

First Quarter FY2021 Financial Results Conference Call
Main Questions and Answers
(August 5, 2021)

Q1: I would like to know the impact of the COVID-19 pandemic on the consolidated results for the 1st quarter. What was the reason for the significant increase in sales of Patient Monitors both in Japan and internationally?

A1: We estimate that COVID-19-related demand was around 1.5 billion yen mainly for patient monitors in Japan, and it was around 2 billion yen for patient monitors, defibrillators, and ventilators internationally. In Japan, in addition to an increase in demand from facilities accepting COVID-19 patients, there were some positive impacts from sales rebounding after the decline in the 1st quarter of FY2020, increased sales of consumables such as sensors due to the recovery in the number of testing and surgical procedures, and the resumption of business negotiations related to IT system solutions. Internationally, demand for patient monitors increased in India and Latin America, where the spread of infection has resurged. Large orders for patient monitors in the U.S. also contributed to the sales increase.

Q2: In Japan, there was demand for patient monitors from facilities accepting COVID-19 patients, supported by the Government's budgets. Was existing equipment renewed ahead of schedule? If the COVID-19 pandemic does not end, do you expect this demand to continue? Will there be a significant decrease in demand in FY2022? I would also like to know whether there were any changes in your market share.

A2: In the 1st quarter, the installation of patient monitors supported by the Government's budgets continued in the public hospital and private hospital markets. We estimate that new installations to treat COVID-19 patients were larger than the replacements of existing equipment ahead of schedule. We expect this trend will continue until the end of September 2021 and settle down from the 2nd half of FY2021. However, COVID-19-related demand may continue due to the spread of more infectious coronavirus variants. Our Consumables and Services business is also expanding as the installation base of patient monitors has expanded. Although there is uncertainty about any reactionary decline from the increased demand, we do not expect a significant decline in demand in FY2022. We did not see any significant changes in our market share.

Q3: What was the reason for the double-digit growth of sales in the Americas? Will the shipment of large orders for patient monitors in the U.S. be continued after the 2nd quarter?

A3: In the Americas, sales contribution by large orders for patient monitors from several IDNs in the U.S. was around 2 billion yen. The partial shipment of large orders will be continued in the 2nd quarter. We received FDA approval for the CSM-1500/1700 series, middle-range bedside monitors in July 2021 and plan to launch them in the 2nd half of FY2021. We expect the introduction of new products to increase our competitiveness and lead to expanding our market share.

Q4: Why did sales in Europe increase on a yen basis, although there was a reactionary decline compared to the 1st quarter of FY2020 when COVID-19-related demand surged?

A4: In Europe, there was a reactionary decline in sales of patient monitors and ventilators, because sales of these products increased significantly in the 1st quarter of FY2020. On the other hand, sales of EEGs, ECGs, defibrillators, AEDs, and hematology analyzers increased. Especially, demand for AEDs recovered significantly compared to the 1st quarter of FY2020.

Q5: Would you explain the reason why the revised forecast for the 2nd half of FY2021 is lower than the previous forecast after the revision of the 1st half and full-year forecasts?

A5: Based on the results for the 1st quarter of FY2021 and recent performance trends, the Company revised its forecasts for the 1st half and full year of FY2021. The revisions also reflect greater-than-expected depreciation of the yen in currency translation. As for SG&A expenses, variable expenses are expected to increase because sales are expected to exceed the previous forecast. We also expect some other expenses to increase, including the cost of cybersecurity measures taken in response to a cyber-attack on a European subsidiary. As there are many uncertainties such as the resurgence of COVID-19 and the tight supply of components, the full year forecasts for sales and SG&A expenses include the items that can be expected at this moment. Based on the results for the 1st half year, the forecast for the 2nd half will be reviewed and further revisions announced if necessary.

Q6: We would like to know details about the tight supply of components.

A6: The supply of components for our products is tightening due to the ongoing global shortage of electronic components such as semiconductors. The supply of our products could be potentially affected by further tight supply of components. We view this as a risk that can affect any product and are continuing to monitor the situation carefully, as production may be affected by even one missing part.

Q7: How do you see the direction of the revision of medical treatment fees scheduled in April 2022? Differentiation of medical institution functions is expected to be promoted as a way to realize the regional visions of the health care system in 2025 created by each prefecture. I would like to know the impact on your business of changing the requirements for claiming the 7-to-1 basic stay fee.

A7: We recognize that special measures related to medical treatment fees have supported medical institutions experiencing financial difficulty. We do not know the direction of the next revision of medical treatment fees, on which full discussion has just begun. The importance of the healthcare system has been reaffirmed in the midst of the COVID-19 pandemic. We expect that discussions on the next revision of medical treatment fees will include enhancing the functions of advanced acute care facilities and establishing an integrated community care system centered on general practitioners. As we have a strong presence in the acute care hospital market, we believe that demand for our solutions will further increase if the enhancement of acute care facilities such as ICUs is promoted.

(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.