Medium-Term Management Plan Briefing (FY2026–FY2028): Q&A Summary

Date and time: Thursday, June 4, 2026, 3:30 p.m.–5:00 p.m. JST

Acquisition of Tescan

Q. Could you explain how Tescan's revenue and operating profit are factored into the Medium-Term Management Plan?

A. As the acquisition of Tescan has not yet been completed, we are not in a position to comment on its impact on revenue or operating profit at this stage. Providing such information at this stage could also raise gun-jumping concerns. Following the closing of the acquisition, we will provide the necessary information and data.

Q. Does the ¥200 billion earmarked for growth investments under the new Medium-Term Management Plan include the investment related to the acquisition of Tescan?

A. The decision to acquire Tescan was made during the previous Medium-Term Management Plan period, and the related investment is included in the ¥125 billion earmarked for growth investments under that plan. The ¥200 billion earmarked for growth investments under the new Medium-Term Management Plan should be viewed as an investment envelope, excluding the Tescan acquisition, for pursuing additional M&A and other investments in growth areas.

Q. Could you explain the technological advantages of Tescan's focused ion beam, or FIB, technology?

A. Tescan is distinguished by its proprietary FIB technology and its capabilities in ion beam control. Its strength lies in its ability to respond flexibly to customer requirements. Beyond semiconductor applications, we also see scope for expansion in life sciences, including applications that involve acquiring images while milling biological samples and using those images for three-dimensional reconstruction.

Financial Plan and Capital Policy

Q. While prioritizing growth investments, what is the Company's approach to shareholder returns, including share repurchases?

A. We believe it is important to provide stable shareholder returns while prioritizing investments that will support future growth. We view share repurchases as one effective means of improving capital efficiency and enhancing shareholder returns. Any decision to conduct share repurchases will be made after comprehensively considering factors such as growth investment opportunities, financial soundness, the business environment, and share price levels.

Q. To what extent are share repurchases factored into the ROE target under the Medium-Term Management Plan?

A. At this stage, the ROE target does not assume share repurchases. We view the ROE target we have presented as a minimum threshold, and will continue working to improve capital efficiency while maintaining an appropriate balance between investment and shareholder returns.

Q. The Company conducted share repurchases during the previous Medium-Term Management Plan period. What approach will it take under the new plan?

A. We view share repurchases as one effective means of improving capital efficiency and enhancing shareholder returns. At the same time, when there are investment opportunities that are expected to generate returns above our cost of capital, we intend to prioritize growth investments to support sustainable growth. We will continue to consider share repurchases from the perspective of whether they would contribute to enhancing corporate value over the medium to long term.

Q. In executing the ¥200 billion in growth investments, does the Company also assume the use of external financing?

A. We are assessing our investment capacity from the standpoint of maintaining financial soundness. Taking into account factors such as our net cash or net debt position, we have set the investment envelope at a level that allows us to continue making disciplined investments.

Q. Regarding the ROIC target of 10% or more, it may appear that this does not represent a significant improvement from the current level. What is the Company's view?

A. ROIC for FY2025 was 9.5%, and we view the FY2028 target of 10% or more as a minimum threshold. The use of external financing in connection with the Tescan acquisition may create temporary downward pressure on ROIC. At the same time, we will seek to improve ROIC by enhancing the operating margin and optimizing working capital, invested capital, and our capital structure.

Q. Please explain the Company's financial discipline when executing M&A.

A. For M&A, we make decisions after carefully assessing each opportunity in terms of the payback period, feasibility of realizing synergies, expected timing of earnings contribution, investment merits, and value creation potential. To avoid impairing financial soundness, we set our investment capacity with reference to indicators such as the net D/E ratio and equity ratio. We will proceed within a range that allows us to continue disciplined investments, rather than pursuing expansion beyond an appropriate scale.

Q. Under the FY2028 plan, what factors explain the widening difference between EBITDA of ¥135.0 billion and operating profit of ¥100.0 billion?

A. There are three main factors. First is an increase in depreciation and amortization associated with higher capital expenditures aimed at future business expansion. Second is an increase in amortization of intangible assets related to the acquisition of Tescan. The third is the impact of adopting IFRS, including the capitalization of development costs and lease accounting. The impacts of capitalized development costs and lease accounting partly reflect reclassifications from other expense line items and therefore do not translate directly into an equivalent increase in expenses.

Q. What specific types of capital expenditures are planned?

A. In addition to expanding production capacity in line with business growth, we plan to invest in facilities aimed at improving productivity and stabilizing quality through automation and efficiency improvements. The plan also includes investments in manufacturing and development facilities associated with strengthening overseas sites, including those in North America and India. We will also make data-related investments, including AI-enabled systems, supply chain optimization, and the enhancement of sales and service operations.

Profitability Improvement

Q. The new Medium-Term Management Plan sets out a goal of improving profitability. What initiatives will differ from past efforts?

A. The initiatives we will place particular emphasis on are pricing optimization and profitability improvement for unprofitable products and businesses. For new products, we will seek to have customers appropriately recognize the value we provide and reflect that value in pricing. For existing products, we will also review price levels by region and product and pursue optimization, drawing on external expertise where appropriate. We will review our pricing strategy while assessing how customers evaluate our brand and product value.

Q. When will the benefits of pricing initiatives begin to emerge?

A. For some products, we will communicate our pricing revision policy in advance, taking into account the timing of customers' budgeting processes. For products, we expect the more material impact to emerge mainly from the second fiscal year onward. For services and other areas, however, we will review pricing as appropriate, and therefore expect some benefits to appear from the first fiscal year.

Q. Please explain the specific initiatives to improve profitability for unprofitable products and businesses.

A. Particularly in the Medical Systems business, we will review products and regions that we previously could not address due to concerns over customer impact, including the possibility of withdrawal or downsizing. We have already identified and prioritized the relevant products and regions, and will execute these initiatives while monitoring progress across the Company. In the Medical Systems business, achieving an operating margin of 10% is an important initial target.

Q. During the previous Medium-Term Management Plan, growth investments weighed on margins. Under the new plan, can the Company improve margins while continuing to make growth investments?

A. Under the previous Medium-Term Management Plan, the underperformance of the China business affected profitability in the Analytical & Measuring Instruments business. Personnel expenses also increased, including the impact of higher headcount associated with the extension of the retirement age. We expect headcount increases to peak around FY2027, then level off or decline, and this has been incorporated into the plan. Going forward, we will focus on growth markets such as healthcare, green-related fields, and semiconductors. In addition, by expanding reagents, culture media, and other offerings, we aim to restore the operating margin of the Analytical & Measuring Instruments business to 17.5% and then move beyond that level.

Analytical & Measuring Instruments Business

Q. The Analytical & Measuring Instruments business is planned to grow at an annual rate of 9%. Please explain the breakdown and key growth drivers.

A. The planned 9% CAGR for the Analytical & Measuring Instruments business is based on growth in existing businesses, supplemented by growth from new products and new businesses. For existing businesses, we expect growth of around 5.5% CAGR. To drive growth, we will launch new products in regions and product categories where we have strengths, while also capturing replacement demand. In addition, as customer needs increasingly shift toward automation, labor efficiency, and the use of AI, we will provide products and solutions that address these needs and translate them into top-line growth.

Q. How much pricing impact is assumed in the growth plan for the Analytical & Measuring Instruments business?

A. In the plan, we have incorporated the impact of price revisions at around 1% per year as a minimum assumption.

Q. Is the plan to increase the recurring revenue ratio of the Analytical & Measuring Instruments business by four percentage points achievable without additional acquisitions?

A. The current plan does not assume the acquisition of a chromatography column manufacturer. Through our business alliance with YMC, we are offering YMC's chromatography columns in 10 Asian countries via our sales network. In China, sales of YMC columns have been strong, and sales of our own chromatography columns are also gradually expanding. In addition, we aim to increase the recurring revenue ratio through the rollout of dedicated columns for the Nexera QX system, as well as reagents and culture media.

Q. Please explain the composition of recurring revenue.

A. As an approximate breakdown, services account for about half of recurring revenue. In services, we will expand multi-vendor services and LabTotal maintenance services. For the remainder, we plan to drive growth through chromatography columns, consumables, reagents, culture media, and other items.

Analytical & Measuring Instruments Business / China

Q. The China business underperformed during the previous Medium-Term Management Plan. How does the Company view China under the new plan?

A. The business environment in China remains challenging, and we do not expect it to improve rapidly over the next three years. At the same time, the biopharmaceutical market remains active, and we expect demand for liquid chromatographs, mass spectrometry systems, culture media, and related products. Following the acquisition of Tescan, Tescan's China business will also be added. As a result, although performance may vary from year to year, we expect the China business overall to deliver growth of a few percent.

Q. How is the Company responding to China's policies favoring domestically produced products?

A. In China, policies favoring domestically produced products are advancing, raising barriers for foreign companies and imported products. We are increasing the number of products manufactured in China while also raising the local procurement ratio, including for components. For some products, we are working to increase the ratio of local procurement and production in China to around 70–80%, with the aim of capturing demand from academic institutions, R&D companies, and other customers in China.

Aircraft Equipment Business

Q. Please explain the positioning of structural reforms in the Aircraft Equipment business.

A. The Aircraft Equipment business is one in which projects and demand five to ten years ahead are relatively visible. During the period of the new Medium-Term Management Plan, we will make investments to secure future projects and link them to growth beyond the plan period. We are also considering applying the high-reliability component technologies we have developed for aircraft to adjacent fields, including advanced air mobility. In this context, structural reform means expanding the business beyond aircraft into broader domains.

Q. The operating margin planned for the Aircraft Equipment business is lower than the level achieved during the previous Medium-Term Management Plan period. What is the background?

A. The 18.9% operating margin achieved during the previous Medium-Term Management Plan period was supported in part by foreign exchange effects and other factors. Under the new Medium-Term Management Plan, we expect an operating margin of 13.3%, which we consider to be a high level under normal conditions. Going forward, we aim to further improve profitability by securing future projects and applying our technologies to adjacent fields.

M&A Strategy

Q. Please explain the strategic decision criteria for the M&A investments set out in the new Medium-Term Management Plan.

A. For M&A, we will primarily consider products, technologies, and businesses that are related to our core businesses and contribute to growth markets such as clinical applications, life sciences, and semiconductors. Internally, we have prepared a long list of potential targets and will assess opportunities as they arise. We will make execution decisions after evaluating factors such as investment amount, expected return on investment, risks, and synergies.

Q. Is the idea behind M&A to acquire technologies or businesses that are missing from the Company's technology map?

A. That is correct. We will use our technology map to identify gaps in our technologies and businesses, and consider M&A candidates accordingly. We will assess potential opportunities from both technology and business perspectives and identify those that will contribute to our growth.

IR and Communication with the Market

Q. In communicating with the equity market, where does the Company see gaps in understanding?

A. In addition to healthcare, we operate across a wide range of fields, including semiconductors and aircraft, but we believe there are areas where we have not fully communicated the overall picture of our business. It is also important for investors to understand the differences between our business structure during the COVID-19 pandemic and our current business structure. During the pandemic, reagent sales made a significant contribution to profits. Going forward, we will continue to expand consumables, including reagents and culture media, as well as services, and link this to growth in recurring revenue.

Q. How should investors monitor the growth of recurring revenue?

A. In the post-COVID period, although service sales offset the decline in reagent sales, overall recurring revenue growth appeared limited. Going forward, we expect growth in recurring revenue to become more clearly visible as services continue to expand and reagents, culture media, and other items return to growth.

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