

**Third Quarter FY2022 Financial Results Conference Call  
Main Questions and Answers  
(February 3, 2023, Tokyo)**

**Q1: I would like to know the impact on your business of higher prices of components and utility costs as well as product supply issues due to the shortage of semiconductors in the 3<sup>rd</sup> quarter (three months) of FY2022. What is your outlook for FY2023?**

A1: We expect a negative impact of around 1.5 billion yen on gross profit margin in line with our initial expectations, because higher prices of components and utility costs will continue until the end of FY2022. The higher prices of components had negative impact of around 0.6 billion yen and around 0.3 billion yen in the 1<sup>st</sup> half and in the 3<sup>rd</sup> quarter (three months) of FY2022, respectively. We expect this impact to be around 0.6 billion yen in the 4<sup>th</sup> quarter (three months) of FY2022. The impact of component price rises by suppliers is expected to continue in FY2023, while the impact of components procured at temporarily high prices will be mitigated. Although product supply issues due to the shortage of semiconductors are lessening compared to the 1<sup>st</sup> half of FY2022, we are experiencing delays in delivery of some parts.

**Q2: What is the progress of price increases for products and consumables?**

A2: In response to higher prices of components and resources, the Company has raised the prices of its products and consumables from the 2<sup>nd</sup> half of FY2022. We have been in the process of renewing contracts with customers and distributors with a certain level of understanding on their part. It is difficult to estimate the amount of impact from price increases because we may need to reduce pricing in some business negotiations. The impact of the price increases is expected to be felt in FY2023 and beyond.

**Q3: In Japan, why did sales in the clinic and university markets increase, and sales in the public hospital and private hospital markets decrease, respectively? I would like to know the Japanese medical institutions' current capital expenditure.**

A3: Sales in the clinic market increased favorably and sales in the university market also increased, as capital expenditure by medical institutions resumed and the number of testing and surgical procedures showed a recovery trend. Sales in the public hospital and private hospital markets decreased compared to the strong performance in the same period of FY2021 due in part to the installation of patient monitors and ventilators. Replacement demand for physiological measuring equipment, hematology instruments, and IT system solutions, for which capital expenditure had been postponed due to the COVID-19 pandemic, has increased. We expect this trend will continue in FY2023 and beyond. In Patient Monitors, sales of high-end bedside monitors for ORs/ICUs increased, while sales of transmitters and mid-range to low-end bedside monitors decreased compared to the strong growth in the same period of FY2021.

**Q4: Internationally, sales in Europe increased on a yen basis. Was there any reactionary decline of COVID-19-related demand in the same period of FY2021? I would also like to know the future outlook for large orders of patient monitors in the U.S., where you enjoyed strong sales growth in the 1<sup>st</sup> half of FY2021.**

A4: In Europe, sales in France and Turkey decreased, while sales in Germany and the U.K. increased favorably. The reactionary decline of COVID-19-related demand in the same period of FY2021 has continued for some products. In the U.S., our large-scale monitoring solutions for network systems have been highly evaluated

thanks to the strengthening of ties with IDNs and the expansion of our product line-up. The number of business negotiations worth several hundred million yen has increased over the past few years, while the scale of the new Pavilion of the Hospital of the University of Pennsylvania in the 1<sup>st</sup> half of FY2021 was extraordinary.

**Q5: In the U.S., how do you see the sales contribution of the CSM-1500/1700 mid-range bedside monitors? You also launched the NKV-330 ventilator. Do you expect to expand your market share in the U.S.?**

A5: The Company launched the CSM-1500/1700 mid-range bedside monitors in April and September 2022, respectively. Sales of these products increased favorably in the 3<sup>rd</sup> quarter (three months) of FY2022, because full-scale installations started from the 2<sup>nd</sup> half of FY2022. We expect the launch of new products will contribute to sales in FY2023. In September 2022, we also launched the NKV-330 ventilator in the U.S., the world's largest market, in addition to the launch in Japan, Europe, and emerging countries in 2019. As inquiries for both new products have been strong, we will continue to strengthen our offerings of these products to expand our market share.

**Q6: Why did sales in China show positive growth in the 2<sup>nd</sup> half (from July) compared to the year-on-year decline in the 1<sup>st</sup> half of FY2022? I would like to know the impact on your business of the Shanghai lockdown, the low-interest loan program, and COVID-19-related demand. Do you expect COVID-19-related demand to continue in FY2023?**

A6: Shanghai Kohden closed its offices from the end of March to the end of May 2022. As operations resumed after the lockdown was lifted in June, sales in China showed positive growth in the 2<sup>nd</sup> half of FY2022 (from July). We estimate that the impact of the low-interest loan program on our product sales was limited. Because there have been moves to expand ICUs to accept patients with infectious diseases after changing the zero-COVID policy in December 2022, demand for patient monitors has increased. We expect some of this impact to remain in January 2023 in addition to December 2022.

**Q7: Why did SG&A expenses increase in the 3<sup>rd</sup> quarter (three months) of FY2022? I would also like to know the impact on depreciation in FY2023 and beyond of introducing PLM/MES\*systems and acquiring a new plant site.**

A7: The main reason for increased SG&A expenses in the 3<sup>rd</sup> quarter (three months) was yen depreciation. It was also because of higher logistics costs and utility costs, as well as increased traveling expenses due to the normalization of sales and service activities both in Japan and internationally. It is difficult to provide the amount of depreciation in FY2023 and beyond. Depreciation of PLM/MES systems is expected to be incurred sequentially after the 2<sup>nd</sup> half of FY2023, when we plan to start operations. Depreciation of the new plant in Tsurugashima City, Saitama Prefecture, is expected to be incurred after CY2026, when we plan to start operations. The new plant site will be acquired through necessary procedures including a resolution of Saitama Prefectural Assembly and details for construction of the new plant are under consideration.

\* PLM: Product Life-cycle Management, MES: Manufacturing Execution System.

(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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