

FY2020 Consolidated Financial Results Analyst Meeting
Main Questions and Answers
(May 17, 2021, Tokyo)

Q1: In terms of the recurrence prevention measures for the compliance matter, will the Company be able to prevent similar cases by establishing mutual check procedures with dealers? I would like to know the amount of investment in the application of IT controls to pre-order processes. I would also like to know the impact of this matter on the consolidated results for FY2021, as some public university hospitals and public medical institutions have imposed dispositions such as suspending transactions and participation in tenders.

A1: We will mutually pledge to comply with laws with dealers, monitor compliance risks by periodic questionnaires, and establish a whistle-blowing channel for third parties. The amount of investment in the IT controls is expected to be around 15 million yen. The number of notifications received from national university hospitals and prefectures was 30 as of early March, respectively. As some of the suspension periods have already expired, the remaining number of organizations where dealings are under suspension is 8 public university hospitals and 17 prefectures as of early May. The impacts of this matter on the consolidated results for FY2021 are expected to be limited.

Q2: I would like to know the impact on the consolidated results for FY2020 of the COVID-19 pandemic. Have you incorporated the reactionary decline in the forecast for FY2021?

A2: In Japan, we estimate that the positive impact for sales of Patient Monitors and Treatment Equipment was around 9 billion yen, and the negative impact on sales of Physiological Measuring Equipment and Other Medical Equipment was around 4 billion yen, resulting in a net positive impact of around 5 billion yen. Internationally, we also estimate that the positive impact for sales of Patient Monitors and Treatment Equipment was around 9 billion yen, and the negative impact on sales of Physiological Measuring Equipment and Other Medical Equipment was around 4 billion yen, resulting in a net positive impact of around 5 billion yen. Overall, we estimate that there was a net positive impact of around 10 billion yen. The forecast for FY2021 includes the impact of a reactionary decline from the special demand that occurred in FY2020 both in Japan and internationally.

Q3: In Japan, what are the differences between the medical equipment installed in the government's FY2020 supplementary budget and the past government funding under the regional medical care revival plan? I would like to know the ratio of new installations and replacement of existing equipment in relation to patient monitors purchased with funds from the government's FY2020 supplementary budget.

A3: As the government funding under the regional medical care revival plan until the end of March 2014 supported the stabilization of emergency medical care and perinatal care, a wide range of medical equipment such as IT systems, patient monitors, ECGs, and defibrillators was installed. Afterwards, hospitals restrained their capital expenditure as they faced difficult financial conditions due to the issue of non-deductible consumption taxes. Supported by the government's FY2020 supplementary budget, demand for patient monitors and ventilators increased. On the other hand, medical institutions postponed or froze their purchasing budgets for Physiological Measuring Equipment and IT systems. We estimate that out of the 4 billion yen of special demand for patient monitors to treat COVID-19 patients, the ratio of new installations was around 30%. We are continuing to monitor the trend of patients' refraining from visiting hospitals and clinics as it may lead to financial difficulties for medical institutions. We expect the number of patients will recover if the COVID-19 pandemic ends.

Q4: Overseas sales decreased in the 4th quarter (three months) compared to the sales increase that continued until the 3rd quarter of FY2020. Do you think that this is the sign of a reactionary decline? The Company will mitigate the reactionary decline by enhancing its Consumables and Services business. The FY2021 sales forecast for Consumables and Services of 1.5% growth year on year may be low.

A4: There has been a reactionary decline in Europe in the 4th quarter of FY2020, following the special demand due to the COVID-19 pandemic which started in the 4th quarter of FY2019. In China, purchasing activity has recovered as the impact of COVID-19 had ended. Sales of services are expected to increase from the second year after installation of products which have one-year warranties. Sales of consumables are expected to increase in FY2021, supported by the expanded installation base and the increased sales of disposable consumables. We believe that the full-year sales forecast for Consumables and Services is reasonable, as we estimate the number of COVID-19 patients will gradually decrease in the future.

Q5: Do you see that demand for patient monitors in general wards is increasing in overseas markets? How widespread is the use of telemetry systems in the U.S. and Europe?

A5: Medical institutions have been using general wards to accept COVID-19 patients where the capacity of ICUs was insufficient for treating severely ill patients. We don't see an increase in demand for patient monitors in general wards. We believe that demands on healthcare systems and the expansion of ICUs to accept patients with infectious diseases will continue. Telemetry systems are widespread in Japan, the U.S., and China, but not in other regions such as Europe. In the U.S., which is a growing market for telemetry systems, we expect further opportunities for our telemetry solutions.

Q6: I would like to know the current demand situation both in Japan and internationally. Has there been a reactionary decline or increase since April?

A6: In Japan, budgetary funding is being allocated to areas where the healthcare system is overwhelmed by the spread of COVID-19, and we will continue to monitor the situation carefully. Internationally, demand has started to settle down since the 4th quarter of FY2020 but has continued in regions where the infection is spreading. Demand for Physiological Measuring Equipment and hematology analyzers is recovering gradually.

Q7: Regarding KPIs for sustainability, the Company has set cumulative targets of over 350k units of AEDs sold and over 5k units connected to MD Linkage over three years. I would like to know the expectations for an increase in AED unit sales and the expected contribution of MD Linkage to sales.

A7: Although demand for AEDs in overseas markets decreased in the midst of the COVID-19 crisis, laws for Public Access Defibrillation are expected to be developed in each country in the mid-to long-term. We aim to achieve the targets on the basis of demand recovery in overseas markets and our strong presence in Japan. The only medical devices currently connected to MD Linkage are hematology analyzers, but we plan to increase the number of connected products such as ventilators and patient monitors. We expect this to contribute to increased sales by increasing the maintenance contract conversion rate.

(End)

(Cautionary Statement)

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