

First Quarter FY2025 Financial Results Analyst Meeting
Main Questions and Answers
(August 7, 2025, Tokyo)

Q1: Domestic sales showed low-single-digit growth. How did the actual results compare to your initial expectations? I would like to know the breakdown between higher selling prices and higher sales volume.

A1: In Japan, sales of AEDs exceeded the Company's expectation and sales in the hospital and clinic markets were behind its expectations. As business sentiment in medical institutions has declined due to price and wage inflation, medical institutions are prioritizing capital expenditure. As budget execution by universities and public hospitals tends to be concentrated in the 4th quarter and 2nd quarter, we will work to capture orders in those quarters. Domestic sales increased not only due to higher selling prices as part of the reform of the profit structure but also due to higher sales volume of products such as catheters and diagnostic information systems.

Q2: Why did sales of Patient Monitors decrease both in Japan and internationally? I would also like to know the growth rate of sales of consumables and services in Patient Monitors? How do you see the full-year outlook for sales of clinical information systems in Japan?

A2: In Japan, sales of telemetry systems decreased compared to the strong growth in the 1st quarter of FY2024, which was supported by the launch of new products. Sales of bedside monitors also decreased, while sales of consumables such as sensors increased. We do not see that there are any changes in capital expenditure by medical institutions compared to FY2024. Internationally, sales of Patient Monitors remained flat on a local currency basis and decreased on a yen basis due to yen appreciation. Sales in North America and Europe decreased compared to the strong growth in the 1st quarter of FY2024, when one large order pushed forward from FY2023 in North America and OEM supply of consumables such as sensors showed strong growth in Europe. On the other hand, sales in Asia & Other achieved double-digit growth in the 1st quarter of FY2025 due to a recovery in sales in Southeast Asia. Sales of consumables and services showed low-single-digit growth in Japan and decreased on a yen basis internationally. In Japan, sales of clinical information systems remained flat year on year in the 1st quarter of FY2025. We aim to achieve sales growth in line with our initial forecast by working to capture orders by the end of this fiscal year.

Q3: I would like to know if there have been any changes in your business and competitive environment from initial expectations. Is there a possibility that domestic sales of AEDs will exceed your full-year forecast due to favorable sales in the 1st quarter of FY2025 following FY2024? Will the further widespread use of pulsed field ablation (PFA) be a downside risk to your full-year forecast?

A3: Domestic sales of AEDs in Japan achieved double-digit growth in the 1st quarter of FY2025, thanks to continued replacement demand and the launch of new products. We reaffirmed the full-year forecast for sales of AEDs to be a 100 million yen decline, as demand is expected to settle down from the 2nd quarter of FY2025. We also expect the full year sales of catheters to decline due to the widespread use of PFA. In the 1st quarter of FY2025, sales of ablation catheters in Treatment Equipment decreased, but sales of EP catheters in Physiological Measuring Equipment increased, due to the increase in the number of intervention procedures using 3D mapping with PFA. The timing of PFA implementation, which will differ depending on the medical institution, should be monitored carefully.

Q4: I would like to know more details about the factors contributing to the improved gross profit margin.

Did the higher sales ratio of consumables and services contribute to the favorable gross profit margin?

How do you expect the quarterly gross profit margin to look in FY2025?

A4: Gross profit margin improved due to a decrease in inventory devaluation in the 1st quarter of FY2025 compared to the same period of FY2024, when gross profit margin deteriorated due to the inventory devaluation of a discontinued model. The following factors also contributed to favorable gross profit margin: higher selling prices of in-house products, mainly in Japan, due to our efforts to raise selling prices, higher GPM of IT systems and services in Japan, the consolidation of Ad-Tech's consumables, which have a GPM of around 60%, and favorable sales of in-house consumables and services in Japan. Other factors for the improvement are the accumulation of several small items. We aim to secure a gross profit margin of 52% in each quarter in FY2025, while GPM fluctuated from quarter to quarter in FY2024. Gross profit margin in the 1st half of FY2025 is expected to be above 52%, which will be the same level as the 1st quarter result and full-year forecast.

Q5: I would like to know the progress of measures to implement the reform of the profit structure, especially in the area of productivity.

A5: In the 1st quarter of FY2025, we realized around 70 bps OPM improvement year-on-year, through implementing the reform of the profit structure, mainly by raising selling prices. In terms of productivity, we are focusing on reducing the increase of headcount and overtime hours by utilizing generative AI. In the 1st quarter, we achieved positive gains from improved productivity, but these were partially offset by the cost of investments such as the introduction of generative AI. We aim at improving operating income margin by 500 bps through implementing the reform of the profit structure. We will further accelerate our efforts to improve margins in the three areas of product mix, productivity, and supply chains.

Q6: Do you anticipate that medical institutions will refrain from capital expenditure ahead of the revision of medical treatment fees scheduled for 2026? How do you see the impact on your business in FY2025 and FY2026?

A6: Full discussions on the next revision of medical treatment fees, such as responses to price and wage inflation, differentiation of medical institution functions, and realization of the regional visions of the health care system, have just begun. We expect that the situation will change depending on the direction of the discussion on the revision of medical treatment fees. There may be a possibility that budget allocations in private hospitals and clinics will be changed, unlike universities and public hospitals, where capital expenditure is executed in their annual budgets. We expect the impact of the next revision of medical treatment fees may be felt in FY2026 rather than in FY2025.

(End)

(Cautionary Statement)

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