

**FY2021 Consolidated Financial Results Analyst Meeting**  
**Main Questions and Answers**  
**(May 17, 2022, Tokyo)**

**Q1: Did FY2021 operating income excluding the impact of COVID-19-related demand of 14.5 billion yen exceed the target of 2 billion yen in the three-year business plan?**

A1: It is difficult to calculate the impact of COVID-19-related demand on income. As the Company focused on selling in-house products in Japan and overseas sales also increased, the in-house sales ratio increased and the gross profit margin improved. Even if COVID-19-related demand was excluded, operating income may still have exceeded 20 billion yen.

**Q2: What was the reason for the strong growth in overseas sales of hematology analyzers? In the future, do you expect to expand your market share in India where sales increased favorably?**

A2: Overseas sales of hematology analyzers showed strong growth, as demand for hematology analyzers and reagents recovered in all regions compared to FY2020. In particular, the installations of hematology instruments increased in India thanks to new products such as MEK-1305, the world's first hematology analyzer which can measure ESR simultaneously. As the install base of hematology instruments is expanding and demand for reagents is also increasing, we will establish a new hematology analyzer reagent factory to increase our production capacity. We will also aim to further expand our market share in the POCT (Point of Care Testing) market.

**Q3: I would like to know more details about the impact of product supply issues on the sales forecast for FY2022. Have you incorporated COVID-19-related demand in the forecast for FY2022?**

A3: We are taking account of negative impacts of around 4 billion yen on sales, based on the assumption that the product supply issues due to the shortage of semiconductors and Shanghai lockdown will continue until the end of the 1<sup>st</sup> half of FY2022. Negative impacts are expected mainly on overseas sales of patient monitors, defibrillators, and hematology analyzers. We have not incorporated COVID-19-related demand in the forecast both in Japan and internationally, but there may be a demand depending on the future infection situation.

**Q4: Is there a possibility of losing market share as the Company will not be able to participate in business negotiations due to the product supply issues? How are you addressing the shortage of semiconductors?**

A4: The shortage of semiconductors affects all medical equipment companies. We don't think that we are at an overwhelming disadvantage compared to other companies, because we are better able to supply some products. To minimize the impact on our production and supply, we have increased inventories of finished goods and parts, and the R&D department has taken the lead in exploring alternative parts and methods of performance validation.

**Q5: The FY2022 operating income forecast of 16.5 billion yen is far below the target of 20 billion yen in the three-year business plan. Is there a commitment to achieve this target?**

A5: We have made a commitment to numerical targets in the three-year business plan. In FY2022, we are taking account of negative impacts of around 2 billion yen on operating income due to the product supply issues caused by the shortage of semiconductor and Shanghai lockdown, and around 1.5 billion yen due to higher

prices of components and utility costs. Excluding these special factors, we estimate that operating income would be in line of 20 billion yen. We believe that we have strengthened our business foundation and secured a growth path toward achieving our three-year business plan.

**Q6: Based on the revision of medical service fees in April 2022 and the discussions about regional health visions in Japan, how do you see medical institutions' capital expenditure?**

A6: In FY2022, domestic sales are expected to decrease in all markets due to a reactionary decline of COVID-19-related demand, but the market environment is on a recovery trend and the number of large orders is expected to increase slightly. In the revised medical service fees, the required ratio of critically ill inpatients in acute care has been lowered, but the evaluation items have also changed. Therefore, we see no change in the direction of differentiation and reorganization of medical institution functions. As new evaluation items for acute care and intensive care have been added, we expect that the importance of our solutions will further increase. Looking towards 2025, reorganization of medical institution functions will proceed in accordance with regional health visions, including the consolidation of public and private hospitals. Under these circumstances, we will work to capture orders.

**Q7: I would like to know the reason for the higher sales growth of consumables and services in FY2022. Which consumables will sales increase for? In terms of MD Linkage, I would also like to know the percentage of connected units in Japan and the forecast number of connected units internationally.**

A7: The Company will strengthen its offerings of consumables and services for patient monitors and ventilators, as the number of these products installed had increased over the last two years. In Japan, demand for disposable consumables to prevent infection is increasing. Internationally, demand for hematology reagents is increasing. We will continue to strengthen our proposals for consumables and services, which lead to a stable revenue base. Approx. 80% of newly installed hematology analyzers in Japan are connected to MD Linkage. The service has been well received because of its ability to provide prompt support in the event of equipment malfunction or failure. Internationally, we plan to start this service in emerging countries such as India and expect to increase the number of connected units.

**Q8: Why is the consolidated dividend payout ratio for FY2021 below the Company's target of 30% or more? I would also like to know the reason why the full-year dividend forecast for FY2022 is 40 yen per share.**

A8: Because Nihon Kohden celebrated the 70<sup>th</sup> anniversary of its founding, and the business performance in FY2021 was favorable, we decided to pay a full-year dividend of 67 yen per share, including a commemorative dividend of 13 yen per share and a special dividend of 15 yen per share, as a return to shareholders. The consolidated dividend payout ratio is 24.2%, but the total return ratio including share buybacks will be 32.2%. The basic policy on distribution of dividends is to maintain stable and continuous dividend payments without reducing the ordinary dividend. Based on the consolidated earnings forecast, the full-year dividend for FY2022 will be 40 yen per share, a 1 yen increase in the ordinary dividend, and the consolidated dividend payout ratio will be 30.7%.

(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.