

Q&A Highlights: FY2023 Q2 Business Results

Date: November 9, 2023

Q-1

- Will there be any revisions to COVID-19-related sales forecast of 14 billion yen?

A-1

- In the first half, sales in antigen quantitative tests slightly exceeded the initial forecast, while sales in PCR tests and antigen qualitative tests declined, primarily due to increased patient copayments.
- As a result, the sales forecast remains unchanged.

Q-2

- Could you provide a breakdown of the revised 10-billion-yen profit by segment?

A-2

- Specific details of the breakdown are undisclosed, but a significant portion is mainly attributed to LTS business.

Q-3

- Is the biggest reason for the 10-billion-yen profit reduction primarily linked to the delayed recovery of base testing?

A-3

- Over 20% of the 10-billion-yen revision constitutes COVID-19-related factors, combined with the impact from base testing, making up a significant portion of the revision. Additionally, the direct financial impact from AkirunoCube-related expenses, as outlined on page 19, will be relatively limited.

Q-4

- Is the anticipated recovery in base testing volume expected to remain slower-than-expected in the second half of the year? Furthermore, have you included the recent increase trends in raw material costs into the revision?

A-4

- In the first half of the year, we regard the base testing volume reached the bottom. Although we anticipate a gradual recovery, a complete rebound is not anticipated during this fiscal year. Additionally, we have taken the increase in reagent and energy costs into account.

Q-5

- Concerning the weak volume of base tests, some companies say that surgery volumes have already recovered. Is there a risk of not reaching pre-COVID-19 testing levels due to shortages in nursing staff or other contributing factors?

A-5

- We've observed a gradual rise in test volumes at small- and medium-sized hospitals and among general practitioners. However, larger hospitals, which are still handling COVID-19 beds, didn't show strong signs of recovery in this aspect. The situation appears to differ depending on the hospital's size.
- The ongoing shortage of nurses continues to be a longstanding concern. It seems that our weak testing volume is more influenced by differences in hospital sizes rather than solely by the scarcity of nursing staff.

Q-6

- The initial plan aimed to offset AkirunoCube-related expenses through profitability improvement measures. Is there a necessity to adjust the scale and schedule of these measures?

A-6

- Despite the three-month gap, there is no need to adjust the scale of the effect.
- As discussed earlier, the fiscal years from 2021 to 2023 are expected to present increased challenges due to depreciation costs, operating expenses, and dual operation costs, while the expected benefits of the project have not yet been realized.

Q-7

- Are the already emerged efficiency effects primarily related to the AkirunoCube or do they extend across the entire LTS business?

A-7

- The overall effect on LTS business has been notably beneficial.

Q-8

- The company unchanged the scale of the efficiency effects focused on the AkirunoCube and mentioned that it's in line with the initial plan. What level of certainty exists regarding expected effects?

A-8

- We do not regard the targeted figure as a challenge. We are adjusting our

budgeting within specified parameters.

Q-9

- Is there a scheduled timeline for discontinuing the dual operations between the Akiruno central laboratories and Hachioji laboratories? Is there a potential risk that not all operations will be transferred to Akiruno?

A-9

- Previously, all operations were manual at Hachioji laboratories, while at Akiruno laboratories, there is an automated reception system alongside a manual testing line. This combination initially caused confusion at the reception, leading to difficulties in securing testing time.
- Testing operations were temporarily returned to Hachioji until these issues were resolved. Following their resolution, we plan to transfer all operations, including reception and testing, to Akiruno by the next fiscal year.

Q-10

- Will manual lines still be in place at Akiruno laboratories beyond the upcoming fiscal year?

A-10

- Primarily, they will no longer exist except for specific cases. Our goal is to implement a system where automated lines handle over 90% of the tasks starting next year, aiming to minimize potential issues.

Q-11

- While complete automation presents challenges, what strategies are in place to standardize specimen containers across all customers?

A-11

- We are actively promoting this initiative within our sales forces and plan to maintain these efforts even after Akiruno laboratories reach full operation to maximize their effectiveness.
- The transition from Hachioji to Akiruno will be finalized by the end of this fiscal year.

Q-12

- Can we expect an increase in the number of CDMO items in the future as a result of the partnership with Sysmex?

A-12

- We plan to expand our partnerships beyond Sysmex, aiming to exceed the previously anticipated number of CDMO items.
- Furthermore, we will strengthen our partnerships by enhancing product lineups and other collaborative areas, focusing on our unique and distinctive items.

Q-13

- What progress has been made toward your goal of achieving an operating income of approximately 20-25 billion yen for the next fiscal year, which marks the conclusion of the medium-term management plan?

A-13

- We anticipate that the performance in FY2024 will align with our initial forecasts. This expectation considers the elimination of dual costs and one-time transition expenses. While acknowledging potential fluctuations in each fiscal year, we do not currently foresee any revisions to the mid-term target.
- In the second half of this fiscal year, the government's policy on securing COVID-19 beds will continue, likely leading to continued low testing volume in major hospitals. However, we anticipate this impact to reduce in the coming fiscal year.