

**Third Quarter FY2021 Financial Results Conference Call  
Main Questions and Answers  
(February 3, 2022, Tokyo)**

**Q1: I would like to know the impact of the semiconductor shortage on your business. How long will it take to change the designs to use alternative parts? Have you already shipped products for which the design was changed? Do you anticipate the impact will continue in the future?**

A1: The R&D department is taking the lead in exploring alternative parts and performance validation to minimize the impact on our production and supply. We have already shipped some products in which the parts were changed to other parts, but it takes several months to change the design for some products. The FY2021 full-year forecasts include the impact of the semiconductor shortage at this moment. We expect the difficult situation to continue during the 1<sup>st</sup> half of FY2022 and will continue to monitor future trends carefully.

**Q2: What was the reason for the strong growth of sales in the public hospital and private hospital markets in Japan? Do you expect COVID-19-related demand to continue in the 4<sup>th</sup> quarter (three months)?**

A2: Sales in the public hospital and private hospital markets achieved double-digit growth because the Government's budget continued to support the installation of patient monitors and ventilators. Demand for certain products recovered from the decrease that occurred in the same period of FY2020. The resumption of business negotiations related to IT system solutions also contributed to increased sales. In the 4<sup>th</sup> quarter (three months), we expect a reactionary decline compared to the same period of FY2020 when demand for patient monitors and ventilators surged.

**Q3: I would like to know the reason for the upward revision of the overseas sales forecast in FY2021. Do you expect demand for non-COVID-19-related medical devices to continue to recover in FY2022?**

A3: The Company revised its overseas sales forecast because there is demand for patient monitors in some regions such as Europe and Asia & Other where the spread of infection has resurged. The revision was also because demand for non-COVID-19-related medical devices has shown signs of recovery. As for non-COVID-19-related medical devices, there were the government tenders in Latin America toward the end of 2021 and there is demand for patient monitors in Asia & Other. Demand for AEDs, EEGs, and hematology analyzers and reagents has also recovered in all regions, compared to weak sales in the same period of FY2020 due to the spread of COVID-19, and is expected to continue to recover gradually in FY2022 and beyond.

**Q4: The full-year sales forecast for consumables and services is expected to be 7.2% growth year-on-year. Is sales growth for consumables and services accelerating compared to the level before COVID-19?**

A4: Sales of consumables and services showed a recovery trend compared to the same period of FY2020 when the number of testing and surgical procedures in medical institutions decreased. Our consumables and services business is expanding as the installation base and the new customer base of patient monitors and ventilators has been expanding due to the spread of COVID-19. We would like to establish a stable and consistent revenue base by strengthening our offerings of consumables and services.

**Q5: Why did the in-house sales ratio increase to 72.1% in the 3<sup>rd</sup> quarter (nine months) of FY2021 from 69.1% in the same period of FY2020? What is your outlook for FY2022?**

A5: Product mix was favorable in Japan, due to strong sales of in-house products such as patient monitors and ventilators and weak sales of locally purchased products in the categories of Physiological Measuring Equipment and Other Medical Equipment. One of the basic policies in our three-year business plan is to improve the profitability of existing businesses. We will continue to focus on selling in-house products in FY2022 and beyond 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.

**Q6: The earnings in the 3<sup>rd</sup> quarter (three months) decreased year-on-year, compared to the robust earnings in the 1<sup>st</sup> half of FY2021. The earnings are also expected to decrease in the 4<sup>th</sup> quarter (three months). When do you expect the earnings to increase?**

A6: In FY2022, we expect a reactionary decline from the increased demand related to COVID-19 both in Japan and internationally. We cannot make any statement about the details at this time because we are working on our plan for FY2022 and there are uncertain factors such as the spread of coronavirus variants and the semiconductor shortage.

**Q7: I would like to know the background of the share buyback. Will you consider other shareholder returns at the time of the full-year financial settlement? The full-year dividend for FY2021 is expected to be 52 yen per share, including the ordinary dividend and a commemorative dividend of 13 yen per share. What are your thoughts about the dividend for FY2022?**

A7: As there was an offer from one of our shareholders to sell the stock of the Company, we repurchased our own shares as a way of returning value to shareholders. The basic policy on distribution of dividends is to maintain stable and continuous dividend payments. The Company sets a target consolidated dividend payout ratio of 30% or more. We will consider shareholder returns for FY2021 and FY2022 at the time of the full-year financial settlement.

**Q8: In Japan, medical service fees will rise by 0.43% in April 2022. I would like to know your opinion. Do you see any changes in medical institutions' capital expenditure? Also, the required ratio of critically ill inpatients in acute care will be lowered and new evaluation items for acute care and intensive care will be added. How do you see the impact on your business?**

A8: We feel that the upward revision of medical service fees is favorable, although the percentage rate of the revision will be lower compared to April 2020. We have not heard about any changes in medical institutions' capital expenditure at this moment. The required ratio of critically ill inpatients in acute care will be lowered, but the evaluation items will also be changed. Therefore, we see no change in the direction of differentiation and reorganization of medical institution functions. The new evaluation items for acute care and intensive care are favorable, but we will continue to monitor developments, including the medical service points allocated for each item, which are yet to be determined.

(End)

(Cautionary Statement)

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