

Q&A Highlights: FY2022 Q3 Business Results

Date and time: 16:00-16:45, Wednesday, February 8, 2023

Q-1

- You cited both energy costs and reagent costs as the one of the reasons for the loss in Q3 for LTS. Can you tell us more about the amount of impact in Q3 and the outlook for the future?

A-1

- In addition to various costs increases, sales of hospital-related esoteric tests, which is profitable, have not recovered as much as expected, so profits didn't come in.
- We can't disclose detailed figures, but the impact of soaring energy costs has already been factored into Q4. We will consider these costs increases for the next fiscal year forecast.

Q-2

- How much will AkirunoCube-related expenses remain for FY2023? Please explain your thinking on whether expenses will increase or decrease in the next fiscal year.

A-2

- In FY2022, one-time expenses, such as moving expenses, were incurred significantly; some of these expenses will be incurred before and after the full operation in May, but they will be less than in FY2022. The scale of these expenses will depend on when we complete full transfer from Hachioji.
- Depreciation and amortization expenses of AkirunoCube will gradually increase.

Q-3

- Please let me know how the soaring energy costs will impact on both labs.

A-3

- It depends on when the Hachioji Laboratories will be closed, but it will not be a double-digit increase. We are taking actions for the early closure of the Hachioji Laboratories.

Q-4

- In previous presentations, it is said that the closure of Hachioji Laboratories would bring a cost reduction effect of 2.5 billion yen. Please explain the detailed impact of the closure.

A-4

- The impact of aforementioned amount includes various factors related to the Hachioji Laboratories. Several labs have already been transferred to Akiruno. The laboratory conducts general testing in Hachioji, however, is still in parallel operation, so costs associated with this are still being incurred.
- Therefore, the effect of cost reduction related to partial closure has already been taken into account in FY2022.

Q-5

- When will the systems be fully transferred?

A-5

- In terms of equipment, we hope to transfer everything in Q1 FY2023, but we need to keep it as a backup for about 3 months.
- In terms of systems, they will be operated in parallel until the transfer is completed. Since the old system will probably be used in case of emergency, it will be maintained continuously for one year.

Q-6

- After COVID-19 becomes Class 5 category, I think the business environment will change drastically. How do you think of that?

A-6

- I don't think the reimbursement for COVID-19 will be cut down at once after May. The situation may change in stages, but we are not optimistic.
- The shift from PCR testing to antigen testing is also underway, but at this point it is difficult to predict how far has this shift progressed.

Q-7

- The amount of the equity loss appears to be getting smaller. Please explain the situation in the U.S. and China respectively.

A-7

- Regarding JV with Ping An, we are currently guaranteeing its debt due to its excess liabilities, and the estimated loss for FY2022 has already been recorded as a provision for loss on debt guarantee at the end of the previous fiscal year.
- In Q3, the company is offsetting this provision, so the equity loss is small.
- We have factored the probabilities into the full-year forecast already.
- Regarding BMGL, FY2021 results were good on an EBITDA basis; in FY2022, the situation has not improved due to decrease of COVID-19-related tests. Addition to this, the weakening yen has also impacted goodwill amortization expenses.

Q-8

- Please tell us how you expect the performance of the affiliated company to improve in FY2023 and FY2024.

A-8

- Although we are proceeding with the business plan for BMGL as previously announced, we have moved backward from the initial plan due to the US market situation. Business performance is relatively stable, but the impact including amortization of goodwill, will continue for the time being.
- Regarding JV with Ping An, we will have to think over our next step, if necessary, but since China finally gets out of the zero-COVID policy, we need to consider how the business environment will change in the future first.