

## **Q&A Highlights: FY2020 Business Results**

Date: May 14, 2021

Q-1

- With regard to prices for PCR tests, what are your views on the risk of cuts in medical fees and selling prices respectively?

A-1

- The timing and nature of medical fee revisions is currently unclear.
- We have, however, factored a certain reduction in our selling prices into our forecast for FY2021.

Q-2

- Looking at tests at airport quarantines, you appear to project that in the second half of FY2021 the number of tests will increase to 6,000 per day, which is around triple the average number of tests in the fourth quarter of 2,000 per day and yet the government has announced that it is increasing capacity to 10,000 per day. What are the assumptions underlying your projection?

A-2

- Although the outlook is uncertain, we assume that the number of people visiting Japan will recover depending on the rollout of vaccines and the situation of infections and we expect that the number of tests at airport quarantines will also increase to around 6,000 per day as we head into the second half and we factored this into our projection.
- We already have the capacity to be able to handle 10,000 tests per day.

Q-3

- What is the risk of competitors entering the tests at airport quarantines?

A-3

- Given that no quantitative antigen tests using saliva samples besides Lumipulse have been approved and that the testing system is already in place, with a total of 50 Lumipulse units already been installed at 8 airports, we think the possibility of competitors entering the market is low.

Q-4

- What is your share of the total number of quantitative antigen tests conducted announced by the Ministry of Health, Labour and Welfare?

A-4

- Considering that we are the only company that can supply high-sensitivity quantitative antigen tests using saliva samples, we suspect that our share is fairly high.

Q-5

- The number of high-sensitivity quantitative antigen tests conducted in April was between 6,000 and

7,000 per day according to the chart on page 7. Is this higher than the number of PCR tests conducted? And which is more profitable, high-sensitivity quantitative antigen tests or PCR tests?

A-5

- Number of tests conducted fluctuates on a daily basis, and I would like to refrain from making any comments concerning comparison of the number of tests conducted or the profitability of specific tests.

Q-6

- Looking at sales of antigen tests in the fourth quarter, it appears that sales of ESPLINE did not grow very much. Is that right? Also, sales of Lumipulse increased through to April. Do you expect this upward trend to continue from May onwards?

A-6

- The apparent lack of growth in sales of ESPLINE is attributable to the impact of a reduction in the list price to ¥1,200. ESPLINE is proven to have the highest sensitivity among rapid antigen testing products by a third party evaluation, and we plan to expand sales using its sales strategy and sensitivity as sales points.
- In FY2020, the number of newly installed Lumipulse due to COVID-19 was 350. We believe that testing at medical institutions will continue increasing in the future and that the upward trend will continue.

Q-7

- In FY2020, the net increase in the number of installed Lumipulse was over 400. What is the forecast for FY2021?

A-7

- Since FY2020 covered the initial stages of the pandemic, there was very strong demand to test COVID-19, and the number of installed Lumipulse grew sharply.
- In FY2021, we expect to see some growth in the number of units because we will continue with installations but we believe that the strong demand seen in FY2020 has run its course.

Q-8

- Have there been any updates in the fourth quarter on the uptake of Lumipulse or ESPLINE overseas?

A-8

- We filed an EUA application to the FDA for Lumipulse but received a report that the FDA is also busy and there is no telling when it will be approved.
- We are holding discussions with partners around the world with regard to ESPLINE but have yet to reach the stage where we can say anything concrete. However, given the global demand for rapid antigen tests, we will continue expanding the regions in which our tests are sold.

Q-9

- Shigeru Omi, Chairman of the Subcommittee on Novel Coronavirus Disease Control announced that the government wanted to expand the use of rapid antigen test kits as part of COVID-19 control measures. Was demand associated with this factored into the plan?

A-9

- We have been consulted over the use of rapid antigen test kits but we did not factor this into our plan as nothing concrete has been decided.

Q-10

- In the IVD business, operating profit fell quarter on quarter. Were there any special factors besides one-time expenses?

A-10

- The main factors were the drop in the list price of ESPLINE and seasonal factors and there were not other special factors.

Q-11

- Why did sales in OEM and raw materials business increase quarter on quarter?

A-11

- Because COVID-19-related sales contributed to fourth quarter sales.

Q-12

- Will any of the ¥8 billion in new central laboratory expenses anticipated this fiscal year be offset by its benefits such as rationalization measures?

A-12

- Since the New Central Lab will start operation in the fourth quarter of FY2021, we are yet to anticipate major benefits from rationalization in FY2021.

Q-13

- The new Medium-term Plan materials indicate the effects of costs reductions in FY2022 and FY2024. Are there any changes to the assumptions made at that time?

A-13

- Annual depreciation is expected to increase around ¥400 million due to a review of IT system-related investment but there are no other changes besides that.

Q-14

- What is your view on expenses related to the New Central Lab from FY2022?

A-14

- In FY2022, one-time expenses will be lower than in FY2021, however, we anticipate an increase in fixed costs such as depreciation and operating costs and forecast that the total amount of expenditure will increase. That said, we also assume some degree of improvement due to the effect of rationalization measures and other cost reductions.
- We assume that operating costs including rent once the laboratory is fully operational will amount to around ¥4.0 billion. In addition to this, depreciation will be roughly just under ¥6.0 billion. Consequently, once the lab is fully operational, we expect fixed costs to amount to around ¥10 billion a year.

Q-15

- What level will consolidated depreciation reach from FY2022 onwards? Also, when will capital expenditure peak?

A-15

- Capital expenditure will peak in FY2021 with investment related to the H.U. Bioness Complex.
- Depreciation will peak at ¥20 billion. We expect that depreciation will peak slightly after capital expenditure reaches a peak in FY2021.