

First Quarter FY2023 Financial Results Analyst Meeting
Main Questions and Answers
(August 4, 2023, Tokyo)

Q1: In Japan, sales in the private hospital and clinic markets increased, while sales in the university and public hospital markets decreased. Are there any differences in capital expenditure by medical institutions by market? Do you expect that sales in the university and public hospital markets will recover in the 2nd quarter of FY2023 and beyond? I would also like to know the outlook for IT system solutions, for which demand was favorable.

A1: Sales in the private hospital and clinic markets increased favorably. Sales in the university market decreased compared to the strong performance in the 1st quarter of FY2022 when capital expenditure by medical institutions resumed. In the public hospital market, sales of locally purchased products decreased. In Japan, the number of testing and surgical procedures in medical institutions continued to recover in accordance with the reclassification of COVID-19 as a class 5 infectious disease in May 2023. We don't see any differences in medical institutions' capital expenditure by market. As budget execution by universities and public hospitals tends to be concentrated in the 4th quarter and 2nd quarter, we will work to capture orders in those quarters. Demand for IT system solutions will remain steady. Task shifting and operational efficiency are further required in medical institutions, because work style reforms for medical staff are scheduled to take effect in 2024.

Q2: In the U.S., sales of Patient Monitors decreased. What is your outlook for the 1st half of FY2023? Is there any change in the competitive environment?

A2: Sales of Patient Monitors decreased in the U.S. both on a yen basis and on a local currency basis, as the cycle time from order to delivery and installation has become longer. Sales in the 1st half of FY2023 are expected to be a double-digit growth both on a yen basis and on a local currency basis, as inquiries about new models of mid-range bedside monitors launched in the 1st half of FY2022 are strong and their enhanced cyber security features are highly evaluated. In addition, our large-scale monitoring solutions, including transport monitors and vital sign telemeters, for network systems, are also highly evaluated.

Q3: I would like to know about capital expenditure by medical institutions in the U.S. and Europe. How do you see the impact on your business in the 2nd quarter of FY2023 and beyond?

A3: In the U.S., medical institutions' top priority is to secure personnel to address the shortage of nurses and capital expenditure in medical devices has also been prioritized. Although the cycle time from order to delivery and installation has become longer, we have not seen any signs of a slowdown in capital expenditure by medical institutions. Replacement of medical devices is necessary for them to provide leading-edge medical care. In Europe, medical institutions have restrained their capital expenditure due to inflation and reductions in Government budgets in some countries. We expect it will take time for capital expenditure to recover.

Q4: In China, demand for patient monitors increased. Do you expect that it will continue in the 2nd quarter of FY2023 and beyond?

A4: Because there were moves to expand ICUs to accept patients with infectious diseases after changing the zero-COVID policy in December 2022, demand for patient monitors increased in the 1st quarter of FY2023 (January to March). Sales in the 2nd quarter of FY2023 (April to June) are expected to increase favorably because of a delay in some deliveries and installations. In the 2nd half of FY2023, demand is not expected to continue, as the movement to expand ICUs has settled down.

Q5: In relation to Treatment Equipment, I would like to know the reason for lower sales of ventilators. Did sales of AEDs increase excluding the impact of the change in the fiscal term of Defibtech, LLC? What is your outlook for the 2nd quarter of FY2023 and beyond?

A5: As for ventilators, domestic sales remained flat and overseas sales decreased compared to the 1st quarter of FY2022 when large orders were received in Europe and Asia. On the other hand, sales in the U.S. increased thanks to the launch of a mask-type ventilator. Overseas sales of AEDs achieved double-digit growth, excluding the impact of the change in fiscal term. Demand for AEDs continued to increase, as the importance of CPR and AEDs has been reaffirmed due to reports of sudden cardiac arrest of athletes in Europe and the U.S. Demand is expected to continue in the 2nd quarter of FY2023 and beyond.

Q6: How do you see the direction of the revision of medical treatment fees scheduled for 2024? Do you anticipate that medical institutions will refrain from capital expenditure?

A6: We do not know the direction of the next revision of medical treatment fees, on which full discussion has just begun. We do not anticipate any change in capital expenditure by medical institutions at this moment. We will closely monitor future developments.

Q7: When do you expect the DHS (digital health solutions) vision, which is set forth in your Long-term Vision towards 2030, to contribute to sales?

A7: We regard DHS as an important business for achieving our target for 2030. The business model of DHS is under consideration and the contribution to sales is expected to come during the period of Phase III (FY2027-FY2029). We will explain the details in the next Medium-term Business Plan.

(End)

(Cautionary Statement)

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