Q&A on the FY2017 Business Results Briefing

May 10th, 2018, 16 : 00-17 : 00

Q-1

- What is the expected SG&A expenditure, including up-front costs?

A-1

- As a result of our sales activities for sales growth in FY17, the number of client accounts increased while fixed costs increased and there was an occurrence of one-off costs.
- In FY18, although R&D expenditure will increase, we will improve the OP margin by decreasing fixed costs, by improving operation efficiency.
- Up-front costs were 1-2 billion yen in FY17, but we estimate that will be less than 1 billion yen during the first half of FY18 and almost zero in FY19.

Q-2

- What is the impact of Japan Red Cross business?

A-2

- Due to confidentiality clauses with our client, we cannot disclose specific figures. However, the impact is not small for IVD Japan.
- Note; revisions to the FY19 forecast have been made due to the impact of the JRC business and the strategy implementation delay.

Q-3

- How are you planning to achieve such strong growth in FY18 for domestic CLT?

A-3

- There is time lag between the signing of contracts and commencement of sales contributions. We are anticipating the contributions from clients signed during FY17, as well as accelerated new client acquisitions from the beginning of FY18. As a result, we believe these sales targets can be achieved.

Q-4

- What is the impact to net sales from GP client acquisitions?

A-4

- The impact is difficult to disclose specifically since acquisition timing differs from client to client.
- The overall number of clients increased by 516 (including loss of clients), and we aim to increase this in FY18.

Q-5

- ■ What is the impact to net sales by FMS/Branch-lab client acquisitions?

A-5

- ➢ It is difficult to disclose all specific figures, however we estimate that the yearly sales amount is tens of million yen per one hospital client on average.
- ➢ Through cost competitiveness reinforcement, we are increasing the speed of acquisitions.

Q-6

- ■ What is the current situation regarding domestic Lumipulse installations?

A-6

- ➢ While there were some withdrawals of dormant instruments (mainly small/mid-size), the replacement of small/mid-size with large-size, alongside the sales of large-size instruments resulted in a stable number of installations. The portion of large-size instruments increased overall.
- ➢ The number of large-size instruments' (L2400) installation was 90 units from March 2017, so taking into account the replacements from the older model (41 units), the overall increase in the number of large-size instruments was 49 units.

Q-7

- ■ What is the reason for CAPEX exceeding expectations?

A-7

- ➢ The main factor was the necessary replacement of CLT lab instruments, but there was also investment made in the FMS/Branch-lab business.
- ➢ By updating our instruments, we can expect an optimization of operations and improvement in the quality of tests.

Q-8

- ■ What are your estimations for the mid-long term OP margin of CLT in Japan?

A-8

- ➢ With the progression of GP client acquisitions, the amount of general tests, which have a relatively low margin, will increase.
- ➢ However, we are increasingly aggressive in the launching of new test items, which have relatively high OP margin.
- ➢ The implementation of these two actions is expected to bring about a 10% mid-long term OP margin.