

## **Q&A Highlights: FY2022 Q1 Business Results**

Date and time: 16:00-16:45, Tuesday, August 9, 2022

Q-1

- With regard to the difference from the initial forecast for COVID-19 test shown on Slide 4, the domestic LUMIPULSE (high-sensitivity quantitative antigen test) showed an upward swing, which is provided for medical institutions and quarantine stations, please explain the details for each of these.

A-1

- Domestic LUMIPULSE in the table refers mainly to reagents sold to hospitals and other institutions. These reagent sales continue stably.
- Sales figures of high-sensitivity quantitative antigen tests conducted at quarantine stations are listed separately. Although the figures exceeded initial forecast in Q1, they are significantly below the forecast from June onward.

Q-2

- Compared to the number of PCR tests, how is the number of high-sensitivity quantitative antigen tests conducted in hospitals trending? Does the number of the high-sensitivity quantitative antigen tests conducted in hospitals depend on the number of infected cases as well as PCR?

A-2

- We believe that the number of tests conducted in hospitals is basically linked to the number of patients.
- In the area of high-sensitivity quantitative antigen test, the operating rate of "LUMIPULSE L2400" and "LUMIPULSE G1200" has been increasing, mainly in hospitals.

Q-3

- Is it correct that the unit price of quantitative antigen test for domestic hospitals has not declined much? Also, H.U. had a large share of the quantitative antigen test market, is this still continuing?

A-3

- Regarding reimbursement, the medical fee points of PCR test declined significantly, but the negative impact on the high-sensitivity quantitative antigen test was very small and there is little impact on the unit price of the test.
- We believe that we continue to maintain a high market share due to a partial shift in the market from PCR test to quantitative antigen test, and the increased use of quantitative antigen test reagents in both machines that have been installed on the background of subsidy and those that have been in operation previously.

Q-4

- Regarding "ESPLINE", sales appear to have declined QoQ, is this due to a decrease in volume or a decline in unit price?

A-4

- For the first quarter of the current fiscal year, the volume decline is due to a decrease in needs, as infections have calmed down compared to the January-March period.
- However, with the current rapid spread of infection and the importance of home testing, orders for ESPLINE are growing rapidly, and we are working to increase production hereafter.

Q-5

- Please explain the details of ESPLINE sales included in the LTS business.

A-5

- In the IVD business, we sell ESPLINE and other products basically via wholesalers, but we have a sales force called H.U. Frontier, which in some cases delivers products directly to local governments and medical institutions (hospitals, general practitioners, etc.).
- Although some of these sales are included in LTS business, when forecasting the scale of ESPLINE sales, we think it can be considered as IVD business figures.

Q-6

- Regarding AkirunoCube-related expenses, the current year's estimates were 3.6 billion yen for one-time expenses, 5.0 billion yen for depreciation, and 3.8 billion yen for running costs. Please tell us about the situation for these in the first quarter.

A-6

- One-time costs of 1.6 billion yen, running costs of 0.9 billion yen, and depreciation of 0.9 billion yen were incurred.

Q-7

- Please tell us the factors other than AkirunoCube that contributed to the approx. 5 billion yen decrease in operating profit of the LTS business.

A-7

- The main reason is that the unit price of PCR for COVID-19 has dropped significantly compared to last fiscal year.
- Addition to this, the number of PCR tests has declined YoY in the first quarter although it is increasing since the beginning of July.

Q-8

- In your presentation today, you said that the AkirunoCube project "has incurred some costs due to a slight delay, but these costs are offset in part, so in total the project is on schedule." I'd like to know more details.

A-8

- The use of some expenses has been pushed back due to the staged launch of the automated conveyer line. On the other hand, since there are additional costs that will be incurred, we believe that the figures for the full year will not differ much from those we initially announced.
- As a result, we anticipate costs to be within our initial assumptions.

Q-9

- Regarding the JV with Ping An Insurance Group, your assumption a few years ago was equity in earnings to turn profitable by the end of this fiscal year, but what is the reason for the delay and what is your outlook for the future?

A-9

- The zero-COVID policy in China has led to a lockdown in major cities, which has resulted in our business activity to be weakened.
- Some laboratories have recorded their sales of PCR tests, but the speed of business in China has been much slower than we anticipated due to the spread of COVID-19.
- We believe that once COVID-19 and the zero-COVID policy comes to an end, we will be able to proceed with business according to our original plan.
- Even in that case, however, we believe it will be shifted back several years from the original plan.