

**First Quarter FY2024 Financial Results Analyst Meeting**  
**Main Questions and Answers**  
**(August 5, 2024, Tokyo)**

**Q1: I would like to know the reason that the domestic sales forecast for the 1<sup>st</sup> half of FY2024 was revised downward to a low-single-digit decline. Do you expect that the number of business deals such as large orders will be lower than usual?**

A1: In the 1<sup>st</sup> quarter of FY2024, domestic sales were expected to decline year on year in the original forecast, and actually did decrease, due to a reactionary decline in sales of IT systems compared to the strong growth in the 1<sup>st</sup> quarter of FY2023. The reason that the Company revised its domestic sales forecast for the 1<sup>st</sup> half of FY2024 downward was that budget executions in the university and public hospital markets will be more concentrated in the 2<sup>nd</sup> half than originally expected. There is also a cautious stance on capital expenditure by private hospitals. The reason behind this trend is that each medical institution is facing difficulty in securing medical professionals, responding to work style reforms for medical staff in April 2024 and the medical treatment fee revision in June 2024. The number of business deals, including large orders, is expected to decrease compared to the 1<sup>st</sup> half of FY2023. The Company expects capital expenditure by medical institutions will be stepped up after late August, when medical institutions will assess the impact on their income and expenditure, because the timing of the medical treatment fee revision was changed from April to June from the current revision.

**Q2: I would like to know more details about the criteria for on-call doctors in ICUs that were clarified in the medical treatment fee revision.**

A2: As a response to the work style reforms for medical staff that started from April 2024, the reimbursement for ICUs will decrease if on-call doctors are in ICUs, so we are concerned about the negative impact on hospital income and expenditure. We do not know what percentage of hospitals will see a decrease in reimbursement.

**Q3: Sales of ventilators in the 1<sup>st</sup> quarter of FY2024 increased year on year but decreased over the 4<sup>th</sup> quarter (three months) of FY2023. I would like to know the outlook for sales of ventilators in the 2<sup>nd</sup> quarter and beyond.**

A3: The Company does not comment on the quarterly forecast for sales of ventilators. In Japan, sales of ventilators are expected to increase in the 2<sup>nd</sup> and 4<sup>th</sup> quarter, when budget executions will be more concentrated, compared to the 1<sup>st</sup> quarter. Internationally, while sales trends vary from region to region, sales of a mask-type ventilator are expected to increase favorably in North America.

**Q4: The main reasons for deterioration in gross profit margin are lower selling prices, inventory write-down, and increase in cost. I would like to know which factors were not anticipated in the original forecast and which factors will continue in the 2<sup>nd</sup> quarter and beyond.**

A4: The deterioration in gross profit margin for IT systems in Japan was in line with its expectations, as sales of IT systems with higher margin were recorded in the 1<sup>st</sup> quarter of FY2023. We did not anticipate lower selling prices of in-house products excluding IT systems. The inventory write-down of a discontinued model was incorporated in the full-year forecast, but was not expected to be recorded in the 1<sup>st</sup> quarter. To respond to lower selling prices and increase in cost, the Company is working to review its pricing policies and optimize parts procurement through the reform of the profit structure of the entire Group. The effects are expected to occur gradually in the 2<sup>nd</sup> quarter or the 2<sup>nd</sup> half and beyond.

**Q5: I would like to know the progress for each measure, including deeper understanding, in your reform of the Company's profit structure. Do you see any negative impact?**

A5: In FY2024, which is the first year of its Three-year Business Plan, the Company plans to undertake about 70% of measures for the reform of the profit structure. The effects are expected to occur in the 2<sup>nd</sup> or 3<sup>rd</sup> year and beyond. The president, who serves as a Chief Transformation Officer, plays a leading role and confirms the progress for each measure at weekly meetings. Although the progress in some measures has been slower than expected, all CxOs are responsible for achieving targets in each area of this reform and are working on measures for improvements. We do not see any negative impact such as a decline in sales capacity due to reducing overtime hours.

**Q6: I would like to know the reason that the Company is reaffirming its full-year forecast unchanged. The hurdles for the 2<sup>nd</sup> half are higher since the forecast for the 1<sup>st</sup> half was revised downward. Is the full-year forecast a challenging target at this point?**

A6: The Company is reaffirming its full-year forecast for domestic sales unchanged, because it is necessary to monitor the impact of the medical treatment fee revision on medical institutions' business sentiment and capital expenditure. Internationally, sales in China in the 2<sup>nd</sup> quarter of FY2024 (April to June) continued to decrease year on year. In the Company's original forecast, sales in China were expected to recover in the 2<sup>nd</sup> half, which has now become uncertain. In the Middle East and Southeast Asia, business deals and budget executions will be more concentrated in the 2<sup>nd</sup> half than originally expected, but will progress by the end of this fiscal year. In North America, sales of patient monitors and ventilators are expected to continue to increase favorably. To improve its profitability, the Company will restrain the increase of SG&A expenses and take further measures to reform the profit structure of the entire Group, as an operating loss was recorded in the 1<sup>st</sup> quarter of FY2024. After reviewing the results for the 1<sup>st</sup> half and outlook for the 2<sup>nd</sup> half of FY2024, the Company will revise its forecast for FY2024 at the same times as the announcement of financial results for the 1<sup>st</sup> half of FY2024.

(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.

\*Earnings forecasts and other forward-looking statements in this material are based on information currently available and certain assumptions that the Company believes are reasonable. Therefore, they do not constitute a guarantee that they will be realized. Actual results may differ from such estimates due to unforeseen circumstances.