

Q&A Highlights: FY2022 Q2 Business Results

Date and time: 16:00-16:45, Wednesday, November 9, 2022

Q-1

- Domestic Lumipulse sales were high in the second quarter. Is this due to the increase in sales of COVID-19-related reagents? Also, on slide 12, you mentioned that non-COVID-19-related domestic Lumipulse sales were strong. Please explain those factors as well.

A-1

- The installation of "LUMIPULSE" instruments has increased significantly compared to pre-pandemic era, since subsidies have been granted to some medical institutions during the COVID-19 pandemic, and some parts of subsidies are continued in this second quarter. This led to growth mainly in COVID-19 antigen testing as well as other Lumipulse reagents in the first half of the year.

Q-2

- I have a question regarding the future outlook of the demand for Lumipulse high-sensitivity antigen testing. Since COVID-19 has peaked, is it correct to take it that the number of PCR tests and the number of antigen tests will decrease at the same time? Also, is there a possibility that the reimbursement of 560 points will decrease as well?

A-2

- High-sensitivity antigen testing reagent is now widely used in hospitals. We believe that this is due to the widespread understanding that the sensitivity of antigen testing is comparable to that of PCR testing and the increased convenience, including the turnaround time for reporting.
- Given this situation, we believe that demand will continue around a certain level.
- As for points, on the other hand, we think there is a possibility that they may fall in the future, but only by a limited level, rather than falling more significantly.

Q-3

- Regarding sales of "ESPLINE," included in the "others" category in the document, there was an increase of about 1 billion yen in the second quarter compared to the first quarter. Is it correct to regard this as almost entirely "ESPLINE" test kits?

A-3

- That's exactly right.

Q-4

- Although COVID-19 test kits have begun to be sold as OTC, competitors, mainly foreign manufacturers (e.g., "Panbio" by Abbott), have already entered the market, and price competition is becoming more intense. What are your company's future plans?

A-4

- There are many ways to anticipate how the presence of test kits will go forward.
- First, we believe that prices will decline as demand grows, so we do not expect a large profit margin. On the other hand, as seen in the U.S., there is considerable demand to use such rapid kits in the home, and we expect the demand of kits to grow significantly in the future.
- We also sell kits which can test COVID-19 and influenza viruses simultaneously. Since there are not many manufacturers offering such kits yet, we would like to expand sales by promoting the added value of "simultaneous testing".
- However, we do not expect that test kits will become the mainstay of our sales and profits.

Q-5

- Regarding the base business of the LTS segment, it is stated on slide 26 that the mix will be worse in the second half of the year than in the first half. Please explain the reason for the worsening of the mix.

A-5

- The change in mix refers to the sales composition of genetic-related tests such as cancer genomics and other testing category.
- For genomic cancer testing, the number of tests is growing continuously, however, this is an area where the cost is very high.
- On the other hand, other testing category comes mainly from hospitals, which are our main customers, to be honest, the number of tests has not recovered since the medical system has not yet returned to pre-pandemic levels.
- This change of sales mix makes us face a difficult situation in terms of profit going forward.

Q-6

- Regarding AkirunoCube, President Takeuchi mentioned earlier that you are working

on various measures to improve the accuracy of the automated conveyer line to prevent problems in transfer, etc. Could you please explain the current situation?

A-6

- First of all, our basic premise is that we provide 100 percent correct results as a matter of course, as far as testing results are concerned. Therefore, from the perspective of our business, we must be able to guarantee that the testing results are always 100 percent correct without any error.
- Currently, we are carefully monitoring to see if there will be any problems in transportation, etc., by processing a large volume of specimens. The fact that we started operation in October should be taken as a sign that we have some confidence in the system.

Q-7

- Regarding Alzheimer's disease-related test items, your company has acquired ADx, which has a variety of antibodies. I believe this acquisition will help to expand the area in the future. What are your thoughts on whether amyloid- β or pTau alone will be sufficient in the future, or whether both will be necessary?

A-7

- It is not easy to measure amyloid- β in liquid-based tests. That is why I believe Tau is also one key.
- However, Alzheimer's disease-related testing is not limited to amyloid- β and pTau alone but must be treated in correlation with a variety of other substances as well. We would like to further investigate new substances.