

FY2019 Consolidated Financial Results Analyst Meeting
Main Questions and Answers
(May 15, 2020, Tokyo)

Q1: I think your assumption that COVID-19 impacts will continue until the end of the 1st half of FY2020 in Japan is conservative. How do you see the impact of COVID-19 on hospitals' earnings and your business? Your overseas sales forecast is based on the assumption that the COVID-19 pandemic will bring demand forward before the end of the 3rd quarter of FY2020 and generate corresponding reactions afterward. However, your competitor said that the demand for patient monitors will continue for a long time. I would like to know the reason why your assumption is different from others.

A1: In Japan, we are concerned about deterioration of hospitals' earnings due to the decrease in the number of outpatients, and postponement of elective surgical procedures and inpatient admissions. Some hospitals are considering postponing introduction of EMR and some doctors have put off opening new clinics. In our business, the demand for catheters and pacemakers has decreased and some hospitals have decided to postpone the replacement of IT systems. In addition, restrictions on nonessential visits to customers will result in a negative impact on our earnings, although we have continued our sales activities wearing personal protective equipment to support frontline medical services. Even if it is assumed that the emergency declaration is lifted in June 2020, voluntary social isolation will continue for a certain period of time after that. It will take time until the end of the 1st half of FY2020 for the number of outpatients and surgical procedures to recover. Internationally, demand for patient monitors and ventilators has been increasing in China, Europe, the U. S., and emerging countries in response to the COVID-19 outbreak. We assume that demand resulting from COVID-19 will continue until the end of December 2020 and there will be a reactionary decline thereafter, while other companies have taken the view that this demand will continue for a long time.

Q2: How do you see the sales contribution of the ventilators NKV-330 and NKV-550 in FY 2020? Do you expect that sales of treatment equipment other than ventilators will fall significantly? Do you have the parts necessary to ramp up production of ventilators? Does the Japanese government provide a subsidy for it? I would like to know about the market evaluation of your ventilators and the outlook for future demand after the COVID-19 pandemic ends.

A2: We expect that sales of ventilators will be 7 billion yen in FY 2020 compared to 3.5 billion yen in FY 2019. This will be partially offset by weak demand for defibrillators, AEDs, pacemakers and ICDs, and ablation catheters. As a result, sales of Treatment Equipment are expected to increase 3.7% over FY2019. As for the supply chain, we are facing difficulty in procuring some parts due to lockdowns in the Philippines and Malaysia, but we expect that the situation will be better from July 2020. We have applied for a subsidy to the Japanese government for the capex to ramp up production, but the impact on our earnings will be minor. We have decided to ramp up production of the non-invasive positive pressure ventilator NKV-330, which is not recommended for use with COVID-19 patients, but which can be connected to an endotracheal tube when the

doctor instructs. The NKV-550 is highly evaluated in the U. S. and other countries because of the function, Protective Control™, which enables operation from outside of the patient's room to reduce the infection risk. Nevertheless these two ventilators have just launched in FY2019, we expect that the market recognition will rise for our ventilators due to the current strong demand and business growth will accelerate more than originally envisioned. We anticipate that ICU facilities will continue to expand even after the increased demand for stockpiling in certain countries comes to an end. Therefore we expect demand for ventilators with high functionality and high quality which are suitable for combating infectious diseases to continue.

Q3: You explained that the number of inquiries about patient monitors is increasing not only overseas but also in Japan. Have you incorporated this in the forecast for FY 2020?

A3: We expect domestic sales of patient monitors will be flat in FY 2020 compared to the favorable situation in FY2019. First, demand in Japan is not as strong as that in other countries because the medical treatment system is well developed. Second, the business negotiations for renewal of related IT systems have been postponed. In contrast, the strong demand for patient monitors is forecast to bring double-digit sales growth in the international market. Overall sales of patient monitors are expected to increase to 5.4% over FY2019.

Q4: I would like to know the impact of COVID-19 on demand in the U. S. How is the progress of the resubmission to the FDA for the new mid-range bedside monitors?

A4: The demand for the patient monitors has increased due to COVID-19 pandemic and moreover, our solutions that enable comprehensive management of all patients' data are highly evaluated in the U.S. The FDA resubmission of mid-range bedside monitors will be in the 1st half of FY2020 as planned, since implementation of cyber security measures is currently in progress.

Q5: Could you explain more details about the monthly subscription model that was launched in the U.S.? Do you have any plans to expand this model to other countries in the future?

A5: Our subscription model is that we sell patient monitors to our partners and they charge hospitals a monthly fee. If we additionally provide services, the monthly fee will increase. This model can help hospitals to reduce the upfront cost of purchasing monitors. We believe that the subscription model can support hospitals when they face financial difficulties after the COVID-19 pandemic ends. In the U.S., the subscription model is easily accepted because most hospitals are privately funded. On the other hand, most hospitals are publicly owned in Europe and emerging countries. It will take time to introduce this model in these countries and Japan.

(End)

(Cautionary Statement)

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