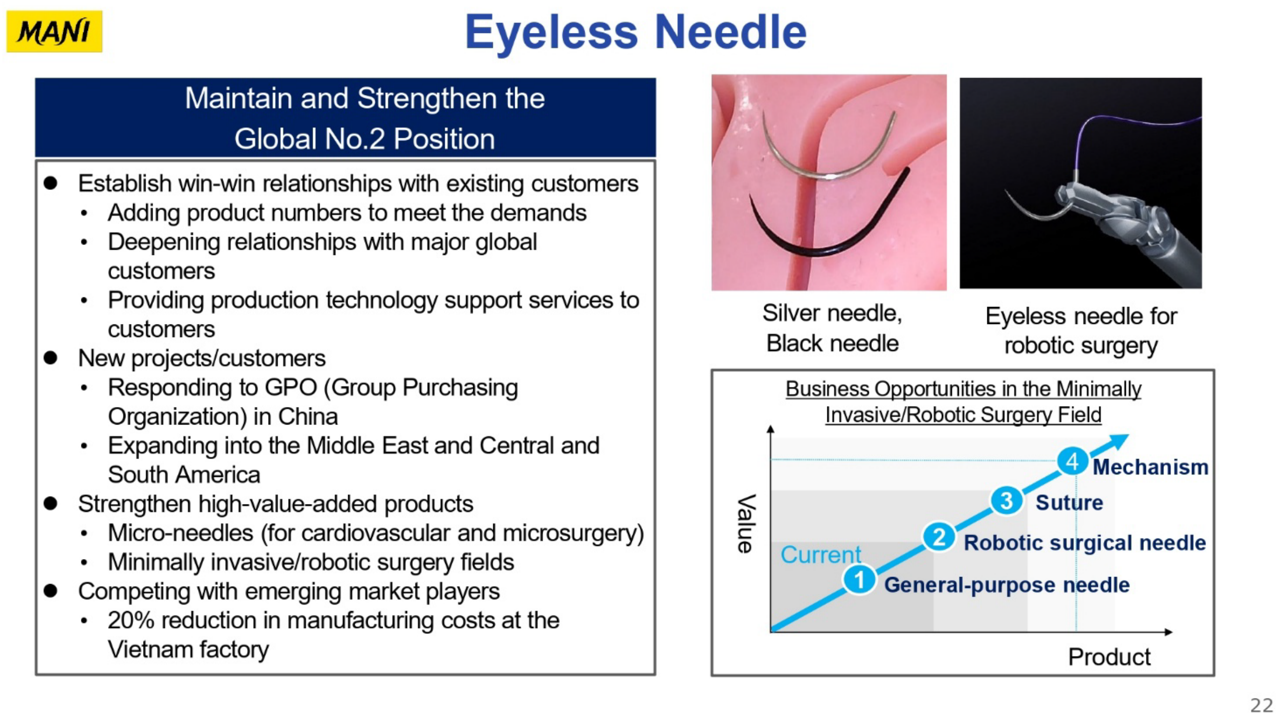
We are also in talks with other pharmaceutical companies about potential drug delivery projects. MANI currently has a sales partnership in the U.S. with MST, and discussions on other themes are ongoing. In summary, we intend to continue leveraging alliances in an intelligent manner.



General surgery is the second category in the Surgical Segment. Our current main product lineup is shown here on the left.

We want to leverage our microfabrication technology for devices useful in medical and surgical settings. Consequently, we will be focusing on business opportunities and enhancing our presence in this domain. We had a few projects in the R&D stage, so we now want to accelerate development on this point toward the commercialization of new products within new businesses.

These include the application of ophthalmic knives to medical fields and developing biopsy needles for diagnostic use, as well as addressing other areas with unmet medical needs.



MANI currently holds the number two position in the global market for eyeless needles, and we will work to maintain and strengthen our position. Within this scope, we want to establish and maintain win-win relationships with suture manufacturers.

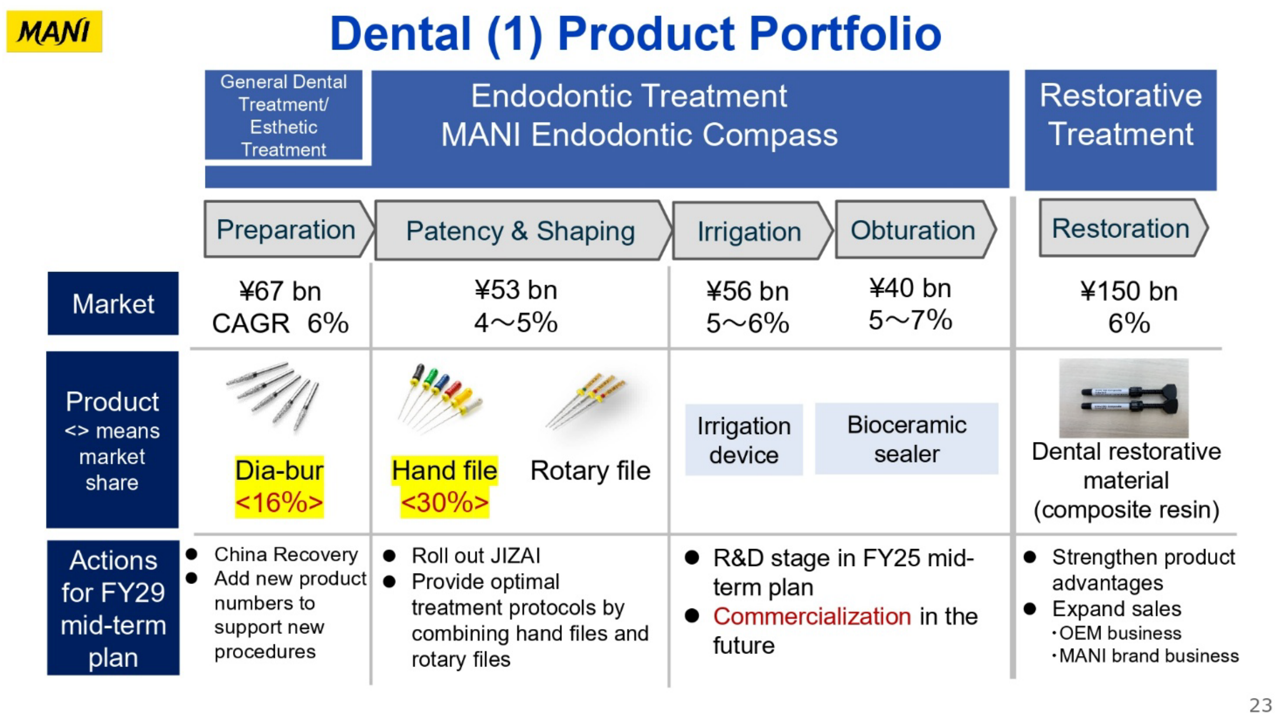
This includes adding product numbers to meet demand, deepening relationships with major global customers with vertically integrated frameworks.

In terms of new opportunities, China's GPO framework is progressing, and since we are conducting business with domestic suture manufacturers, the move toward domestic production is expected to act as a tailwind for us.

Another strategy here is strengthening high-value-added products such as micro-needles and products for robotic surgery. Allow me to direct your attention to the diagram on the right.

MANI currently offers general-purpose needles for use in robotic surgery, and we have identified further opportunities for expansion through the manufacture of specialized needles for robotic surgery and sutures, as well as mechanisms.

Lastly, we are guiding for a 20% reduction in manufacturing costs at our Vietnam factory and have already started a project to this end.



Next is Dental, where our operations can be divided into three sub-segments.

The first sub-segment is the product category of dia-burs, which is a ubiquitous class of foundational devices in the dental industry. Specifically, dia-burs are used in general and cosmetic dentistry procedures, as well as in root canal treatments. We will be adding new product numbers to support new procedures, in order to capitalize on the versatility of dia-burs and drive growth.

The second sub-segment is hand files, which are used in 4 processes within root canal treatment. Previously, I've communicated to stakeholders the ongoing shift from hand files to rotary files but allow me to give you some extra color on this. Specifically, dentists use both hand files and rotary files in root canal procedures. First, hand files such as MANI's proprietary D-Finder endodontic file are used to achieve patency, and then rotary files are used for shaping. In other words, we want to turn the fact we offer both types of files into a competitive advantage for our company.

In addition to patency and shaping, the endodontic treatment process also involves irrigation and obturation. MANI will be entering these markets, thus offering a fully integrated solution, which we have termed MANI Endodontic Compass.

The third sub-domain is dental restorative treatment through MMG.

MANI

Dental (2) Expanding the Endodontic Treatment Portfolio

Unmet Needs in Endodontic Treatment

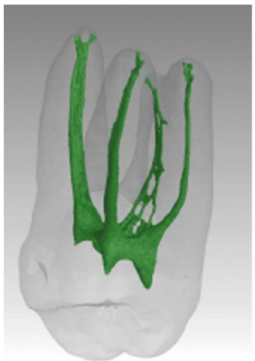
- Low success rate in difficult cases
  (Dealing with complex root canal morphology, risk of reinfection, retreatment of root canals)
- Limitations even with current precision treatment using microscopes
- Addressing unmet needs requires technological innovation

Aims of MANI Endodontic Compass

- In "Patency & Shaping," provide optimal treatment protocols by combining hand files and rotary files, contributing to improved clinical outcomes
- By entering the “Irrigation" and "Obturation" business areas, provide total solutions for endodontic treatment and help resolve unmet needs
- Utilize assets developed over the years (customers, sales channels) to become a trusted partner

Endodontic treatment

Aims to preserve teeth without extraction



Reference:
Endodontics Principles and Practice, 6th edition.
Mahmoud Torabinejad, DMD, MSD, PhD et. al.

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Allow me to give you a little bit more information about the endodontic treatment process. As you can see from the illustration, root canals are incredibly complex structures. It’s incredibly difficult to avoid the risk of reinfection during the endodontic treatment process, with a low success rate in difficult cases.

Addressing this is an example of an unmet need in endodontic treatment, and we are starting to focus on the possibility of offering new solutions in this area leveraging technical innovation.

Specifically, going back to what I said earlier, dentists combine MANI’s hand file and rotary file products to achieve optimal treatment protocols within the patency and shaping stages of the endodontic treatment process.

The irrigation and obturation processes then determine the success of the overall treatment, so we want to start offering solutions in these areas, as well.

To this end, we will be leveraging existing business channels and our client base.

Now I would now like to discuss our global strategy, with a special focus on sales. We have formulated 3 key policies within our global strategy.

Our first policy is offering "The Best Quality in the World, to the World." Within this, we continue expanding the geographical scope of our operations, and we will be focusing on North America, Europe, and Asia during the Fiscal Year 2029 Mid-Term Plan.

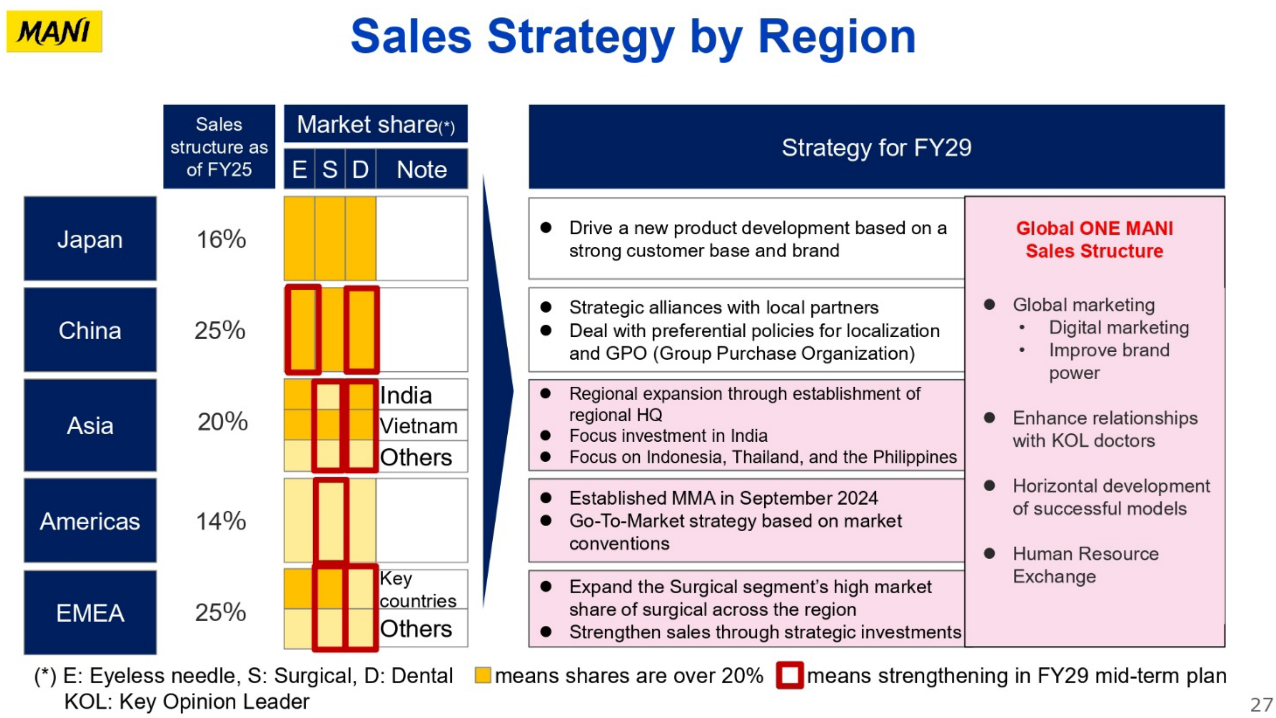
MANI already boasts a high market share in China and Japan, and we feel there is increasingly less and less room for growth in terms of existing product offerings in these regions. To counteract this, we will be launching new products.

Last, we position the Middle East, Central and South America, and Africa as our NEXT frontier, where we will be investing in the first half of the Fiscal Year 2029 Mid-Term Plan, and harvest the results in the second half. In summary, our first key policy is centered around achieving global coverage.

The second key policy is business development centered on a 5-region global system. Within this scope, we have already set up a Regional Headquarters in Asia, so that we can gain a vantage point closer to our clients.

The third key policy is in price competition. Here, we want to solidify the value of the MANI brand, so that doctors understand our strong quality proposition and the benefits of our products in a medical or clinical setting.

We have several options here, like strengthening our global KOL network and integrating clinical protocols. Digital marketing through online channels is particularly important these days. MANI has a good digital marketing presence in China; we will be working to replicate this in other regions globally, thus raising the value of our brand.

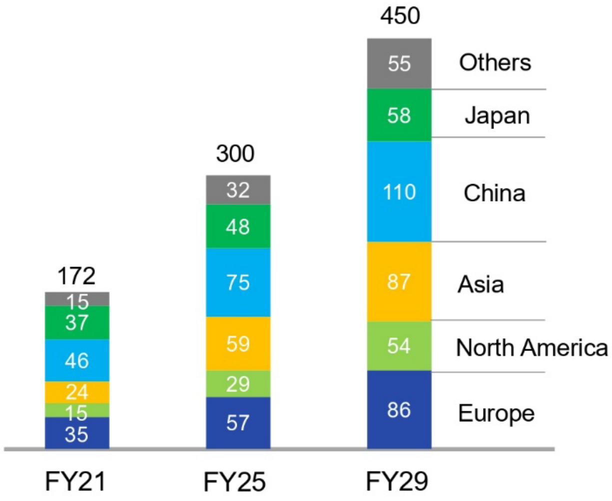


Next are the sales strategies by region. If you'll remember, this is the same table we showed back in January. The sections colored in orange represent regions where MANI boasts a high market share, and the thick red border indicates regions we will be focusing on during the Fiscal Year 2029 Mid-Term Plan. In short, the table on the right details the strategies for each region.

We also want to make progress in the adoption of Global ONE MANI as the company's sales structure. Up until now, our focus had been on optimizing operations on a region-by-region basis, but given the current scale of our business, we feel it would be beneficial to integrate global marketing and branding functions, personnel functions, and replicate success models throughout our global organization.

Regional Sales Plan

Unit: ¥100 million



	CAGR FY21 ↓ FY25	CAGR FY25 ↓ FY29	Sales Ratio by Region FY25	Sales Ratio by Region FY29
Others	21%	14%	10%	12%
Japan	7%	5%	16%	13%
China	13%	10%	25%	24%
Asia	25%	10%	20%	20%
North America	18%	17%	10%	12%
Europe	13%	11%	19%	19%
Total	15%	11%		

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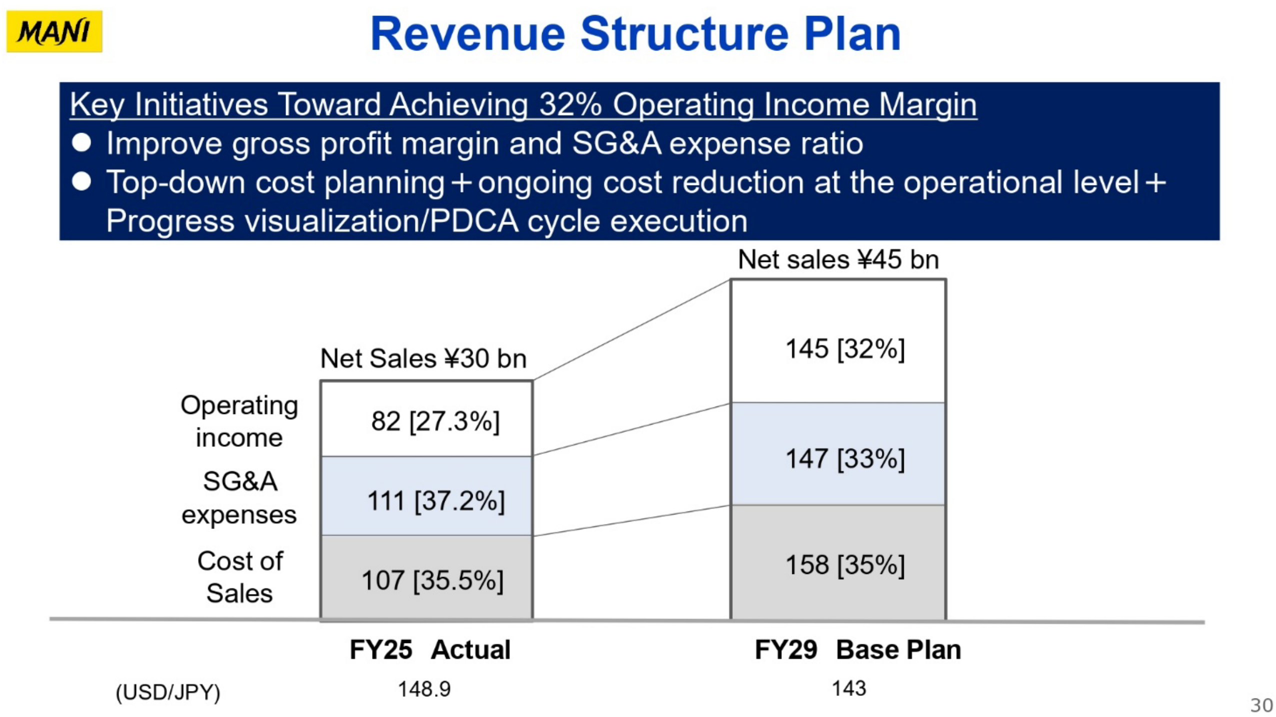
This page covers our regional sales plan. We expect a slightly lower sales CAGR in North America, Europe, and China. Historically, our business has relied on the Chinese market to a large degree, but we now hope to achieve a more balanced mix.

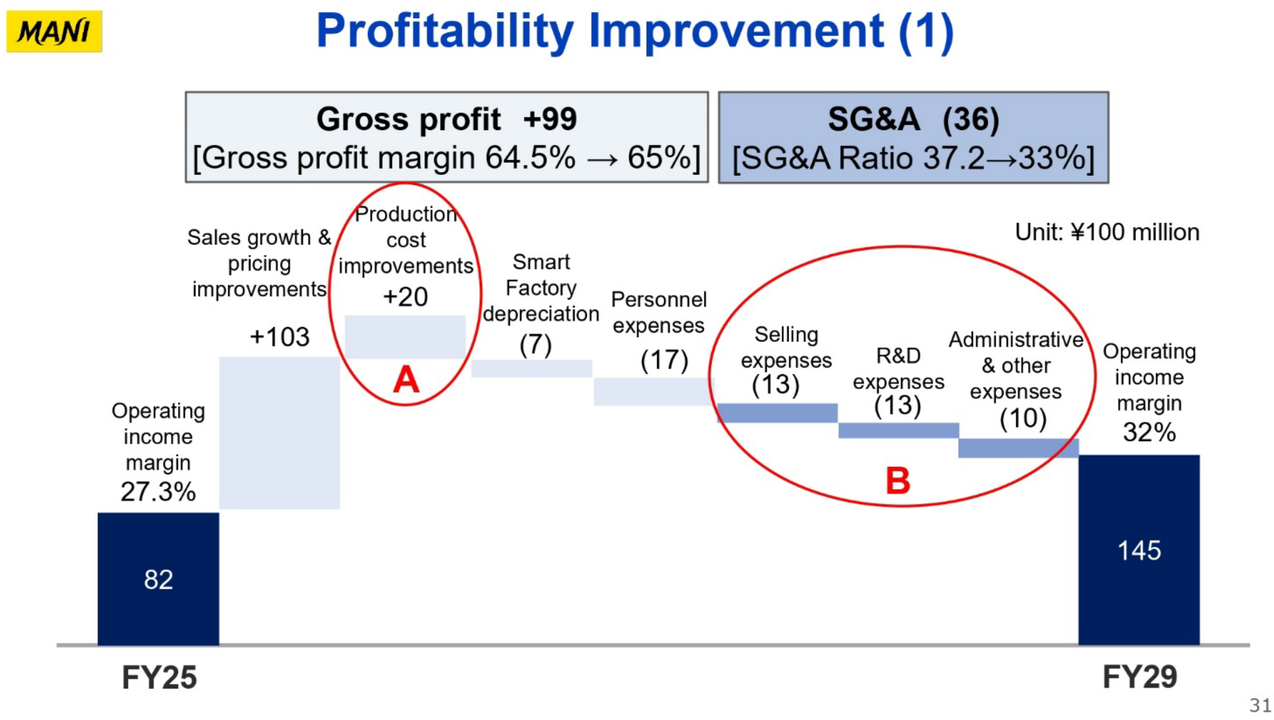


Next, allow me to explain our efforts to improve profitability and strengthen cash generation.

As I mentioned earlier, we are guiding for an operating income of 32%. The base plan for fiscal year 2029 calls for the targets shown here on the vertical bar chart on the right.

Looking at the numbers, we expect the cost of sales ratio to remain unchanged at 35%. On the other hand, we will be making efforts to allow us to keep SG&A expenses under control and lower the SG&A expenses ratio.

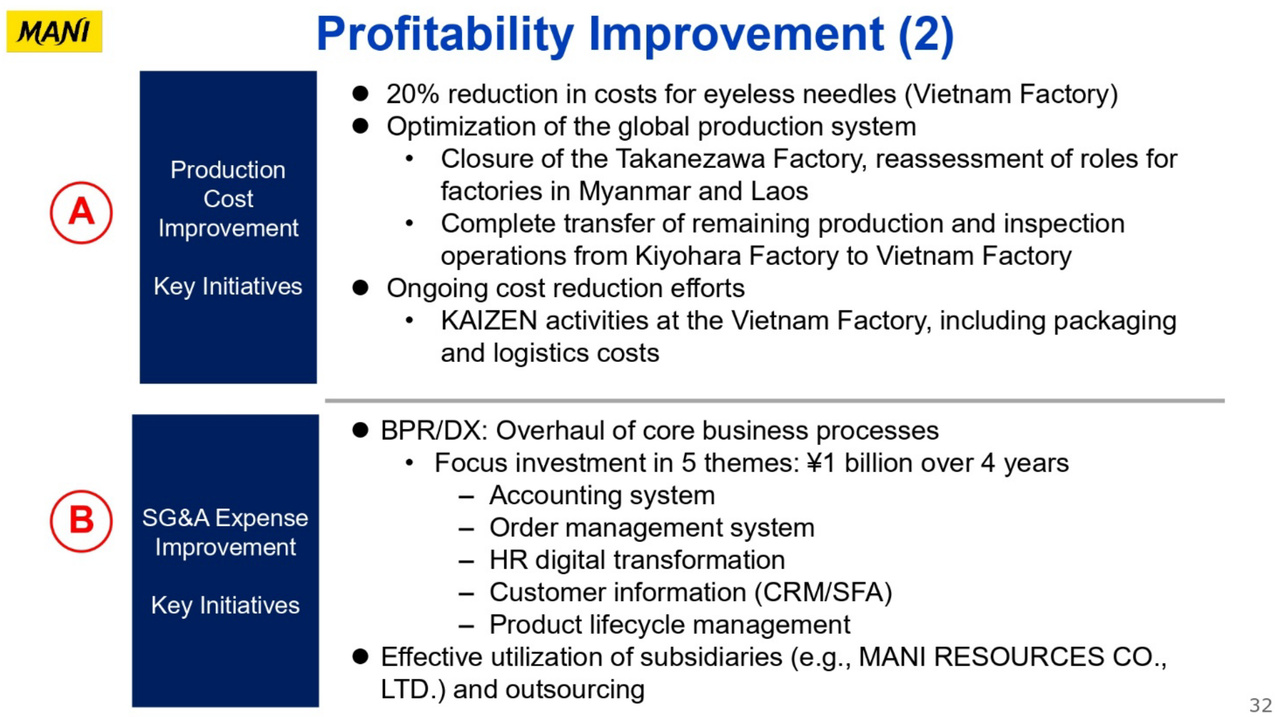
In addition to top-down cost planning, we will continue achieving cost reductions at the operational level and carrying out progress visualization and PDCA cycle execution.



This waterfall chart shows a breakdown of the expected profitability improvement between fiscal years 2025 and 2029. Broadly speaking, we seek to improve profits by growing gross profit and keeping SG&A expenses under control.

Within gross profit, we expect approximately 700 million yen in Smart Factory depreciation costs to weigh on operating income. This was more than offset by approximately 2 billion yen in production cost improvements—shown here by the letter A.

We will carry out efforts to keep SG&A under control—shown here by the letter B—monitoring selling expenses, R&D expenses, and administrative expenses in about equal measure. Page 32 covers concrete initiatives in the areas of gross profit and SG&A.



We manufacture eyeless needles at our Pho Yen 2 factory in Vietnam. We have started a project designed to review all processes with the objective of reducing production costs by 20%.

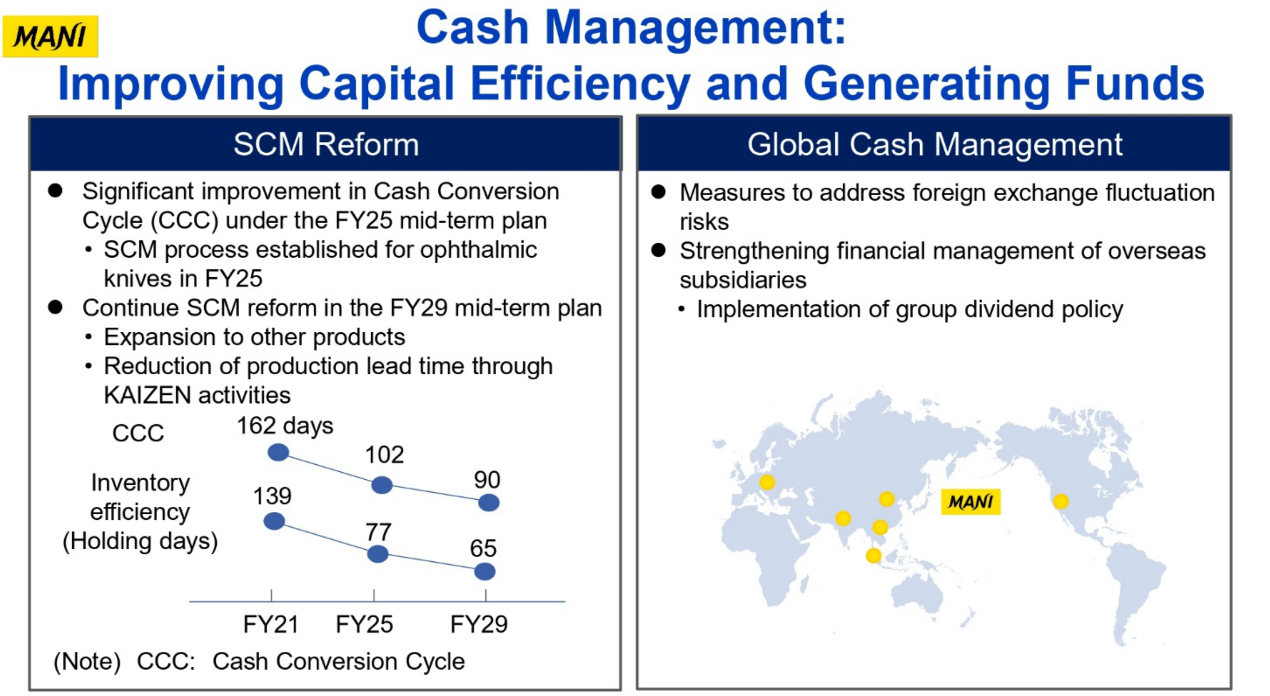
Second, we are carrying out the optimization of our global production system: specifically, this involves the start of operations at our Smart Factory, the closure of the Takanezawa Factory, and the reassessment of the roles of our factories in Myanmar and Laos.

Additionally, we will transfer to the Vietnam Factory the manufacturing of 11 product lines that currently take place at the Kiyohara Factory. Lastly, we will continue carrying out ongoing cost reduction efforts.

Regarding the improvement of SG&A expenses, we will carry out the overhaul of 5 of our core business processes. This is a business process of reengineering effort leveraging DX.

Specifically, we will be overhauling our accounting system. We receive and aggregate a lot of data and figures from our overseas subsidiaries, in what is a rather labor-intensive process, so we will be making improvements here. We will also overhaul or modernize our order management system, HR, CRM systems, and product lifecycle management. The product recall was a setback for our company, but it made us appreciate just how vital it is to manage product information.

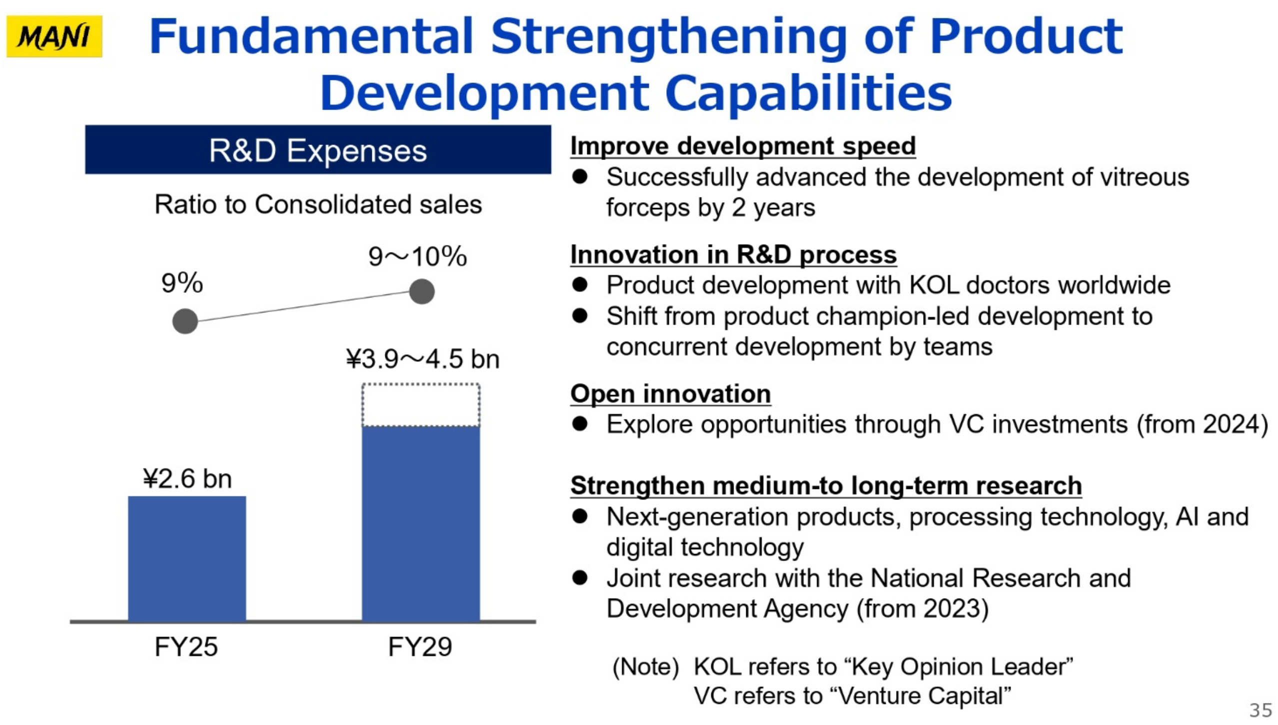
We will overhaul these business processes through an investment of 1 billion yen over 4 years. The ideal timeline here is to execute fast early on and then reap the benefits over the final 2 years.



Next is the topic of cash management.

The line chart shows the company's cash conversion cycle, which has improved considerably over the past 4 years. Further improvement in the CCC will grow increasingly more challenging, but we are nevertheless targeting a reduction in the conversion cycle to 90 days. We executed a supply chain optimization program last year, within which we created a CCC improvement framework for ophthalmic knives.

This framework is already operational, and we intend to expand it to other products. On the global cash management front, over half of the cash is in our overseas subsidiaries, so we will find optimal uses for this cash.



I would now like to explain our efforts to strengthen the business infrastructure for long-term growth.

First is the fundamental strengthening of our product development capabilities. We intend to raise the ratio of R&D expenses to consolidated sales to between 9% and 10% by Fiscal Year 2029.

MANI will also work to improve development speed, carry out innovation in the R&D process, open innovation, and strengthen medium-to long-term research.

Next is human capital management. Our first key initiative is to formulate the growth strategy, while developing and securing human capital capable of executing said strategy. We have already started enhancing the executive and management layers and have now defined a profile of the "ideal individual that MANI seeks." In addition, we have established the "MANI Training Institute" to promote human resource development.

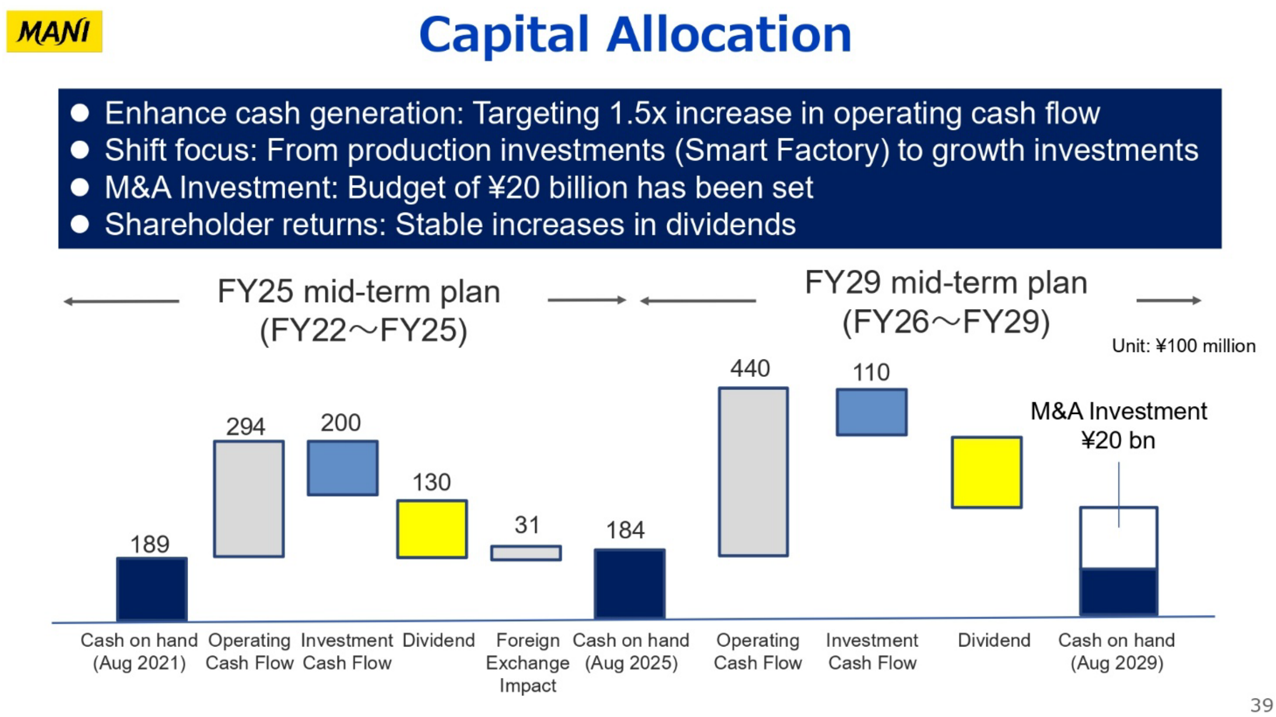
Our second key initiative within human capital management is fostering a culture of challenge and innovation.

Our third key initiative is Diversity, Equity and Inclusion.

Allow me to explain our efforts in the domain of sustainability management.

The diagram on the left shows our MANI SUSTAINABILITY framework, which we have been working on over the last 4 years.

Specifically, we focused on human rights policies, environmental impact reduction initiatives, supply chain management, and third-party evaluations.

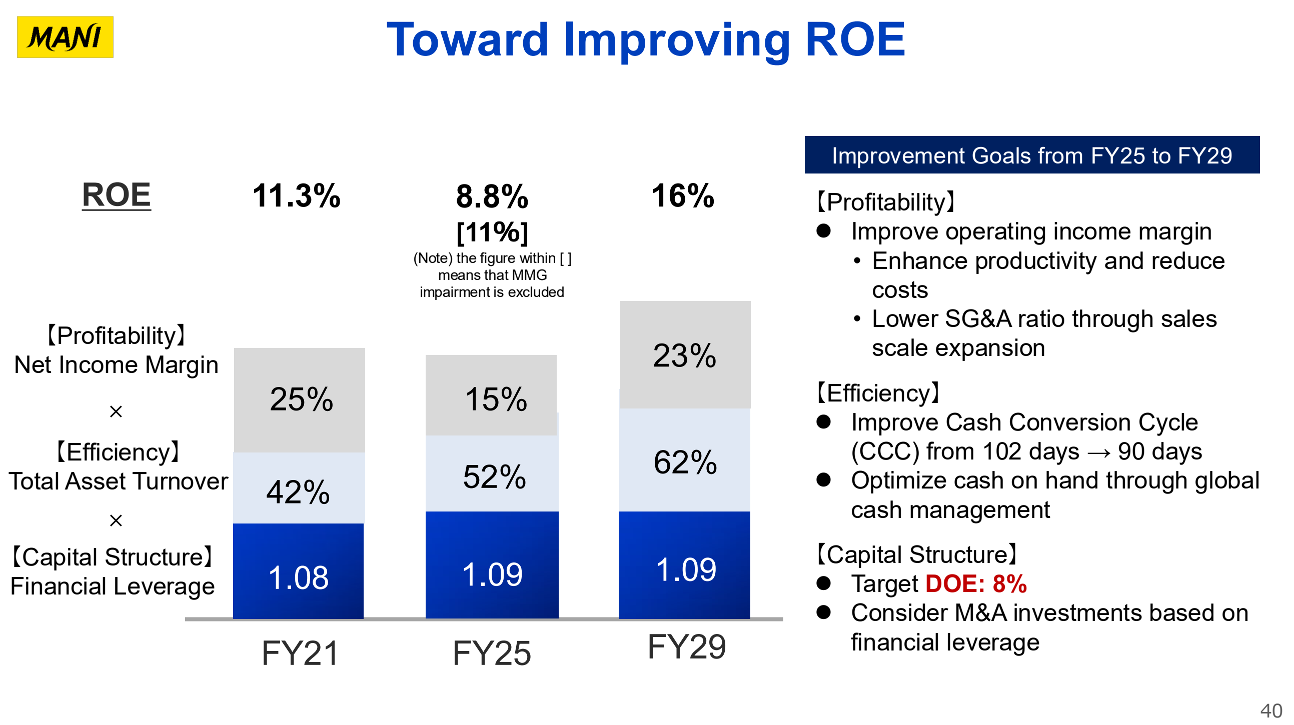


Finally, allow me to explain our efforts to enhance corporate value and our growth investment philosophy.

Looking at capital allocation, the waterfall charts show the actual results during the Fiscal Year 2025 Mid-Term Plan and the result forecasts for the Fiscal Year 2029 Mid-Term Plan.

First, we want to enhance cash generation and are targeting a 50% increase in operating cash flow. We have completed construction of our Smart Factory, so we are now ready to shift our focus from production investments to growth investments. Against this backdrop, we have set a budget of 20 billion yen for M&A investment.

Lastly, we are committed to stable increases in dividends as a form of shareholder returns.



Here is an overview of our efforts toward improving ROE. Excluding the impairment loss associated with MMG, we recorded an ROE of 11% in Fiscal Year 2025. The ROE target for Fiscal Year 2029 is 16%: to this end, we will improve profit margins and asset turnover. In terms of financial leverage, we don't currently plan to borrow funds and have a DOE target of 8%.

Summary

- MANI will celebrate its 70th anniversary in 2026. Looking ahead toward becoming a centennial company, MANI will advance a robust growth strategy while continuing to pursue its core identity, such as its commitment to being the best in the world and managing trade-offs.
- MANI will maximize the potential of its niche-top strategy, which has driven MANI's success thus far, and by creating new value as a partner that helps solve challenges in medical practice. MANI aims to evolve from a "niche company specialized in R&D" to a "true global company" through this ambidextrous management approach.
- Under the FY29 mid-term plan, MANI will strengthen its foundation across development, production, and sales, targeting organic growth with a CAGR of over 10%, aiming for ¥45 billion in sales and 32% operating income margin by FY29. Additionally, it has secured an M&A investment budget of ¥20 billion to accelerate growth strategically.

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Allow me to close today's presentation with a summary.

Looking ahead toward becoming a centennial company, MANI will advance a robust growth strategy. We will execute an ambidextrous management approach, leveraging MANI's strengths and creating new value.

Lastly, we are targeting organic growth, aiming for 45 billion yen in sales and a 32% operating income margin by Fiscal Year 2029. We will also leverage M&A investment to ultimately achieve our total sales target of at least 50 billion yen.

This concludes today's presentation. Thank you for your time.

Question & Answer

Moderator [M]: As announced at the beginning, we will now take questions from those attending the venue. Please note that the full transcript of today's session, including the Q&A portion, will be prepared and published later. If you wish to remain anonymous, please refrain from stating your name when asking your question.

If you have a question, please raise your hand.

Yoshida [Q]: Yoshida from Tokai Tokyo Intelligence Laboratory. Thank you for your presentation. As there isn't much time, I'll keep my questions brief.

Regarding growth investment, in the waterfall and capital allocation diagrams presented in January, I had the impression that growth investment appeared to be quite large. Comparing that with the capital allocation chart this time, if we add the 20 billion yen M&A investment allocation to the 11 billion yen investment cash flow, it doesn't seem to have changed much in substance. Could you please elaborate on any changes since the previous presentation, including how this area has evolved?

Watanabe [A]: The definition used this time differs slightly from that of the previous presentation, and I apologize for not having explained that clearly.

Previously, we presented figures by adding strategic investments and expenses within SG&A to the free cash flow. Since R&D expenses and sales investments have been covered under SG&A, we included those in the previous presentation.

This time, however, we are explaining how free cash flow itself will be used. Therefore, R&D expenses and sales investments included in SG&A are not reflected in these figures, which is the main definitional difference.

Based on that premise, the core content remains essentially the same. The figures are shown based on our Fiscal Year 2025 results and the approach under the Fiscal Year 2029 Mid-Term Plan. Operating cash flow is projected at 44 billion yen, which is slightly higher than before, while investment cash flow, mainly for production investment, has not changed significantly.

Yoshida [Q]: You mentioned that growth investments will be made as early as possible, investing in the first two years and harvesting results in the latter two years. Given that, I expected operating income for the first year of the plan to be somewhat conservative, but the guidance shows a rather solid profit margin. Should we understand this as a base from which profits will increase going forward? Or will there be a dip in profit margins in the next fiscal year due to growth investments or M&A activity before they rise again? Could you please explain what kind of profit curve you envision?

Watanabe [A]: The operating margin for Fiscal Year 2025 finished at 27.3%, and we aim to reach 32% by Fiscal Year 2029, the final year of the medium-term management plan. However, rather than drawing a straight line between those two points, our plan assumes a dip in Fiscal Year 2026.

This reflects our intention to execute growth and business investments, as well as strengthen our management foundation in the first half of the four years and then harvest the results in the latter half.

Yoshida [Q]: So, we can expect the margin to rise gradually from 28% in the next fiscal year and the following year, correct?

Watanabe [A]: Yes. For Fiscal Year 2026, the margin is projected at 28%, but that figure includes about two percentage points allocated for business development investments and risk buffers. Excluding those factors, we see the underlying profitability improving steadily toward 32%.

Yoshida [M]: Understood. Thank you very much.

Moderator [M]: Thank you. Are there any other questions?

Tohyama [Q]: Tohyama from Shimotsuke Shimbun. Thank you very much for your presentation. Regarding page 32, under optimization of the global production system, it mentions the shutdown of the Takanezawa Factory and the complete transfer of the inspection process remaining at the Kiyohara Factory to the Vietnam Factory. Is it correct to understand that the Takanezawa Factory will be closed in conjunction with the establishment of the new Hanaoka Factory?

Watanabe [A]: That's correct.

Tohyama [Q]: If possible, could you share more details about the schedule or timeline for that process?

Watanabe [A]: The Takanezawa Factory currently produces JIZAI, and this production will be transferred to the automated line at the Hanaoka Factory. Another reason for the closure is that the Takanezawa facility is quite old.

We plan to transfer the production line in 2026, and since there will be some overlap with pharmaceutical regulatory requirements, we expect the transition period to continue roughly until around 2028.

Tohyama [Q]: Regarding the complete transfer of the production inspection system currently remaining at the Kiyohara Factory, how do you view the future role of the Kiyohara Factory after this transfer?

Watanabe [A]: When we established the Vietnam Factory, construction began in 1996, and production at the current site started in 2004. Our philosophy at the time was to transfer 100% of domestic production to Vietnam. However, production of a few small products remained, totaling about 11 items.

In addition, there are still cases where products inspected in Vietnam are sampled and re-inspected in Japan, but some of these additional steps are no longer necessary. We plan to fully transfer these processes to Vietnam. Those currently engaged in these operations will continue their work at the new Smart Factory.

As for the Kiyohara site, we intend to utilize it as a development base and for headquarters and corporate functions.

Tohyama [Q]: Also, the employees currently working at the Takanezawa Factory, will they also be reassigned to the Smart Factory or to the headquarters?

Watanabe [A]: Yes. Please be sure to note that there is no cause for concern regarding their employment.

Tohyama [M]: Understood. Thank you very much.

Moderator [M]: Thank you. As we are running out of time, we will take one last question. The person in the front row, please go ahead.

Yoshihara [Q]: Thank you very much. This is Yoshihara from UBS Securities.

I'm looking at page 28 of the medium-term management plan materials. Regarding China, the plan shows a 10% growth rate for the next four years, and personally, I think how to view this is a key point of the plan.

With the increasing shift toward localization and a generally conservative market trend, achieving this growth rate would likely require outpacing the market average. Could you please share your views on the current business risks in China?

Of course, I understand that you are taking steps to respond to domestic production. Still, it seems that the Chinese government's intention to nurture local companies further has become even stronger. If any unexpected acceleration in localization occurs in China and top-line growth falls short, do you have a contingency plan in place regarding profit margins? If so, could you please share that as well?

Watanabe [A]: The medical economy in China is currently under severe pressure, and the environment for medical devices is not particularly favorable. However, over the long term, we expect it to recover.

Regarding localization, MANI faces both tailwinds and headwinds.

For the Eyeless Needle segment, the environment is a tailwind. The suture manufacturers we supply in China account for the vast majority of the approximately 160 domestic suture manufacturers.

Several provinces have already begun GPO programs, and currently, a major US manufacturer holds about 50% market share, while domestic suture manufacturers hold around 30%. MANI supplies products to that 30%, and we believe that share will likely expand, so this represents a tailwind for us.

As for ophthalmic knives, while it is uncertain when knives will be included in GPO programs or targeted for localization, we are preparing by planning the establishment of a factory in China.

In addition, as part of our business strategy in China, we plan to expand our product lineup further. JIZAI is one example, but we also intend to increase our offerings of surgical devices and other products to diversify our portfolio and better manage risk.

Yoshihara [Q]: As a follow-up, if sales were to fall short of expectations, how would you view SG&A expenses? The current medium-term management plan already assumes significant control over SG&A expenses, but is there further room for further cuts? Also, just to confirm, for eyeless needles, should we consider the risk of local manufacturing within China?

The reason I am asking is that under the new domestic production incentive policies, there are requirements like sourcing 60% or 80% of materials locally. Since your products are currently exported, I would like to confirm whether this poses any potential risk.

Watanabe [A]: First, regarding SG&A expenses in China, we do not tend to restrict them across the board. The approach under the Fiscal Year 2029 Mid-Term Plan is to spend what is necessary. The subsidiary in China is primarily a sales organization, currently with about 44 employees, so SG&A expenses are not that large. Gross profit from products represents the greater portion, and we believe SG&A expenses in China is manageable.

As for the domestic production requirements, such rules may eventually extend to materials. However, at present, since our needles account for only about 10% of the total cost of sutures, which, although low, could conversely be advantageous under the new localization framework. We intend to closely monitor how the rules evolve.

Moderator [M]: Thank you. As we have now reached the scheduled ending time, we will conclude the briefing session here.

Thank you all for taking the time to join us today.

[END]

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