The Q&A Summary of United Imaging Healthcare FY2023&FY2024 Q1 Earning Call

Qustion 1

As of 2023, how has the company performed in overseas markets? What types of equipment are primarily favored in each region? What are the expectations and growth targets for the overseas market in 2024?

Answer:

As of 2023, the company achieved overseas market revenue of 1.68 billion yuan, marking a year-on-year growth of over 50%, with overseas market revenue accounting for nearly 15% of total income. The company's global strategic expansion plan has been effectively managed and executed, providing strong support for the growth in overseas revenue. By the end of the reporting period, the company had established over 30 regional headquarters, subsidiaries, and representative offices worldwide, with a service and logistics network covering over 70 countries and regions. The global after-sales service team exceeds 1,000 people, ensuring efficient service support and rapid growth in service revenue. The company will continue to improve its related system construction in the future.

In the U.S. market, where the company entered five years ago, we have established a comprehensive system of production, sales, technology, and service, successfully building a strong brand image associated with high-end performance and excellent service. Our team now spans across 36 states, with equipment installed in over 30 states. Notable institutions such as the University of California, Davis, Yale University, the University of Washington School of Medicine, and the McGovern Medical School at the University of Texas have adopted our equipment.

In Europe, the company has over 100 devices serving various medical institutions. In Italy, our digital PET/CT and 3.0T MRI uMR Omega have been installed at the century-old Sacro Cuore Don Calabria Hospital, assisting in the diagnosis and clinical research of prostate cancer and other diseases. In the same year, our digital PET/CT uMI Vista was installed at Bologna University's affiliated IRCCS hospital, one of Italy's top comprehensive medical centers. With increasing brand recognition, we will continue to deepen our market presence, particularly in the UK and France.

In the Asia-Pacific and emerging markets, the company has maintained a rapid growth trajectory. During the reporting period, we saw strong growth in markets such as South Korea, Vietnam, Thailand, the Philippines, the Commonwealth of Independent States (CIS), India, and Australia & New Zealand. In Latin America, we continue to push forward with sales, service, and system development in countries such as Argentina and Colombia.

Overall, the company is pushing mid-to-high-end products with integrated solutions while catering to different regions and market demands. Our innovative products have been well-received in markets across North America, Europe, Japan, South Korea, Southeast Asia, the Middle East, Latin America, and Africa. However, market conditions vary by region. In 2024, we plan to deepen our collaboration with regional partners, further strengthen system development, and steadily promote

the high-quality growth of our overseas business through innovative products.

Qustion 2

Can you interpret the equipment update policy, and what is the impact on the demand for medical imaging equipment in the healthcare industry? For the company's expectations in 2024, will the demand be more focused on tertiary hospitals or grassroots markets?

Answer:

The implementation of the "Action Plan" for equipment updates involves significant efforts and a long timeline, which will have a profound impact on the healthcare system, industry structure, and healthcare service institutions over the next 2-3 years or even longer. We believe that there are three key aspects to consider regarding this update, which primarily aims to meet public health needs, improve the diagnostic and treatment capabilities and efficiency of healthcare institutions, while also boosting domestic demand, eliminating outdated capacity, and increasing the share of advanced production capacity. This will harness new productive forces and contribute to the effective transformation and upgrading of the economic structure.

At the Healthcare Institution Level:

With the current emphasis on high-quality capacity building, healthcare institutions at all levels are increasingly adopting advanced and efficient medical equipment to enhance diagnostic capabilities and service quality. This trend is essential for the upward development of healthcare institutions. Over the past two decades, as China's healthcare system has continuously evolved, the equipment used in various medical institutions has aged, and older equipment’s performance is gradually declining. With new clinical applications emerging and increasing demands for modern diagnostic technologies, the need for enhanced medical service quality, diagnostic effectiveness, and efficiency has become urgent. This creates a vast demand for new technologies, products, and applications.

At the Industry Structure Level:

From an industrial chain perspective, the equipment update will stimulate the collaborative development of the upstream and downstream sectors of the medical equipment industry, driving technological innovation and bringing upgrading, collaboration, and innovation to the healthcare industry. It also presents an opportunity for China’s medical equipment sector to make a further leap, promoting progress and development within the industry.

At the Economic Structural Transformation Level:

The healthcare industry, being a fundamental sector vital to the nation's well-being, serves as both a ballast and a new driving force for economic growth. As a capital-, talent-, and technology-intensive industry, it offers a unique opportunity to integrate advanced manufacturing, health services, and technological innovation. This combination of the secondary and tertiary sectors will help achieve economic growth, both qualitatively and quantitatively, further contributing to the country’s economic transformation.

For the company, we will rely on a complete portfolio of multi-modal, cross-scale imaging, radiation therapy, interventional equipment, and digital platforms, providing comprehensive innovative solutions to support the development, transformation, and high-quality construction of healthcare

institutions at all levels. In 2024, the demand for medical imaging equipment will be driven by both tertiary hospitals, as they seek to upgrade and improve clinical capabilities, and by grassroots markets, as the need for healthcare infrastructure and access expands.

Qustion 3

In recent years, the company has launched several new products, such as the 5T MRI, DSA interventional systems, and the next-generation molecular imaging product uMI Panorama. How far along are these flagship products in commercialization? What is their market recognition? What are the expectations for the future?

Answer:

The company has consistently adhered to an innovation strategy driven by both technological advancements and clinical demand. By integrating technology and supply chains based on a platform development model, we continuously enhance our R&D efficiency and the capabilities of our product technology platforms. For our MR, MI, CT, and XR product lines, we have developed advanced technology platforms like uAIFI, uExcel, uSense, and uVERA. Over the past two years, we have launched several products that lead the industry and fill gaps in the market, including the uMI Jupiter 5T MRI, DSA angiography systems, and the next-generation molecular imaging platform uMI Panorama. These highly valuable, innovative products have garnered significant attention within the industry and attracted leading medical institutions and research centers worldwide, including some renowned overseas institutions, which are actively seeking collaboration with us. Now, let me go into more detail:

MRI:

The uMR Jupiter 5T, an innovative product, has broken through the limitations of ultra-high-field MRI in safety and imaging of body organs, taking full-body human MRI into the ultra-high-field era. This product, launched in August 2022 with domestic NMPA approval, has gained strong market momentum. It currently holds a leading market share in ultra-high-field MRI products, with a wide user base that includes renowned medical and research institutions like Fudan Zhongshan Hospital, Peking Union Medical College Hospital, Peking University Third Hospital, Tsinghua University, and Fudan University. Through close collaboration with clinical and research users, the system's exceptional performance in imaging neurological, cardiac, and abdominal organs has been fully realized. Its speed, high-definition, and multi-core imaging provide clearer anatomical, functional, and metabolic information, opening new horizons in medical imaging. Recently, the uMR Jupiter 5T received FDA 510k clearance for market access in the U.S., and EU registration is also in progress. We are already in active discussions with many top global hospitals and research centers to rapidly advance collaboration.

Molecular Imaging:

Based on the intelligent, full-stack empowered uExcel platform, the uMI Panorama PET/CT product line has gained market approval in China, the U.S., and the EU, and has also been registered in Korea, Japan, and Singapore. The system's excellent scalability covers axial ranges from 28cm to 148cm, and each configuration offers groundbreaking time resolution, ultra-high spatial resolution, and effective sensitivity. It delivers superior imaging performance, providing powerful tools for clinical and research applications in oncology, neurology, cardiology, and integrated diagnosis and

treatment. In China, the uMI Panorama series has entered top hospitals such as Peking Union and Zhongshan, and it is also being used in top hospitals and research institutions in the U.S. Additionally, the uExcel platform continues to evolve, with new features like integrated patient motion management, ensuring better image quality and enabling high-quality scans for challenging patients.

CT:
We have introduced several intelligent, high-end, and ultra-high-end CT models into the global market, enhancing access to advanced healthcare services. In clinical applications, we continue to innovate, achieving the industry's first combined CTP + CCTA imaging technology. This technology successfully integrates traditional myocardial perfusion and coronary CTA exams into a single, streamlined process, further promoting the clinical application of CT for coronary heart disease functional imaging. The 87cm wide-bore CTsim radiation therapy positioning simulator, showcased at CMEF, is also about to be launched. This product features 4D motion tracking for precise organ tumor tracking, along with intelligent radiation therapy simulation workflows, complementing 1.5T MRsim and large-bore 3T MRsim to form a complete radiation therapy positioning solution.

Radiotherapy:
Following a solid foundation, the RT innovation has entered a period of rapid development. Over the past year, we have developed several radiation therapy devices, allowing us to participate in broader radiation therapy sub-markets and significantly boosting our product line's competitiveness. We are about to launch the CT-guided Halo ring machine, which features an ultra-large-bore CT and an innovative 5-axis patient bed, enhancing treatment precision, increasing patient throughput, and improving treatment safety.

DSA:
The uAngio 960 robotic arm DSA system plays a crucial role in diagnosing and treating diseases of the head, neck, central nervous system, large blood vessels, peripheral vessels, and tumors. This product's exceptional image quality, flexibility, and intelligent features have led to its entry into several hospitals' cardiology, interventional radiology, and emergency departments. Additionally, in the first quarter of this year, our suspended DSA system, uAngio AVIVA, was approved for sale. This system offers 8-axis freedom of movement, enabling more scan positions and improved motion trajectories, reducing constraints on doctors' bedside operations. The system also integrates intelligent visual modeling and motion trajectory planning for doctors, patients, and the environment, along with a pioneering voice interaction system to provide nearly all required commands. This product's launch expands our presence in the rapidly growing DSA submarket.

DR:
In the DR product line, the newly launched Aurora suspended DR system, which incorporates visual perception technology, enhances imaging operations' efficiency, precision, and safety.

Medical Software:
The uOmnispace is our next-generation network-based advanced imaging post-processing platform

and workstation. It combines intelligent algorithms with hyper-realistic physical rendering technology, supporting over 60 multimodal intelligent applications. The platform enables a fast, efficient workflow and is highly flexible, supporting various scenarios such as single-modal, multi-modal, departmental, hospital-wide, and remote collaboration. It also offers excellent scalability, cost-effectiveness, and high compatibility, supporting integration with third-party vendors and information systems. uOmnispace has received NMPA, FDA, and CE approvals and has been deployed globally in China, the U.S., Europe, and India, providing users with flexible configurations, smooth experiences, and lower total ownership costs, which have been well received.

In summary, our product technology platforms not only provide strong support for high-end and ultra-high-end products but also empower mid-range and entry-level products with advanced technology, offering highly cost-effective solutions for grassroots healthcare institutions. By continuously providing new technologies, products, and services for various market segments, we optimize our product portfolio, enhance our competitiveness, and assist medical institutions across different regions and levels in improving their diagnostic capabilities and providing superior clinical services, thereby contributing to the high-quality development of the industry and promoting the growth of our own business.

Qustion 4

Will the company significantly increase or experience fluctuations in sales and R&D expenses in 2024? Will the investment be evenly distributed across the four quarters, or is there a high investment in specific quarters?

Answer:

The composition of the company's R&D expenses mainly includes personnel and material costs. Currently, we are actively developing next-generation products and rolling out innovative products to maintain our industry-leading position in terms of product and technology. We are also undertaking new product development projects across all production lines. Therefore, we will enhance R&D efficiency through the establishment of a next-generation, high-efficiency R&D management system. As a result, R&D expenses will increase steadily and evenly throughout the quarters, ensuring that the annual R&D expense ratio remains within a stable range.

Qustion 5

What are the main advantages and disadvantages of the company's supply chain in global markets, and what are the future plans? Can you discuss short-term and long-term measures?

Answer:

As mentioned earlier, the company has implemented supply chain management measures that have achieved improvements in quality and efficiency. From a macro and industry perspective, the company's supply chain strategy focuses on resilience and stability, which have become more important since the reshaping and adjustment of global supply chains, especially after the global health crisis and ongoing international disruptions.

Since 2018, the global supply chain has emphasized not just efficiency and cost but also resilience and stability. As a manufacturing powerhouse, China has the most complete industrial system and supply chain capabilities. According to IBM, China is the only country in the world that has all

industrial categories under the United Nations Industrial Classification, supporting the country's global industrial power.

The medical health industry, now a key driver of global economic growth, benefits from industrial clusters in regions such as the Yangtze River Delta, Pearl River Delta, Bohai Rim, and Northeast China, all of which enable collaborative development and technological innovation. The healthcare equipment industry's complexity, long upstream supply chains, and high technical demands create significant investment needs and extended cycles, contributing to the industry's rapid growth and China's importance in the global market.

From an innovation standpoint, the company integrates source-level technological and engineering innovations. It has mastered core technologies related to various product series, making it one of the few companies in the industry with comprehensive R&D and mass production capabilities in medical imaging and diagnostic equipment. This innovation power, combined with the company's "R&D and manufacturing integration" model, delivers efficiency and competitiveness.

On the supply chain side, the company collaborates with over 200 upstream partners, ensuring localized production of high-precision components and materials. We have deepened our cooperation with suppliers through joint R&D efforts, producing key parts and components domestically that meet international standards, filling domestic gaps and leading some technologies and processes globally.

For sustainable operation, the company has implemented programs such as the "Procurement Control Program" and "Supplier Management Program" to optimize the supply chain and strengthen supplier capability building. In 2023, we conducted 89 training sessions for key suppliers, improving material quality and product safety.

Regarding supply chain design, with the rapid expansion of global operations, we face growing challenges in customer demand response, planning, production, and delivery capabilities. To address this, we have been accelerating the integration of digital technologies in the supply chain, optimizing inventory management, and minimizing costs. We aim to support larger sales volumes, higher revenue, and global competitiveness through an enhanced and responsive supply chain.

Looking ahead, the company will continue developing its smart manufacturing base, applying IoT, AI, and other cutting-edge technologies. The digitalization and "digital twin" systems of the factory will improve quality, on-time delivery, cost efficiency, and reduce carbon footprints. Additionally, as the company moves from simply exporting products to expanding its "system & capability export," it will contribute more to global innovation and collaborate on addressing health challenges worldwide.