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Notice Regarding Differences Between Forecast and Actual Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2027, Revisions to the Full-Year Consolidated Financial Forecast, Recognition of Deferred Income Tax Expense and Other Expenses, and Revisions to the Dividend Forecast

We hereby announce, as detailed below, the differences between the consolidated financial results forecast for the second quarter of the fiscal year ending March 31, 2027, announced on May 8, 2026, and the actual results announced today, as well as revisions to the full-year consolidated financial forecast for the fiscal year ending March 31, 2027, the recognition of deferred income tax expense and other expenses, and revisions to the dividend forecast.

1. Differences Between Forecast and Actual Consolidated Financial Results for the Second Quarter

(1) Differences Between Forecast and Actual Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2027 (April 1, 2026 to September 30, 2026)

	Net Sales (Millions of Yen)	Operating Profit (Millions of Yen)	Ordinary Profit (Millions of Yen)	Interim Profit Attributable to Owners of Parent (Millions of Yen)	Basic interim earnings per share (Yen)
Previously Announced Forecast (A)	11,670	△260	△410	△330	△12.53
Actual Results (B)	10,437	△1,036	△1,161	△1,749	△66.39
Change (B-A)	△1,232	△776	△751	△1,419	
Percentage Change (%)	△10.6	―	―	―	
(Reference) Actual Results for the Second Quarter of the Fiscal Year Ended March 31, 2026	11,610	208	130	69	2.65

(2) Reasons for the Differences

Net sales in Japan for the second quarter under review fell below the previously announced forecast. In the joint replacement field, opportunities for sales discussions with some medical institutions declined, and some institutions deferred adopting our products.

In the United States, sales of knee replacement products fell short of plan in U.S. dollar terms. This was due to reduced business with some existing customers following earlier delivery delays, as well as a relative decline in the competitiveness of our existing products amid growing demand for products based on new concepts.

On the profit side, operating profit and ordinary profit fell below the previous forecast due to a decrease in gross profit resulting from lower net sales, an increase in the burden of fixed manufacturing costs associated with reduced production volumes at the U.S. subsidiary, and a rise in the cost of imported

products purchased in Japan owing to the depreciation of the yen. In addition, after reviewing the recoverability of deferred tax assets in light of business performance trends and other factors at the U.S. subsidiary, the Company recorded deferred income tax expense of ¥629 million associated with the reversal of such assets, and as a result, interim profit attributable to owners of parent fell significantly below the previous forecast.

2. Revision to the Full-Year Consolidated Financial Forecast

(1) Revision to the Full-Year Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2027 (April 1, 2026 to March 31, 2027)

	Net Sales (Millions of Yen)	Operating Profit (Millions of Yen)	Ordinary Profit (Millions of Yen)	Profit Attributable to Owners of Parent (Millions of Yen)	Basic earnings per share (Yen)
Previously Announced Forecast (A)	25,370	430	140	60	2.28
Revised Forecast (B)	21,700	△1,500	△1,750	△2,500	△94.86
Change (B-A)	△3,670	△1,930	△1,890	△2,560	
Percentage Change (%)	△14.5	―	―	―	
(Reference) Actual Results for the Fiscal Year Ended March 31, 2026	23,917	574	534	263	9.99

(2) Reasons for the Revision

Full-year net sales are expected to fall below the previously announced forecast, as first-half results were below the forecast and second-half net sales are also expected to fall below it for the following reasons.

In Japan, although fracture cases are expected to increase during the winter, the sales trend seen in the first half is expected to continue, particularly in the joint replacement field. In the United States, the impact of reduced business with some existing customers and the declining competitiveness of existing knee replacement products is expected to persist. In addition, the launch of new products planned for the second half is expected to be delayed.

On the profit side, in addition to lower net sales, we expect an increase in the burden of fixed manufacturing costs associated with reduced production volumes at the U.S. subsidiary, as well as a rise in the cost of imported products purchased in Japan owing to the depreciation of the yen. In addition, while the U.S. subsidiary has implemented rationalization measures including workforce reductions and we expect reductions in personnel and labor costs in the second half, such reductions are not expected to be sufficient to offset the negative impact on profit from lower net sales and other factors. Furthermore, one-time expenses such as retirement-related costs, which are currently reasonably estimated at approximately ¥280 million, have been incorporated into the revised forecast. As a result of these factors, operating profit, ordinary profit, and profit attributable to owners of parent are expected to fall below the previous forecast. In particular, profit attributable to owners of parent is expected to fall significantly below the previous forecast, due not only to the factors described above but also to the recording in the first half of deferred income tax expense of ¥629 million associated with the reversal of deferred tax assets at the U.S. subsidiary.

3. Revision to the Dividend Forecast and Reasons for the Revision

(1) Details of the Revision to the Dividend Forecast

	Annual Dividends per Share		
	Second Quarter-end	Fiscal Year-end	Total
Previously Announced Forecast(Announced on May 8, 2026)	¥0.00	¥17.00	¥17.00
Revised Forecast	¥0.00	¥0.00	¥0.00
Actual Results for the Fiscal Year Ended March 31, 2026	¥0.00	¥17.00	¥17.00

(2) Revision to the Dividend Forecast and Future Shareholder Return Policy

The Company positions the return of profits to shareholders as one of its key management priorities. Our

basic policy is to provide shareholder returns while maintaining stable dividends as the foundation and comprehensively taking into account the balance between business performance and investment in growth areas.

However, for the fiscal year ending March 31, 2027, we expect to record an operating loss due to deteriorating business performance in Japan and overseas, and we also expect free cash flow to be significantly negative. In addition, while advancing improvements to our earnings structure, structural reforms at our U.S. subsidiary, inventory optimization, and more selective and focused investment, we have determined that priority should be given to securing sufficient liquidity for business operations and growth and stabilizing our financial base.

Accordingly, although we deeply regret this decision, we have revised the year-end dividend forecast for the fiscal year ending March 31, 2027, to no dividend.

This revision to the dividend forecast does not change the Company's basic commitment to shareholder returns. We will first focus on restoring profitability and cash generation capability, as well as normalizing our financial base, and, based on the progress of these efforts, will aim to resume dividend payments as early as possible.

(Note) Cautionary Statement Regarding Financial Results Forecasts

The above financial results forecasts have been prepared based on information available as of the date of this announcement. Actual results may differ from the forecast figures due to various factors.

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.