

FY 2022 (Year Ending March 2023) 1st Quarter Financial Results Briefing Q & A

Date: August 5, 2022 16:00-17:00

Participants:

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### **1<sup>st</sup> Quarter Comparison with Planned Values**

**Q1:** Can you tell me how the 1<sup>st</sup> quarter results compared to the planned figures?  
(Komiya Analyst, Mitsubishi UFJ Morgan Stanley Securities)

**A1:** Sales were about 2 billion yen higher than planned, including the impact of foreign exchange. Operating income in analytical & measuring instruments was below our plan due to lower sales and higher expenses. Sales in medical systems increased, however operating income in medical systems fell short due to the deterioration of the product mix. Industrial machinery was about as planned. Aircraft equipment outperformed due to an increase in supplies. Overall, operating income fell short of the plan.

### **About the Impact of the China Lockdown**

**Q2:** What was the impact of lockdown by segment and what is the outlook?  
(Komiya Analyst, Mitsubishi UFJ Morgan Stanley Securities)

**A2:** Analytical & measuring instruments had an impact of about USD40 million and medical systems about USD1 million. Industrial machinery and aircraft equipment were unaffected.

**Q3:** Why do industrial machinery remain unaffected?  
(Komiya Analyst, Mitsubishi UFJ Morgan Stanley Securities)

**A3:** Equipment related items do not require installation after delivery and sales are recorded at the time of delivery.

**Q4:** You say China is growing at the 10% level excluding the special factor of lockdown, but what is your outlook for recovery from lockdown and healthcare market?  
(Tokumoto Analyst, SMBC Nikko Securities)

**A4:** We expect some recovery from the lockdown effects. In terms of market conditions, we expect demand for analytical & measuring instruments for the pharmaceutical industry to remain strong. In addition, we assume that the education sector will reactionary increase from last year.

## **Impact of Production Delays due to Soaring Prices and Supply Constraints of Parts and Components**

**Q5:** Tell us about the annual impact of soaring prices of parts and components.

(Nakanomyo Analyst, Jefferies Securities)

**A5:** We assume an annual impact of about 5 billion yen. We were able to keep the impact relatively low in the first quarter, because we were partly manufacturing from inventory. We expect a greater impact from higher prices in the second quarter and beyond.

**Q6:** What is the impact of production delays due to parts and materials shortage in the first quarter?

(Nakanomyo Analyst, Jefferies Securities)

**A6:** Approximately 4 billion yen in sales and 1.7 billion yen in operating income.

**Q7:** Can the impact of production delays be made up for in Q2?

(Nakanomyo Analyst, Jefferies Securities)

**A7:** To deal with production delays caused by critical parts shortage, we promote incoming shipments, procure substitutes, and change the design, but we believe it will be difficult to recover in the second quarter. The impact on sales is expected to be about 5 billion yen as of September. At the end of the fiscal year, we expect a slight improvement from September.

## **Impact of Increased Human Resource Investment**

**Q8:** Tell us about the breakdown of your human resource investment and future prospects.

(Nakanomyo Analyst, Jefferies Securities)

**A8:** The number of employees increased by about 140 employees on a consolidated basis in the first quarter compared to the same period last year. Labor costs can be divided into 2 types: labor costs related to manufacturing and labor costs related to sales and administrative expenses, resulting in a total cost increase of about 2 billion yen in the first quarter. The annual figure is expected to be about 7 billion yen. However, we view these expenses as an investment in human resources necessary for future growth, and in addition to strengthening our manufacturing structure, we aim to strengthen our ability to support customers by strengthening our service and marketing departments. Therefore, we believe that there are no plans to reduce human investment at this moment.

## **Sales in Analytical & Measuring Instruments in North America**

**Q9:** Tell us the factors of decreased sales in analytical & measuring instruments in North America.  
(Tokumoto Analyst, SMBC Nikko Securities)

**A9:** There are three factors contributing to the decreased sales in North America. The first was a decline in the sales of reagent kits for detecting the novel coronavirus, and the second was a decline in sales of liquid chromatographs in North America due to the diversification of sales for a major customer into three regions, North America, Europe, and Asia. The third was a decrease in OPM supply of MALDI. Excluding all three factors above, the sales in analytical & measuring instruments in North America increased.

## **Sales of COVID-19-related Products**

**Q10:** How were the Q1 sales and what is the annual outlook?  
(Nakanomyo Analyst, Jefferies Securities)

**A10:** Sales of reagent kits for detecting the novel coronavirus in the first quarter were about 1.8 billion yen. Together with a fully-automatic PCR testing instrument, the total sales in the first quarter were about 2 billion yen. It is very difficult to give an annual sales forecast because the number of COVID-19 cases can not be predicted.

**Q11:** Has it been increasing since Q2 and beyond?  
(Nakanomyo Analyst, Jefferies Securities)

**A11:** Demand for reagents has been increasing in June and July as the number of COVID-19 cases in Japan has increased. We expect demand to slow down from now on.

The End