

## Q&A Highlights: First Half FY2020 Business Results

Date: November 10, 2020

Q-1

- What is the breakdown between CLT and IVD for the ¥8.6 billion in sales related to COVID-19?

A-1

- Although we do not disclose individual figures, the contribution of CLT was significant, as shown in the increase in PCR testing.

Q-2

- Your competitor's policy regarding PCR testing is to expand capacity. Are you concerned about a potential price war? Have you incorporated a decrease in medical reimbursements or revised pricing into your full-year plan?

A-2

- We do not expect any revisions of medical reimbursements during this fiscal year. While it is difficult to predict when the revisions will happen and by how much medical reimbursements will be decreased, we believe demand regarding prices will rise as the market grows. Our full-year business plan reflects the potential for certain fluctuations in our sales prices; however, no fluctuations have occurred as of now.

Q-3

- I get the impression that medical institutes and scientific societies prefer PCR tests, and that there are many negative opinions about antigen testing. Others have stated their concerns about the low accuracy of rapid antigen test kits. How do you plan to raise the reputation of antigen testing in the future and how will the tests be used?

A-3

- PCR tests vary widely in sensitivity and accuracy, even among reagents approved for use. One cannot say that all PCR tests are highly accurate across the board, since the quality of the test is factors beyond the accuracy of the reagent, including specimen collection and transportation.
- High-sensitive antigen tests are extremely convenient due to the short testing time and other factors. The accuracy is comparable to PCR testing, and the usefulness of this testing is widely recognized, as seen in the track record of adoption among airport quarantine offices.

- Although the rapid antigen test kit is slightly less sensitive than PCR tests or high-sensitive antigen tests, the kit offers significant advantages in that it requires no special equipment and the test can be performed immediately.
- Moving forward, it will be important to communicate the various applications and proper test methods depending on the location for proper usage.

Q-4

- Have inquiries and orders for antigen tests increased recently?

A-4

- In addition to the emergence of demand in Italy for high-sensitive antigen tests, these tests have been adopted for use in German airports and other locations, demonstrating the change in attitude toward high-sensitive antigen testing around the world.

Q-5

- To what extent do you see the growth in capacity for PCR tests in the future?

A-5

- Capacity is increasing in line with plan. At present, we are performing between 2,000 and 3,000 tests per day, and we do not believe we will be pressed for capacity in the near term.

Q-6

- Looking at the history of infectious diseases, testing for infection has shifted from PCR tests to antigen tests. How long will it take to shift from PCR tests to antigen tests for COVID-19?

A-6

- While the timing is difficult to project, testing will continue even as vaccines and therapeutics advance in the market. However, test prices will gradually settle into a price range for influenza or other infectious disease-related tests as vaccines take over in the market.

Q-7

- The measurement time for high-sensitive antigen testing is short when using the reagent for which your competitors are seeking approval. How do you intend to respond?

A-7

- One of our biggest strengths in the Japanese market is that we have roughly 1,400 Lumipulse units installed capable of high-sensitive antigen tests for COVID-19. We also believe we have a significant advantage in the accumulation of test results and experience in airport quarantine offices. We hope to take advantage as first mover in these areas.

Q-8

- As border restrictions have been relaxed in part, roughly 1,500 tests have been conducted on a daily basis at airport quarantine offices since November 1. What is your outlook for the number of tests?

A-8

- Antigen testing will continue to be required in countries other than those for which standards have been lowered. We expect to see an increasing number of people entering the country from overseas, so we do not see a significant impact for the time being.

Q-9

- Are the antigen tests adopted at German airports performed using the same procedure as in Japan? What led up to the adoption of your tests in Europe, where there are so many competitors?

A-9

- Unlike airport quarantine offices in Japan, a private company called Centogene performs tests for a fee for travelers and airport workers who so desire. We provide reagents to Centogene through our European subsidiary.
- We believe the company chose us based on our being the first in the world to receive approval for antigen test reagents used in automated equipment, the performance of our products, and our track record in Japanese airport quarantine offices, etc.

Q-10

- Is there room for expansion to other airports outside Germany?

A-10

- We are not in a position to talk about Centogene's future expansion plans.

Q-11

- You have started PCR testing for outbound travelers at Haneda Airport. To what scale do you expect testing will grow here?

A-11

- Estimated demand for tests for outbound travelers depends on the number of travelers, and this is something we cannot forecast at this stage. Since we perform tests at our Kawasaki lab, which is near the airport, we offer the convenience of a two-hour turnaround or less, which we hope helps us reach more people.

Q-12

- It seems that sales related to COVID-19 testing, which will likely account for the major portion of CLT, makes a more significant contribution for your company than for your competitor. Is this because you do a lot of business with major hospitals and have a different customer mix compared to competitors?

A-12

- While we can't compare our customer mix with other companies, since starting PCR testing in February, we quickly developed a system to provide high-quality testing. As a result, we have received orders from a variety of sources in addition to hospitals and medical institutions.

Q-13

- Your Medium-term Plan projects the impact of COVID-19 to span two years. Have you made any changes in your outlook? What do you see happening in the next three to five years?

A-13

- We have not changed our forecast that the profitability of COVID-19-related tests may be impacted for up to two years.
- If a vaccine or therapeutic agent is approved, this will become one of the tests we conduct on a routine basis, no longer having a significant impact on profits.