

Q & A

Questions and Answers at the Financial Results Briefing for the Six Months Ended of the FYE March 2025

Date of Financial Results Briefing
November 12, 2024



TSE Prime Market
Securities code:7600

Q1 What are the reasons for the decline in profit ratios compared to before and after COVID-19?

A

- ① Changes in the exchange rate environment (yen depreciation)
Our Japanese business is greatly affected by foreign exchange rates. In particular, we import products manufactured by our U.S. subsidiary ODEV, Inc. in U.S. dollars, and when the yen depreciates, purchase costs rise, which is a major factor leading to lower profit level. In addition, inflation in the U.S. has also caused costs to increase, putting additional pressure on earnings.

【Reference】

FYE Mar. 2020 Operating profit ratio 14.6% (Exchange rate:109.11 yen / US\$)

FYE Mar. 2023 Operating profit ratio 9.5% (Exchange rate:134.95 yen / US\$)

FYE Mar. 2024 Operating profit ratio 7.5% (Exchange rate:144.41 yen / US\$)

- ② Reduction of reimbursement price in Japan
The effect of the reimbursement price reduction on our gross profit in Japan was approximately 5% (about 600 million yen) on a cumulative basis from the FYE Mar. 2020 through the FYE Mar. 2024.

Questions and Answers

Q2

What action do you plan to take regarding the impact of the exchange rate (depreciation of the yen)?

A

We have been making certain exchange contracts at a higher level of yen than the assumed exchange rate to minimize the impact of exchange rates on our business forecasts. And we are promoting the “SAICO Project” to reduce manufacturing costs. In addition to strengthening the manufacturing capacity of our U.S. subsidiary ODEV, we are considering procurement from regions outside the U.S. (Asia and Japan) where costs are higher.

Q3

What are your manufacturing plans for the U.S. and the rest of the world (Asia, Japan)?

A

For artificial joints, we plan to continue development and manufacturing in the U.S., the largest market, at our U.S. subsidiary. On the other hand, we are considering manufacturing Trauma and Spine, which are sold only in Japan, in the Asian region.

Questions and Answers

Q4

What is the environment of the artificial joint market in recent years and what are the future market trends?

Although there have been no major changes in the market environment, in recent years, there has been a lot of attention paid to the coordination between preoperative planning and navigation systems, as well as developments in the field of non-insurance-covered procedures.

A

Rather than developing preoperative planning software and navigation systems in-house, which are expected to help physicians work more efficiently and improve the effectiveness of treatment, we are responding to the needs of the field through alliances with third-party companies.

In the field of regenerative medicine, we have begun marketing PRP-FD, an early-stage treatment for knee joints. “PRP-FD” is mainly intended for patients with early-stage joint diseases and is not covered by insurance (free treatment). Unlike diseases that require treatment with artificial joint replacement surgery, we do not expect PRP-FD to have a significant impact on our business, but we will continue to closely monitor market trends.

Q5

What percentage of our U.S. sales is accounted for by ASC(Ambulatory Surgery Center)?

A

As of 2022, it was about 15%, but by mid-year 2024, it was about 25%.

Q6 What is the impact of the Trump presidency on healthcare policy in the U.S.?

A

At this time, we do not foresee any significant impact or change in our U.S. operations. The Republican Party's policy is to promote competition in private insurance, and as a result of an increase in the number of subscribers, more patients will be able to undergo surgery, and the number of cases is expected to increase.

On the other hand, there is a concern that if insurance premiums are reduced as a result of price competition in private insurance, there will be increased pressure to lower the price of treatment materials, which may lead to a decline in Average Selling Price (ASP) .

In an effort to improve investment efficiency, the Chinese joint venture WOMA manufactures medical instruments for knee joints and has begun exporting these products to its U.S. subsidiary ODEV. However, it has been pointed out that import tariffs of up to 60% may be imposed on Chinese products, and this situation must be carefully monitored. Depending on the level of tariffs, we intend to switch to procurement from other countries.

Regarding forward-looking statements

- Statements regarding the future, such as business performance forecasts, contained in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and the Company is committed to realizing them. Not.
- Actual results may differ significantly due to various factors.