Q&A Highlights: FY2024 Financial Results

Date: May 15, 2025

Q-1 : Assumptions of FY2025 Plan and Global Business Environment focused on CDMO

Question:

- The number of CDMO development and manufacturing items shows steady growth and solid progress. On the other hand, CDMO sales have remained flat at around ¥6 billion per quarter, even with the tailwind of a weaker yen. Can you explain the background behind the item's growth? Are there specific factors that are limiting sales growth?

Answer:

- The primary driver of growth lies in the strong progress in our partnership with India's Agappe Diagnostics, which we have previously announced.
- As CDMO is not a direct-to-end-user business, it is difficult to mention specific factors. But we assume global market conditions may have impacted CDMO sales.
- However, a growing number of items are reaching the commercial production phase, and we anticipate solid growth in FY2025.

Question:

- Since the IVD business includes shipments to the U.S., has there been any impact regarding tariffs?

Answer:

- With respect to the tariff, we have conducted simulations and, at this stage, do not expect a significant impact from tariffs. However, given the broader global uncertainties, our FY2025 plan for IVD has been set slightly conservative and we are using a FX assumption of ¥150 per USD.

Q- 2 ：Visibility in LTS Sales Growth Plan

Question:

・ Are you confident with achieving the 4% growth target in LTS? Considering the current financial difficulties in hospitals, price adjustments may not easy. Additionally, under the limited growth in volume, we would like to understand the evidence behind this growth plan.

Answer:

・ In FY2024, base LTS sales grew 6%. For FY2025, we have set a 5% growth target for the LTS business with 4% growth excluding COVID-related sales, which we consider realistic. Price optimization effects are also included into this plan.

Question:

・ Competitors are also expanding capacity. Should we worry about intensified competition?

Answer:

・ Our FY2025 plan already accounts for competitive factors.

Q-3 : NEURO Reagent FDA approval

Question:

・ Regarding pTau217/Aβ1-42 reagent, when do you expect to receive approval from FDA? Eisai has high expectations for its potential as definitive diagnostic reagent. We would appreciate hearing your perspective on its outlook.

Answer:

・ While we cannot disclose the specific timing of approval, we are communicating appropriately with FDA. Once we received approval, we will issue an announcement.
・ Our reagent’s impressive performance was recently featured in Nature Medicine. With growing supportive evidence, we aim to establish it as a de facto standard in the field, while exploring future CDMO opportunities.
・ Notably, on May 19, Mr. Ishikawa, the Executive Officer of the IVD business, will present the new medium-term plan and update the status.

Q-4 : Review of Initial FY2024 Plans

Question:

- Please evaluate the reason of difference between the actual FY2024 results and the initial forecasts. While the underperformance of the LTS business seems to be the primary factor, please provide an annual summary of the outcomes of each profitability improvement measure reported quarterly.

Answer:

- In FY2024, we achieved our targeted marginal profit improvement. However, despite implementing multiple initiatives, we fell short on fixed cost reductions including labor costs, due to overly aggressive assumptions during the planning phase.
- For FY2025, we expect operating profit growth to be primarily driven by marginal profit improvements, with only a limited contribution from cost reductions. This reflects a more realistic approach, incorporating only clearly actionable cost-cutting measures based on the lessons learned in FY2024. For FY2025, we are already executing all necessary measures to ensure target achievement.

Question:

- In FY2025 plan, I understand profit growth will come from sales increases and profit improvements, largely driven by LTS. Could you clarify the timing of these measures' impacts - which take effect early or later in the year? Should we expect most profit growth to occur in the second half of FY2025?

Answer:

- Sales will grow steadily throughout the year. To improve marginal profit, we will concentrate key initiatives in the first half, including the effects of price revisions, which are also expected to materialize during the first half. Lab operation optimization will continue, with benefits gradually emerging over time. We aim to complete all price revisions in the first half to capture their full impact in the second half.
- Additionally, we anticipate approximately ¥1 billion in costs in Q1, making it the most challenging quarter of the year. However, the full effects of our initiatives expect to materialize in the second half—this reflects the core structure of our FY2025 plan.

Q-5 : General Practitioner(GP) Strategy

Question:

- Supplementary materials show a net decrease of over 2,000 GP customers annually, with a significant drop in Q2. Can we assume this customer restructuring is now largely complete?

Answer:

- Restructuring is largely completed. With regional logistics optimization progressing, we expect to see further reductions in FY2025, but they will be smaller in scale compared to FY2024.
- Our GP strategy is at a turning point. We are working to enhance operational efficiency including logistic collaboration with Medipal.

Q-6 : NEURO-Related Sales

Question:

- In FY2024, NEURO-related sales were ¥4.7 billion, which grew by ¥2.7 billion YOY. Is the flat IVD sales outlook for FY2025 primarily due to a decline in COVID-19-related demand offsetting the growth in NEURO?
- While the timing of FDA approval is difficult to predict, do you anticipate an acceleration in NEURO sales in the second half of the year, assuming FDA approval is granted?

Answer:

- While NEURO showed rapid growth in FY2024, we are not forecasting the same level of expansion for FY2025. Our current plan assumes growth of over 10%, though FX volatility continues to make forecasting difficult. We are not expecting another increase of over ¥2 billion, as seen last fiscal year.
- As mentioned earlier, we are setting a conservative assumption for the financial target as well as FX. We expect growth to be steady rather than accelerated from the second half. While FDA approval could present upside potential, there is also a possibility that growth will remain in line with our original plans. We will continue to monitor market conditions closely and adjust our outlook as needed.