

**Second Quarter FY2021 Financial Results Conference Call  
Main Questions and Answers  
(November 10, 2021)**

**Q1: I would like to know the impact of the COVID-19 pandemic on the consolidated results for the 1<sup>st</sup> half of FY2021. How do you see the organic growth excluding the COVID-19-related demand?**

A1: We estimate that COVID-19-related demand was around 4 billion yen for patient monitors and around 2 billion yen for ventilators in Japan, and it was around 2.5 billion yen for patient monitors, around 1 billion yen for ventilators, and around 0.5 billion yen for defibrillators internationally. A reactionary decline from the increased demand is expected in the short term. However, our Consumables and Services business is expanding as the installation base and the new customer base of patient monitors and ventilators has been expanding. As we work on strengthening our business foundation, we believe that our business is growing on a comparable basis and is on track to achieving its three-year business plan.

**Q2: I would like to know the outlook for the COVID-19-related demand in the 2<sup>nd</sup> half of FY2021. Do you see that demand in Japan will continue in preparation for the resurgence of COVID-19? Internationally, is demand increasing in Europe and other countries where the spread of infection has resurged?**

A2: In Japan, the Government's budget will be used to enhance the capacity of healthcare system to accept COVID-19 patients until the end of December 2021, but demand is expected to settle down compared to the 2<sup>nd</sup> quarter of FY2021. Internationally, COVID-19-related demand may continue in emerging countries where the spread of infection has resurged, but demand in Europe is not increasing as in the previous fiscal year.

**Q3: What was the reason for revising the FY2021 forecast by product category, especially for Physiological Measuring Equipment, Other Medical Equipment, and Consumables and Services?**

A3: Sales of Physiological Measuring Equipment are expected to be lower than its previous forecast due to the decrease in sales of locally purchased products included in Polygraphs for Cath Lab. Sales of Other Medical Equipment are expected to be higher than its previous forecast due to a recovery in demand for hematology analyzers and reagents in all overseas regions, where demand decreased in the same period of the previous fiscal year. Demand for new products such as the MEK-1305, the world's first hematology analyzer which can measure ESR simultaneously, is also increasing, especially in India. Sales of Consumables and Services are also expected to be higher than the previous forecast both in Japan and internationally, because the number of testing and surgical procedures has been recovering.

**Q4: Could you explain more details about strengthening the core functions of operations in view of the robust earnings in the 1<sup>st</sup> half of FY2021? Will you make further investments if the Company's business performance is favorable?**

A4: At the beginning of this fiscal year, we planned to keep the increase in SG&A expenses lower, as we expected a year-on-year decrease in sales and profits. However, since the 1<sup>st</sup> half results were higher than expected, we will invest in internal IT infrastructure and personnel system reforms as planned in the three-year business plan. We are also working on security measures in response to cyber-attacks on a European subsidiary. Under the three-year business plan, we aim to achieve a highly profitable structure that can regularly secure a gross profit margin of 50% or more and an operating income margin of 10% or more. We will continue to make investments to strengthen our infrastructure within this range.

**Q5: In Japan, what differences do you see between a future reactionary decline from the increased demand supported by the Government's budget for COVID-19 and the reactionary decline in the past, when demand increased due to the Government's funding under the regional medical care revival plan and there was also a last-minute surge in demand before the consumption tax increase?**

A5: 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 were installed. Afterwards, hospitals restrained their capital expenditure as they faced difficult financial conditions due to the consumption tax increase in April 2014. The current installation supported by the Government's budget is mainly for patient monitors and ventilators. In the next fiscal year, we expect the number of business negotiations for IT system solutions and other products excluding patient monitors and ventilators to increase.

**Q6: Could you explain more details about your large-scale monitoring network systems in the U.S.? I would also like to know your alarm reports for patient monitors in Japan.**

A6: In the U.S., large hospitals monitor vital signs of hundreds of patients intensively in their War Room to reduce medical accidents and readmission rates. Our competitive advantage is the seamless monitoring solutions from ORs/ICUs to general wards throughout the hospital using a wide range of products from high-end to low-end models. In Japan, hospitals have some issues such as missing important alarms that alert to changes in the patient's condition due to the repeated occurrence of alarms instructing the operator to check the electrode or sensor attachment. Our alarm reports collect and analyze alarm data in each ward and propose operational improvements by showing numerical data and graphs. As they lead to improvement in medical safety and operational efficiency, our alarm reports have been well received by many hospitals. We provide the alarm reports as one of our maintenance services and expect them to contribute to increased sales by increasing the maintenance contract conversion rate.

**Q7: I would like to know the impact of the move to prefer domestically produced medical equipment in China.**

A7: Although there was no impact on our 1<sup>st</sup> half results, this trend is expected to accelerate in the future. We would like to further strengthen our local R&D and production functions.

**Q8: Could you tell us any issues that need to be addressed to realize your long-term vision, BEACON 2030?**

A8: We will strengthen our efforts to address the following two issues in the three-year business plan. The first is the acceleration of DX in medical fields. As the importance of digital health is increasing due to the COVID-19 pandemic, we are accelerating our efforts mainly at Nihon Kohden Digital Health Solutions in the U.S. We will enhance our competitiveness in digital health solutions by R&D investments both in Japan and internationally. The second is the establishment of global supply chain management. We will respond to the tight supply of components that has occurred in the midst of COVID-19 and to preferential treatment for domestically produced medical equipment in various countries by establishing GSCM.

(End)

(Cautionary Statement)

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