

FY2024 Consolidated Financial Results Analyst Meeting
Main Questions and Answers
(May 15, 2025, Tokyo)

Q1: Would you explain the background to the forecast that domestic sales will increase by 3.1% in FY2025?

A1: In Japan, we continue to review our pricing policies, such as by raising selling prices. We also expect sales of IT solutions to recover. As business sentiment in medical institutions has declined due to price and wage inflation, capital expenditure in medical equipment and IT systems which contribute to improving the quality and efficiency of medical care has been prioritized. We will strengthen sales promotion of new products for small and mid-sized hospitals with steady capital expenditure, such as the clinical assistant service and new models of mid-to low-end bedside monitors which were launched in the 2nd half of FY2024.

Q2: I would like to know the background for your expectation of double-digit sales growth in North America on a comparable basis excluding the currency effect and the impact of consolidating Ad-Tech in FY2025. How do you see the impact on medical institutions' business and capital expenditure in terms of the health insurance system in the U.S.?

A2: In North America, demand for AEDs is expected to recover compared to lower sales due to inventory adjustment at distributors in FY2024. We will focus on expanding sales of a new mid-range ventilator amid increasing demand for ventilators, as well as on neurology products, which are expected to benefit from synergy effects with Ad-Tech. We will also enhance our proposals for patient monitors by adding digital health solutions. As hospital finance has shown a trend of improvement and there is no change in medical institutions' capital expenditure and no delay in business negotiations at this moment, we aim to maintain a high growth momentum in North America. Future policy trends such as tariffs and the health insurance system should be monitored carefully.

Q3: How do you incorporate the impact of the U.S. tariff policies and your measures into FY2025 forecast?

A3: In terms of the impact of the U.S. tariff policies, the Company incorporates a negative factor worth around ¥2.5 billion as a direct tariff burden into its forecasts. On the other hand, the Company does not incorporate the effect of measures such as price transfers and change of production locations, or the impact of the tariffs on capital expenditure by medical institutions. To mitigate tariffs, in the short term, we will review selling prices, taking into account our competitors, although this is not expected to fully offset the impact of increases in the cost of goods sold. We also plan to change the parts used in our products to other parts, but it will take more than half a year to change the design of the products. In the medium term, we will expand production of patient monitors in the U.S. In Japan, we will also strengthen production capability of ventilators for countries outside the U.S. We estimate the impact based on the assumption that the tariff rate from Japan to the U.S. at 10% for 90 days and 24% after 90 days.

Q4: Why do you expect high sales growth in Europe and Asia & Other in FY2025, on a comparable basis excluding the currency effect and the impact of consolidating Ad-Tech?

A4: Excluding the currency effect and the impact of consolidating Ad-Tech, sales in Europe and Asia & Other are expected to be mid-to high-single digit growth and double-digit growth, respectively. We expect a recovery in demand for AEDs and an increase in demand for ventilators, as well as benefits from synergy effects with Ad-Tech for neurology products, following the Company's establishment of the Neurology Business Division in April 2025. We will also enhance our proposals for patient monitors in combination with DHS, as well as new models of mid-to low-end bedside monitors. We expect that market conditions will improve in some emerging countries such as the Middle East & Africa, where sales were lower in FY2024.

Q5: I would like to know the progress of measures to implement the reform of the profit structure in each of the three areas of product mix, productivity, and supply chains.

A5: In FY2024, we realized around 80 bps OPM improvement, which exceeded our expectations, through implementing the reform of the profit structure. In the area of product mix, we are seeing the effects from raising selling prices in the 2nd half of FY2024, while business sentiment in medical institutions has declined. In FY2025, gross profit margin is expected to improve as we continue to review our pricing policies. In terms of productivity, we estimate that we created operational efficiencies equivalent to 380k hours per year by installing generative AI licenses and developing in-house applications. In FY2025, we expect the effects from reducing the increase of headcount and overtime hours by further expanding use cases. In terms of supply chains, it has taken time to receive the effects due to inflation of prices, while costs for some products have declined through value engineering, etc. We will further accelerate the implementation of measures in three key areas to improve operating income margin by 500 bps.

Q6: If the sales growth rate in Phase II is lower than the Company's expectations, do you have any room for additional efforts to improve profitability?

A6: To improve profitability, the effects of sales growth are incorporated into the Three-year Business Plan. If overall sales fall short of the plan due to deterioration in the market environment, there may be downside risks of not being able to achieve the target. Excluding the impact of fluctuations in sales growth, we aim at improving operating income margin by 500 bps through implementing the reform of the profit structure, which is the core of our internal structural reform.

Q7: I would like to know your forecast for sales of ventilators in FY2025 and FY2026.

A7: In FY2025, the Company aims at mid-single digit growth in Japan and close to 50% growth internationally. Overall sales of ventilators are expected to be around 13 billion yen, of which, around 30% is domestic and around 70% is overseas. In North America, demand for a mask-type ventilator is increasing due to competitors' withdrawal from their businesses. In the Rest of World, the Company also strengthens its local sales and service capabilities. We believe that a sales CAGR of close to 50% is achievable in Phase II.

(End)

(Cautionary Statement)

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