

Q&A Highlights: FY2018 Business Results

May 14, 2019

Q-1

- From the start, your FY2018 plan appeared to be quite challenging. On what assumptions do you base your FY2019 plan?

A-1

- During FY2018, the period between signing agreements with general practitioners and in-hospital testing business customers and seeing the impact of these sales was longer than we projected. Further, unit price declines were greater than predicted. These were the main factors causing us to underperform plan. We created our FY2019 plans reflecting our assessment of FY2018.
- For FY2019, we already have signed agreements with nearly 80 percent of customers at present and the impact of unit price declines has been kept within 1.5 percent, which is in line with plan.

Q-2

- You forecast another volume increase coming from general practitioners and medical examinations next year; however, profit margins for these tests are low. How do you view this negative trend in product mix?

A-2

- Unit prices for these tests are lower. However, we have already incorporated this into our plan.
- At the same time, we believe our plan to be conservative. This is because the contribution of comparatively high unit priced esoteric testing to earnings depends on the extent of growth for the testing in new test fields.

Q-3

- The number of CLT employees has increased compared to the end of March 2018. Is the pace of reduction slower than you projected? Also, what impact will reductions in force have on increasing FY2019 profits?

A-3

- Progress to reduce our labor force via greater efficiencies is going slower than plan. However, we do experience a consistent number of retirees, in response to which we will need to hire more new graduates to support future group growth.
- Greater efficiencies and automation will allow us to expand our business with a somewhat smaller workforce than we have now.
- After the new laboratory starts operation, we will reassign staff from current positions to in-hospital testing and other businesses within the group.

Q-4

- While we have positive expectations for the Ping An venture matter, overseas business entails a high risk. What is your outlook for this venture?

A-4

- There have been cases in which Japanese companies have failed when attempting business overseas on their own. Working with a partner who is familiar with local conditions is a key to success.

Q-5

- What will the stand-alone impact of Japanese Red Cross business have on FY2019 plans for IVD? Also, what investments do you anticipate to acquire new major customers?

A-5

- We have disclosed the impact of the conclusion of our agreement with Japanese Red Cross combined with increase sales and costs coming from new customers, in our plan figures of domestic Lumipulse business.