

Note: The following transcript is a translation of the remarks made in Japanese. The following may differ from the simultaneous translation provided at the event.

Speaker	Transcription
<p>Hikaru Fukui, Head of Investor Relations  SBC Medical Group Holdings</p>	<p>Good morning. I'm Fukui, Head of Investor Relations at SBC. As scheduled, we will now begin our financial results briefing.</p> <p>Thank you for taking the time to join us today. We appreciate your continued interest in SBC Medical Group Holdings.</p> <p>Today's presentation will be delivered by our CEO, Dr. Aikawa, who will provide an overview of our FY2024 financial results, current business developments, and our outlook going forward.</p> <p>Dr. Aikawa, please begin.</p>
<p>Yoshiyuki Aikawa, Director(Chairman) · CEO  SBC Medical Group Holdings</p>	<p>Hello everyone, I am Dr. Aikawa, CEO of SBC Medical Group Holdings. Thank you very much for joining us today.</p> <p>Let me begin with a brief introduction. I founded Shonan Beauty Clinic in 2000, together with two consulting specialists and two nurses. From the outset, we aimed to become Japan's leading aesthetic medical group by patient volume—a goal we successfully achieved in 2017.</p> <p>Since then, we have expanded beyond aesthetic clinics to include orthopedics, dermatology, ophthalmology, gynecology, and internal medicine. Our mission today is to become the most-visited medical group in Japan.</p> <p>Once we set a goal, we pursue it with strong determination. This mindset has brought us to where we are today and will continue to guide our growth going forward.</p> <p>Now, let me walk you through our FY2024 results and the current business landscape.</p> <p>Revenue grew 6% year-over-year to \$205 million. Despite headwinds from the weaker yen, we achieved solid growth. ROE declined by 4 percentage points, mainly due to one-time expenses related to our NASDAQ listing in September, including stock-based compensation and impairment losses.</p> <p>As a franchisor, we added 43 new clinics—a 21% increase from the previous year—bringing our total to 251 clinics. Annual patient visits grew 15% year-over-year, reaching 6.03 million.</p> <p>This consistent growth over the past 25 years is largely thanks to our high rate of repeat visits. We regularly conduct customer satisfaction surveys by treatment type, using the data to identify areas for improvement, and refine pricing and service offerings accordingly. This continuous feedback</p>

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	<p>loop helps us maintain high satisfaction and retention.</p> <p>During the COVID-19 pandemic, the Japanese aesthetic medicine market grew significantly, supported by trends such as remote work and mask-wearing. However, with that growth came intensified competition, as the number of aesthetic clinics also increased. In this environment, differentiation and steady patient growth are critical, and we are actively implementing strategies to achieve both.</p> <p>Turning to the balance sheet, we maintain a strong cash position. We are exploring how best to deploy this capital to support future growth, considering flexible and strategic investment approaches.</p> <p>Looking at the market potential, Japan still has room for growth. In South Korea, more than 20% of the population has used aesthetic medical services. In contrast, Japan is still in the low double digits. We believe the market can at least triple in size, and as the market leader, we are committed to driving that expansion.</p> <p>Notably, interest among male patients is increasing—especially in areas like hair removal, where male performance is now surpassing female revenue growth.</p> <p>That said, competition is intensifying. To adapt, we are transitioning to a more flexible franchise model. In the past, franchise fees were uniform, regardless of clinic size or stage. But opening a clinic and achieving stable operations typically takes a year, and high initial fees can be a burden for franchisees.</p> <p>Moving forward, we plan to introduce a variable fee structure based on clinic size and maturity. This will help create a win-win structure for both the franchisor and franchisees and will encourage more partners to join the SBC network.</p> <p>Looking toward 2027, we plan to center our growth around aesthetic medicine while expanding into adjacent fields. We aim to maintain our No. 1 position domestically, particularly by engaging women over 40 who want to maintain their beauty throughout their lives. Our goal is to serve these customers consistently from their 40s into their 80s.</p> <p>In addition, we are seeing strong growth in orthopedics, ophthalmology, fertility treatments, and AGA (hair loss treatment). These areas will also be key pillars of our ongoing expansion.</p> <p>On the global front, we currently operate a clinic in Ho Chi Minh City, Vietnam, which is performing well. To further expand in Asia, we’ve established a regional hub in Singapore and plan to expand into populous countries such as Vietnam, Thailand, Indonesia, and India through strategic partnerships.</p> <p>We recently partnered with a group operating 15 beauty clinics and spas across Asia. In North America, we already have a clinic in Irvine, California, and as a NASDAQ-listed company, we plan</p>

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	<p>to grow our U.S. presence and brand recognition by expanding both directly operated and franchised clinics.</p> <p>Lastly, let me touch on share liquidity. Currently, liquidity is limited, which makes trading difficult for institutional investors. We recognize this as an issue and are actively considering measures to improve supply-demand dynamics. This includes seeking new major shareholders, conducting share buybacks, and paying dividends.</p> <p>Additionally, I personally hold a majority stake and am carefully considering share sales, new issuance, or warrant exchanges to improve liquidity and make our shares more accessible.</p> <p>That concludes my presentation on the company overview and future outlook. Thank you very much.</p>
<b>Q&amp;A Session</b>	
Aikawa	<p><b>Q1: What are the main drivers of future growth?</b></p> <p>In aesthetic medicine, expanding the market itself is key. The first experience—such as a simple injection—can leave a strong impression of value for patients. Once someone tries a procedure, they are more likely to return. That’s why we are focused on creating low-barrier entry points through pricing and service design. We believe the domestic market has potential to double or even triple in size.</p>
Aikawa	<p><b>Q2: How do you view the current business environment in Japan, and what strategies will you pursue?</b></p> <p>The market has grown, but so has competition. Many new players have entered, and the environment is increasingly challenging. We are pursuing two parallel strategies: one is to expand the market by making aesthetic medicine more accessible and appealing; the other is to differentiate ourselves through advanced treatments, pricing, and international sourcing. For example, we introduce cutting-edge technologies from our overseas clinics in the U.S. and Singapore to stay ahead.</p>
Yuya Yoshida, Director, CFO, COO  SBC Medical Group Holdings	<p><b>Q3: FY2024 performance weakened slightly in Q4. What caused the slowdown?</b></p> <p>That’s correct. While the first three quarters were strong, in Q4 we intentionally focused on growing patient volume, including through price reductions for certain services like hair removal. This led to a decrease in average spend per customer. However, this was a strategic decision to build our base. Entering 2025, we’ve observed a decline in competitors—especially in single-service clinics—and we’ve responded with selective price increases. This is helping us boost unit revenue and return to a stronger growth trajectory.</p>
Aikawa	<p><b>Q4: How is AHH Group in Singapore performing post-acquisition?</b></p> <p>The acquisition has been progressing smoothly. Both revenue and patient volume are growing steadily. We are currently finalizing our strategy to use AHH as a hub for broader expansion across Asia.</p>

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Aikawa	<p><b>Q5: What new business initiatives are you planning? What synergies do you see?</b></p> <p>In addition to strengthening our position in aesthetic and general medicine, we are preparing to enter the B2B side of the industry. Until now, we've sourced products like lasers and injectables from overseas, but we aim to become a supplier ourselves—possibly through acquisitions or internal development of devices, injectables, threads, and more.</p>
Aikawa	<p><b>Q6: Is the current competitive landscape creating M&amp;A opportunities in Japan?</b></p> <p>Yes. While increased competition poses challenges for operators, it creates opportunities for us as a cash-rich acquirer. We're now seeing attractive targets—both in terms of business quality and valuation—that weren't previously on the market. This includes aesthetic medicine and adjacent fields such as general healthcare services.</p>
Yoshida	<p><b>Q7: Interest income appears limited despite high cash holdings. Can you explain your capital allocation approach</b></p> <p>We currently hold a significant portion of our cash in yen, which limits returns. However, with global expansion underway, we are considering diversifying across currencies and exploring more effective capital deployment strategies.</p>
Aikawa	<p><b>Q8: What is your outlook for FY2025 in terms of new clinic openings?</b></p> <p>In FY2024 we added 43 clinics. For FY2025, we already have around 20 new clinics planned organically, with additional growth possible through M&amp;A. Some existing clinics will also undergo format changes to better match local needs.</p>
Yoshida	<p><b>Q9: How are you thinking about shareholder returns, including share buybacks?</b></p> <p>We recognize the importance of shareholder returns and understand concerns about our current valuation. We are considering options including share buybacks and dividends. Once we finalize our capital allocation policy, we will announce it accordingly.</p>
Aikawa	<p><b>Q10: How do you view the market potential in Vietnam?</b></p> <p>Our Vietnam clinic faced difficulties during COVID-19, but has since recovered. We are seeing strong momentum and are currently focused on building a successful model this year. Once established, we plan to replicate it in other locations starting next year.</p>
<b>Closing Remarks</b>	
Aikawa	<p>Thank you all once again for joining us today.</p> <p>While SBC was founded 25 years ago, our journey as a listed company began only recently, with our NASDAQ debut in September 2024. As a public company, we will continue striving to become Japan's most trusted and frequently visited medical group.</p> <p>We appreciate your continued support and look forward to sharing our progress with you in the future.</p>