

**First Quarter FY2020 Financial Results Conference Call
Main Question and Answers
(August 5, 2020)**

Q1: You refrained from nonessential visits to customers until the end of May in Japan. Have you resumed full-scale sales and service activities from June? If the COVID-19 pandemic does not end and people avoid visiting hospitals and clinics, sales of polygraphs for cath lab and pacemakers are expected to continue decreasing. On the other hand, if the Japanese government's supplementary budget is executed in the 2nd half of the fiscal year, demand for patient monitors and ventilators is expected to increase. I would like to know the current trends and the outlook for the 2nd quarter onward.

A1: We conducted sales activities by telephone and online until the end of May, and have resumed visiting customers following the resumption of testing and surgical procedures since June. However, from July, some customers have requested refraining from visiting because the number of COVID-19 patients has increased again. This creates some difficulty for medical product providers, because we need to visit customers for demonstrations, maintenance and inspections. The number of hospitals who are considering whether to postpone the replacement of IT systems is increasing more than we expected. The number of interventional procedures using catheters decreased by 30% in May, but has recovered since June. In July, the number remained at the same level as July of last year. We are concerned about the decrease in the number of procedures after August, but the decline is expected to be no bigger than in May, because the current number of acutely ill patients is smaller. We expect that the supplementary budget will be executed in the 3rd and 4th quarters, but the timing of the implementation will differ between each prefecture.

Q2: Sales of patient monitors and ventilators showed strong growth internationally. How much is the order backlog? I would also like to know the ratio of new customers and existing customers. Can we expect this strong performance to continue in the 2nd quarter onward?

A2: Internationally, demand for patient monitors and ventilators has been increasing in China, Europe, the U. S., and emerging countries such as Latin America due to the growing number of COVID-19 patients. At the beginning of FY2020, we assume that the COVID-19 pandemic will end by the end of December. However, demand may continue until the 4th quarter in light of the current situation. Orders received from March to April were shipped in the 1st quarter and the shipping is expected to continue in the 2nd quarter and beyond. We would like to maintain the good performance in the 2nd half of the fiscal year by capturing the increasing demand in emerging countries, where the number of COVID-19 patients is currently growing. In terms of the outlook for FY2021, we are concerned about reduction in governments' budgets and restraints on capital expenditure associated with economic stagnation and slowdown mainly in emerging countries. The increased demand is expected to bring a corresponding reactionary decline. Sales for both new customers and existing customers increased. In particular, we are developing new customers by introducing our first in-house ventilators. We would like to try to mitigate the impact of the reactionary decline by offering our own in-house monitoring solutions that can contribute to the expansion of ICU facilities to deal with acutely ill patients.

Q3: I would like to know about the sales of consumables for patient monitors. What is the sales ratio of consumables both in Japan and internationally? Do you expect that sales of consumables will increase in the future as the installation of patient monitors is increasing mainly in the overseas market?

A3: Sales of consumables for patient monitors decreased in Japan and increased internationally. Sales of SpO₂ sensors and electrodes decreased in Japan due to the postponement of surgical procedures and inpatient

admissions. Sales of CO₂ sensors showed strong growth both in Japan and internationally. The overall sales ratio of consumables and services is around 50% in Japan and around 30% internationally. It is the same level as for patient monitors. We expect consumables and services will contribute to the sales increase as the number of installation of patient monitors is increasing internationally.

Q4: In the 1st quarter (from January to March), sales in China increased favorably, especially for patient monitors. We would like to know the reason why the sales growth in China will be moderate from the 2nd quarter.

A4: Demand for medical devices such as patient monitors increased due to the growing number of COVID-19 patients in the period from January to March. There are concerns about a corresponding reactionary decline in the 2nd half of the fiscal year. Additionally, we are unable to proceed to negotiations with public hospitals due to the freeze and readjustment of their budgets. The Company will focus on selling EEGs and hematology analyzers, of which demand is expected to have recovered, and aims at achieving its full-year target of low-single-digit sales growth on a local currency basis.

Q5: Gross profit margin improved thanks to a favorable product mix. What is your outlook for the 2nd quarter? Do you expect that the advice received from automobile manufactures about increasing productivity will contribute to a further improvement in gross profit margin?

A5: In the 1st quarter, gross profit margin improved to 50.5% because in-house sales ratio increased to 68.7%. The Company continues to focus on selling in-house products both in Japan and internationally. In terms of increasing production of ventilators and patient monitors, the Company was able to significantly improve its productivity thanks to the advice and guidance from automobile manufactures about improving the production process. The Company aims at reducing cost of sales and further improving gross profit margin through improving the productivity of the entire Tomioka Production Center by deploying the know-how gained from this support to other production items.

Q6: Have you received any grants from the government for establishing a framework for increasing production of ventilators and patient monitors?

A6: Manufacturers engaging in capital investments for increasing production are eligible for grants from the government. We will be reimbursed for the actual expenses in the 4th quarter.

Q7: How do you see the forecast for domestic sales in FY2021 and FY2022? There are concerns that medical institutions are facing financial challenges. Will these concerns affect replacement demand for patient monitors?

A7: This is a very difficult question. We are unable to foresee when the COVID-19 pandemic will end. The deterioration of medical institutions' earnings could have some impact on the timing of replacement demand. We will enhance our solution proposals for supporting healthcare systems to deal with infectious diseases. We will also monitor carefully the details of FY2021 and FY2022 budget requirements in the university and public hospital markets, which will start to be submitted from September.

(End)

(Cautionary Statement)

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