

Q&A Highlights: FY2023 Q1 Business Results

Date: August 8, 2023

Q-1

- Full-year operating profit forecast of ¥14 billion remains unchanged. How much do you initially expect the operating profit for the first quarter?

A-1

- As we have previously mentioned, the first quarter results were expected to be challenging, with the possibility of a loss. Although various factors affected our business and resulting in a more challenging first quarter than expected, the situation has not escalated to an extraordinary level of severity compared to the initial budget.
- Therefore, currently, we are not considering revision of the target.

Q-2

- What are the factors behind the lower-than-expected COVID-19-related sales?

A-2

- After COVID-19's category reclassified to Class 5, there was a rapid drop in testing demand. The shift of COVID-19-related testing expenses to out-of-pocket payment by patients after the reclassification may have influenced the situation, causing the expected gradual decline to turn into a significant decrease.
- Quantitative antigen tests within hospitals are in line with forecasts, primarily with IVD Lumipluse. However, demand for qualitative antigen tests (ESPLINE) sharply declined. It is worth noting that there is potential for a gradual rebound, possibly driven by stockpiling demands as winter approaches for local governments and other public institutions.

Q-3

- What factors led to the delay in orders from partners in the CDMO business?

A-3

- Recognizing the CDMO business on a quarterly basis, it's important to note that built-in timing shifts might occur. With established contracts in place, the business is likely to align with our initial annual projections.
- Given the industry's natural quarterly fluctuations, we are adopting a long-term perspective, with a focus on the annual outlook.

Q-4

- Is there a possibility of a local currency-based revenue decline, even in the second quarter in the CDMO business?

A-4

- Given our contracts with various CDMO partners, order timing shifts may occur respectively. For instance, certain orders were moved from the first quarter to the second, possibly influencing our second quarter results. Conversely, other partners might face a opposite situation.
- In summary, while short-term fluctuations are foreseeable, we believe these differences will balance out over the long term.

Q-5

- Why are there possibilities of increase in the one-time costs related to the H.U. Bioness Complex, while the running costs appear to be lower in the first quarter compared to the full-year forecast?

A-5

- The reason for the increase in one-time costs is that manual testing and automatic line testing currently coexist, and some delays in reporting have occurred due to the increased complexity of the process. We aim to resolve this situation as soon as possible, which may lead to incurring costs.
- While we anticipate a per-period rise in running costs, a project delay of 1.5 to 2 months might result in the postponement of specific running costs beyond initial forecast.
- Although an exact figure is not currently available, we are actively evaluating these factors.

Q-6

- Despite the H.U. Bioness Complex delay of 1.5 to 2 months, can we still expect the effectiveness of the efficiency measures to be significant, even if the timing is delayed?

A-6

- We assume that the effect will be shifted by 1.5 to 2 months. The financial aspect is under evaluation.
- The plan itself remains solid, only the timing has been affected. The overall plan remains unchanged.

Q-7

- Does the occurrence of the issue in AkirunoCube in July imply that the processes were mostly on track until June?

A-7

- As of the end of June, all testing operations were transferred to Akiruno, including both manual and automated operations. However, this coexistence created complexities, resulting in operational issues.
- While there is a potential for delays in the Akiruno automation plan, our intention remains to realign with the initial schedule by year-end.

Q-8

- The increase in the number of general practitioner clients seems weaker compared to previous periods. Could this be attributed to reporting delays?

A-8

- As of the first quarter, there has been no impact. Reporting delays are limited to general testing. On the other hand, there is no delay in the core part of our business – esoteric testing.