Q&A Highlights: FY2019 Business Results

May 13, 2020

Q-1

- Can you tell us more about that status of the new coronavirus antigen test kit, profitability of the kit, and any hurdles, etc. in wide adoption?

A-1

- We received regulatory approval on May 13 and an insurance reimbursement score on the same day. We are producing the kit at our Fujirebio Ube plant and the technology is unique to our company.
- At the moment, we have secured a maximum production capacity of 200,000 test kits per week. Due to the nature of the antigen test, we hope to have the kits used more widely and we will make every effort for production in the future.

Q-2

- You indicated that your company can manufacture 200,000 new coronavirus antigen test kits per week. Can you tell us more about future pricing and volume (demand)?

A-2

- We still have many initiatives to on which to work, including logistics, and other measures. Therefore, it is difficult to comment on actual pricing, volume, or profitability at this point.
- Although it may take some time, we will continue our efforts to expand supply capacity.

Q-3

- Is it possible for you to work in technical collaboration with other companies to increase the sensitivity of your new coronavirus antigen test kit?

A-3

- We continue to do our own development to increase sensitivity. We have no plans to partner with other companies.

Q-4

- What are sales and gross profit margins for your Espline test kit for influenza? Also, what is the general range of gross profit for your new Espline SARS-CoV-2 antigen test kit compared to your conventional influenza test kit?

A-4

- The influenza outbreak this year was rather limited in scope, so sales were not significant. Gross profit margins on these kits are not small, but we do not disclose figures for individual products.
- Due to differences that include logistics costs and other factors, we do not believe it is fair to make an apple to apple profitability comparison between our new coronavirus antigen test kit and our influenza test kit.

Q-5

- How do you intend to increase the capacity of PCR testing from 1,600 tests to 4,000 tests? Can you provide information about actual test numbers and sales? Will you be receiving a subsidy from the government for investment and costs related to expansion of testing capacity?

A-5

- We plan to expand our capacity by adopting an automated PCR test instrument from Roche.
- While the number of PCR tests vary day to day, we have been offering about 1,000 tests daily most recently. Please remember that we do not disclose sales for individual test items.
- We will apply for subsidies if any are applicable.

Q-6

- Do you plan to offer antibody testing in your CLT business? What would be the timing and how many could you perform?

A-6

- We are preparing to offer antibody tests, and will make an official announcement when appropriate. We will make every effort to become a testing company that offers comprehensive testing services for COVID-19, from antigen testing for the early detection of infection to PCR tests and antibody testing.

Q-7

- What is the current status of LUMIPULSE development for antigen and antibody testing? What is your future outlook? Also, do the LUMIPULSE antigen tests use nasopharyngeal swab samples?

A-7

- We continue development on antigen and antibody test capacity for our LIMIPULSE platform. However, please allow me to refrain from making a comment on specifics about development progress or types of specimens.

Q-8

- What impact does large-scale antibody tests conducted overseas have on your OEM and raw materials business?

A-8

- Our OEM and raw materials business mainly supplies OEM products and raw materials for tumor markers. While the future outlook remains unclear, we do not expect to see any significant impact at this stage.

Q-9

- You mentioned a decrease in demand in your OEM business. Can you be more specific?

A-9

- We experienced a decrease in demand due to temporary inventory adjustments at certain customers. Further, although there has been some impact of COVID-19 on our OEM and raw materials business, the business has remained relatively resilient.

Q-10

- Has COVID-19 had any impact on the results of your businesses other than CLT and IVD?

A-10

- At this stage, the impact on other businesses have been minor.

Q-11

- The limited number of PCR tests has been an issue in Japan. What do you see as the bottleneck?

A-11

- There are a number of routes for PCR testing, so the reasons varies by region and timing. From our perspective as a single private company, we would like to refrain from commenting about the suspected reason behind slower growth of the tests.

Q-12

- Given the reluctance by patients to visit medical institutions recently, have you seen differing circumstances for hospitals, clinics, medical check-ups, etc.?

A-12

- The impact related to medical check-ups and physical exams has been significant. We have also seen an impact from hospitals and clinics, as more patients are reluctant to visit.

Q-13

- Are we safe in assuming that the acquisition pace of in-hospital testing business customers and general practitioners will be slow in the first half of FY2020 due to voluntary limits on sales activities, etc.?

A-13

- Yes, we saw a slowdown due to the state of emergency restrictions during the fourth quarter of FY2019. We will not be surprised to see part of that impact to continue towards the first half of FY2020.

Q-14

- Please elaborate on the impact of cost reductions from New Central Lab operations.

A-14

- We expect cost reductions to have an impact of 4 billion yen on operating profit and 9.5 billion yen on EBITDA in FY2024. The estimation is calculated under the assumption that sales and marginal profit ratio remain flat.