

Third Quarter FY2023 Financial Results Analyst Meeting
Main Questions and Answers
(February 5, 2024, Tokyo)

Q1: How were domestic sales of Patient Monitors compared to the Company's expectations? Are there any risks of reduced capital expenditure by medical institutions in the 4th quarter of FY2023 and in FY2024, as a result of the revision of medical treatment fees scheduled for June 2024?

A1: Sales of clinical information systems increased significantly and sales of consumables such as sensors also increased favorably in the 3rd quarter (three months) following the 1st half of FY2023. Sales of transmitters and bedside monitors decreased due to a reactionary decline in COVID-19-related demand. The Company will continue to focus on its consumables and services business and work to deliver and install medical devices including IT system solutions by the end of the fiscal year. Although the revision of medical treatment fees is scheduled in June 2024, there are no significant changes in medical institutions' capital expenditure. In FY2024, sales of IT system solutions are not expected to grow as much as in FY2023. Demand for medical equipment which contributes to improving the efficiency of medical care will remain steady, as work style reforms for medical staff are scheduled to take effect in April 2024.

Q2: Sales of Patient Monitors in the U.S. were lower than expected. Do you expect that it will recover in the 4th quarter? What are the risks of missing the Company's forecast?

A2: In the U.S., sales of Patient Monitors decreased. As inflation and the shortage of nurses have caused deterioration of medical institutions' business, the cycle time from order to delivery and installation has become longer and the decision-making process for business negotiations has become more cautious. The Company aims to recover its performance in the 2nd half of FY2023 by focusing on deliveries and installations by the end of the 4th quarter of FY2023. We have secured the necessary installation staff and adjusted the delivery schedule, but there may be a possibility of sales shifting to FY2024 as a result of delays in training at medical institutions. On the other hand, we signed a new contract with a major IDN in Texas in the 3rd quarter of FY2023, which is expected to contribute to sales over several years.

Q3: Are there any changes in capital expenditure by medical institutions in Europe and Asia & Other?

A3: In Europe, medical institutions have continued to restrain their capital expenditure due to reductions in the Government budgets in some countries. In Asia & Other, there was the impact of the anti-corruption campaign in China. There was also a reactionary decline in demand for patient monitors, which had increased in the 1st half of FY2023 due to expansion of ICUs in China. On the other hand, a large order in Morocco contributed to the sales increase. Capital expenditure by medical institutions varies from country to country and region to region.

Q4: Sales in China in full year of FY2023 (January to December) are expected to result in a double-digit decline. Have tenders resumed in the 4th quarter (October to December)? Do you expect the impact of the anti-corruption campaign to continue in January FY2024 and beyond?

A4: In China, some regions and medical institutions executed their annual budgets toward the end of the year. The market has been sluggish since last summer due to the anti-corruption campaign. We expect this situation to continue for about a year. In the 1st half of FY2024, we also expect that there will be a reactionary decline in demand for patient monitors which had increased due to the expansion of ICUs.

Q5: Sales of ventilators were around 2 billion yen both in the 2nd quarter and 3rd quarter. Will the same level of sales continue in the future? In the U.S., will demand for ventilators continue in FY2024 and beyond?

A5: In the 3rd quarter (three months) of FY2023, sales of ventilators recovered in Japan and sales of a mask-type ventilator increased favorably in the U.S. Demand for a mask-type ventilator in the U.K. has settled down at the end of the 1st half of FY2023. In the U.S., the Company is working to strengthen its delivery, training, and maintenance capabilities for the mask-type ventilator, for which orders are increasing significantly. We expect the ventilator business to continue to grow in FY2024 and beyond.

Q6: Gross profit margin was lower than expected and SG&A expenses were higher than expected. I would like to know the Company's measures to achieve its full-year profit targets. I would also like to know the details of costs from the reform of the profit structure.

A6: Gross profit margin was lower due to an unfavorable product mix in sales of in-house products. SG&A expenses were higher than expected but were in line with the Company's expectation on a comparable basis excluding currency effects. We aim to achieve our full-year profit targets by restraining the increase of SG&A such as personnel expenses. The costs from the reform of the profit structure starting from the 3rd quarter of FY2023 were small. To achieve an operating income margin of 15%, as set forth in our Long-term Vision, we will implement initiatives to improve the productivity of each employee and reduce the cost of goods sold in the next Medium-term Business Plan.

Q7: Do you have any comments on the submission of a Large Shareholding Report at the end of last year?

A7: The Company does not comment on the contents of its dialogues with individual shareholders and institutional investors. We will continue to work on increasing corporate value over the mid-to long-term through constructive relationships with capital markets.

Q8: When will you announce the next Medium-term Business Plan?

A8: We are working on our next Medium-term Business Plan, scheduled to be announced between March and May 2024.

(End)

(Cautionary Statement)

*This material is posted for reference purposes for investors. This is a summary and not a verbatim record of all statements made at the meeting.

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