Nissha Co., Ltd.

"Medical Market Strategy Update" Presentation

Q&A Overview

(Jun 24, 2025)

Q1. How do you expect to improve profitability in the medical market, specifically for both medical devices CDMO and OTC Drug CDMO businesses?

A1. In the medical devices CDMO, we are increasingly shifting from projects involving only manufacturing to those encompassing design, development, and manufacturing, which contributes to a more favorable product mix with higher margins. In addition, the proportion of high value-added products—such as those from EndoTheia (equity-method affiliate since 2023) and Isometric (acquired in 2024)—is rising, further enhancing profitability. As for OTC Drug CDMO, it currently delivers higher margins than the medical devices CDMO. The growth of this business is expected to contribute to the overall profitability of our medical market operations.

Q2. Regarding EndoTheia's kidney stone retrieval basket, what were the key factors in selecting your OEM partner?

A2. We selected a partner capable of bringing the product to market in the shortest possible timeframe. As a CDMO with strong technological capabilities, we are in a position to select partners on advantageous terms.

Q3. Outside the urology field, which areas are you focusing on for EndoTheia's technology, and what are the differentiating features within urology?

A3. Rather than limiting ourselves to a specific field, we aim to expand applications in collaboration with OEM partners, using the technology as a

foundation. In urology, key differentiators include device miniaturization and scalability to other applications (e.g., laser integration, retrieval systems), which are highly valued.

Q4. Amid growing “Made in America” sentiment driven by changes in U.S. healthcare policy and tariffs, how do you view the potential for supporting Japanese and European companies as a CDMO?

A4. It is essential to assess whether recent tariff developments are temporary or structural. While U.S. manufacturing is preferable for U.S.-bound products, local production for local consumption remains important for global supply. We will build supply structures tailored to each client’s procurement strategy. Regardless of tariffs, we believe Nissha can support Japanese companies in expanding into the U.S. as a CDMO.

Q5. There are other companies in Japan engaged in OTC drug CDMO besides Shigaken Pharm. Are you considering M&A to expand this business, or will you focus on growing it through Shigaken Pharm.?

A5. Our basic policy is to reliably expand capacity through our own capital investments in order to meet strong demand. While we will consider acquisitions if opportunities arise, based on cost-effectiveness and efficiency, we remain committed to lean operations with an optimized balance sheet. We are also working to repurpose underutilized assets from other business areas.

Q6. What are the barriers to entry in the OTC Drug CDMO business?

A6. OTC drugs involve a wide variety of active ingredients and more complex formulation designs compared to prescription drugs, making accumulated know-how a key entry barrier. Furthermore, OTC drugs require specialized

and dedicated packaging lines due to the diversity in shape and design. There have been past cases where CDMOs that also handle prescription drugs prioritized those over OTC drugs, causing supply disruptions. Therefore, OTC drug companies place high importance on maintaining stable partnerships with CDMOs specialized in OTC drugs.

Q7. What is the expected scale of capital investment required to handle current project leads in the OTC Drug CDMO business?

A7. To respond to current project leads, most investments will involve installing equipment at existing production sites, which helps minimize capital outlay. In addition, in some cases, customers may cover the cost of equipment, further reducing the level of investment required. As a result, we are able to proceed with minimal investment rather than large-scale capital expenditures.

Q8. Regarding resource shifts into the pharmaceutical business, how many employees have been transferred from the Devices business so far, and how much do you expect this number to increase?

A8. About four to five months after the acquisition of Shigaken Pharm., fewer than ten employees have transferred from the Devices business. Going forward, we plan to reassign several dozen personnel—not only production staff but also key personnel in quality control, production engineering, and manufacturing management.