

**Second Quarter FY2019 Financial Results Analyst Meeting**  
**Main Questions and Answers**  
**(November 8 2019, Tokyo)**

**Q1: Domestic sales in the 1<sup>st</sup> half of FY2019 increased favorably. Can you quantify how much came from large orders related to construction of hospitals? How much of a reactionary decline do you expect in FY2020 compared to FY2019?**

A1: Hospitals are rebuilt approximately once every 30 years, but the number of projects varies from year to year. We think large orders, including those related to the construction of new hospitals, were in the range of 2 billion yen to 3 billion yen in the 1<sup>st</sup> half of FY2019. The number of projects for rebuilding hospitals in FY2020 seems to be slightly less than in FY2019, but the number is expected to increase again in FY2021 compared to FY2020. In FY2020, we will take measures to increase business negotiations for renewal and replacement of equipment, in order not to rely solely on large orders related to rebuilding of hospitals.

**Q2: Why did the last-minute surge in demand before the consumption tax increase in Japan exceed your expectations? Don't you think that hospitals may have rushed to make purchases ahead of schedule because they are in severe financial conditions? I am concerned about the risk of recurrence of the weak domestic business conditions that we saw in FY2014 and after.**

A2: The consumption tax rate was raised in October this time, whereas the previous rise took place in April. The number of public hospitals and private hospitals that executed their annual budgets ahead of schedule in the 1<sup>st</sup> half was greater than expected. We estimate the impact was in the range of 4 billion yen to 5 billion yen. The approximate breakdown by market is as follows; 40% for public hospitals, 40% for private hospitals, 10% for university hospitals and 10% for clinics. A reactionary drop is expected in the 2<sup>nd</sup> half of FY2019, especially in the 3<sup>rd</sup> quarter. The impact on earnings in FY2020 will be minor.

**Q3: I would like to know the reason why the domestic sales forecast for FY2019 was revised upward by ¥1.5 billion from the original forecast.**

A3: Considering the potential sales opportunities, a reactionary drop in response to the last-minute surge in demand is expected in the 2<sup>nd</sup> half of FY2019. We think that underlying growth resulted in a substantive sales increase of about 1.5 billion yen to 2 billion yen in the 1<sup>st</sup> half of the fiscal year.

**Q4: The Ministry of Health published 424 public hospitals' names to promote their reorganizations. I would like to know the reaction from medical practices and the impact on the Company's performance.**

A4: The Ministry of Health has visited various regions across the country to explain the details, as there are objections especially in rural areas. The reorganization is expected to proceed as follows: if both hospital A and hospital B have 10 beds in ICU respectively, the ICU function will be consolidated in hospital A, and hospital B will shift its function to long-term care. If hospitals enhance their acute care facilities, it will lead to business opportunities for us. We don't think the reorganizations will result in a significant decline of our business.

**Q5: I would like to know the reason why the temporary delay in shipment of patient monitors occurred in the U.S. in the 2<sup>nd</sup> quarter. What is the progress of measures to equalize seasonal variation so as not to concentrate sales at the end of the fiscal year?**

A5: The shipment was delayed temporarily due to a supply issue in relation to components, but it has been already resolved. This issue has no relation to the measures to level out sales booking . In Southeast Asia, sales decreased in the 1<sup>st</sup> half of FY2019, as the Company has reorganized its distributor networks to level out sales booking. Sales in Southeast Asia are expected to recover in the 2<sup>nd</sup> half of the fiscal year.

**Q6: As for the withdrawal of the FDA submission of mid-range bedside monitors in the U.S., are you confident that you will be able to resubmit in the 1<sup>st</sup> half of FY2020? Would you provide some color on the reason why you decided to withdraw the submission?**

A6: The FDA has tightened its cybersecurity control requirements after publishing the draft guidance in October 2018. Our patient monitoring systems ensure security thoroughly if hospitals operate under the conditions we set, because our dedicated network is built separately from the hospital's network. The Company decided to withdraw the submission and further strengthen the security level, because the FDA requires ensuring security even in cases of the customer's misuse or when malicious attacks occur. The timing of the launch will be a little delayed, but we would like to realize an industry-leading level of cybersecurity which will be a source of competitiveness for us. Based on our estimation of the period needed to enhance cybersecurity, resubmission in the 1<sup>st</sup> half of FY2020 is a realistic schedule and we are committed to meeting it.

**Q7: I would like to know the full-year forecast for FY2020. I think that positive growth in profit in the 1<sup>st</sup> half of FY2020 will be difficult. Do you think that profit will be able to increase on a full-year basis?**

A7: In Japan, we launched various types of new products in the last few years, which have brought us significant advantages. We aim to increase domestic sales on a full-year basis by proposing these new products to customers in circumstances where there is ongoing demand to renew equipment which was introduced with government funding under the regional medical care revival plan. We also aim to increase sales of maintenance services for medical safety, consumables for single-patient use, and pacemakers. Internationally, we will add mid-range bedside monitors to our line-up in the U.S. in FY2020. We aim at positive growth both in sales and profit on a full-year basis.

(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.