Questions and Answers (Summary) on the
Mid-Term Management Plan and the 23rd R&D Meeting

Q: What is your likelihood of reaching the mid-term management plan targets (sales of ¥600.0 billion and operating profit of ¥100.0 billion)?

A: We believe these targets are achievable. With respect to operating profit in particular, initiatives to strengthen the earnings structure are highly feasible, such as improving the cost of sales ratio and controlling SG&A expenses, and the targets are currently within an achievable range. In addition, for the duration of the plan, China is not positioned as a growth driver as it has been in the past. Instead, we have set conservative assumptions for performance and plan to revise targets flexibly in response to market conditions.

Q: How will you improve the cost of sales ratio and SG&A expenses (increased gross margin)?

A: We see room for cost improvements, particularly in reagents, through such measures as revising our raw materials procurement and improving our production processes. In addition, we will mostly complete our DX-related investments this fiscal year. From next fiscal year, we expect process reforms and the promotion of shared services to help us control SG&A expenses. Furthermore, we aim to improve profitability through appropriate pricing of new products and increased reagent sales in the hemostasis field.

Q: The mid-term management plan places a strong focus on the diagnostics business. How are you thinking about reviewing your R&D themes and business portfolio?

A: Regarding R&D themes, in light of feedback that certain areas have made limited contributions to earnings to date, we will further advance the selection and concentration of themes during the period of the mid-term management plan and rebuild our research framework to ensure outcomes that are more closely integrated with the diagnostics business. As for the medical robotics business, while there are challenges, the number of surgeries in Japan is increasing, and we are making steady progress with preparations for expansion in Europe. We have also begun planning next-generation products based on customer feedback. We position these areas as mutually complementary to the diagnostics business and will work to optimize the overall business portfolio.

Q: How do you view the current state of the Chinese market and its future growth potential?

A: The Chinese market has undergone rapid changes due to policies such as principle of minimal necessity and volume-based procurement, but we believe that underlying healthcare demand remains, supported by an aging population and benefiting from the overall size of the population. Going forward, we will rebuild growth opportunities while factoring in policy changes. However, we are taking a conservative view toward growth in China during the period of our mid-term management plan period, and we will respond flexibly in line with market conditions.
