Questions and Answers (Summary) on the Financial Results Presentation for the First Six Months of the Fiscal Year Ending March 31, 2025

Q: What was behind the 40% year-on-year jump in sales in the hematology field in Japan in the second quarter (three months)?

A: We informed to customers that we were planning to discontinue maintenance services on older hematology instrument models, which prompted replacement purchases of new models in the XR-Series. In addition, reagent sales were favorable, due to an increase in the installed instrument base.

Q: In addition to a lower cost of sales, your forecast for the fiscal year ending March 31, 2025 targets lower SG&A expenses and R&D expenses, as well. What is behind those reductions?

A: With regard to SG&A expenses, rather than an excessive reduction, we have seen a shift in mindset across regions towards focusing on investment effectiveness and profitability. As a result, these expenses were below our initial expectations by ¥2.0 billion in the first half. As for R&D expenses, a reassessment of research themes as part of our pivot in the latter half of the previous fiscal year enabled us to keep these expenses at the same level as in the previous year, resulting in a ¥1.0 billion reduction in the first half. However, in the second half, we anticipate higher expenses as we continue moving forward with research based on our research portfolio.

Q: Even after you make the shift to a three-year fixed mid-term plan, will some topics be up for review? If so, what items might you revise?

A: Although we are moving to a three-year fixed format, we intend to review the plan mid-way to ensure we meet our targets. Items up for review will depend on our state of progress at that point, as well as exchange rates and other changes in the operating environment.

Q: Looking at market conditions in China, is it safe to assume you will be unaffected by the anti-corruption movement?

A: The anti-corruption movement will not affect us. We expect to be gradually affected by the centralized purchasing of immunochemistry reagents, however, as the number of provinces that have started to adopt centralized purchasing prices has increased from five to eight.

Q: What is your reason for lowering the full-year forecast in the Americas on a local currency basis?

A: Taking first-half performance and actual exchange rates into account, for the second half we have made slight adjustments to our full-year targets in the region. In the Americas, there have been delays in inspection and acceptance of instruments, as customers have been prioritizing deliveries of large medical devices. This factor has prompted us to revise our targets. That being said, orders are performing well. We are actively encouraging customers to prioritize the installation of hematology instruments.

Q: I have a question about profitability. Gross profit was high in the first half, but in the second half you have set your forecast lower, owing to changes in the product mix. What are your thoughts on setting gross profit and cost of sales ratios for the second half and for next fiscal year and beyond?

A: In the second half, we anticipate an increase in instrument sales, particularly in the United States, as instrument installations progress. In light of this factor, we have adjusted the expected product mix and set the cost of sales ratio slightly higher than in the first half. Looking ahead, we expect continued strong sales of reagents, driven by an increase in the number of patients, expansion of the installed instrument base, and growth in emerging markets. Therefore, we expect the cost of sales ratio to improve year on year.

Q: How do you think India's growth will contribute to improved profitability going forward, and what makes India attractive compared to other regions?

A: In India, we are experiencing both an expanding market and an increase in our market share. Sales of instruments and reagents are growing, and we expect improved profitability as we achieve economies of scale in instrument production. In India, we have established a new factory where we manufacture instruments as well as reagents. Once the factory is fully operational, we expect the cost of sales ratio to improve for both instruments and reagents.

Q: The cost of sales ratio was substantially better in the first half (an improvement of +0.5 percentage points) than in the first quarter. Did any factors other than the product mix contribute to this improvement? What factors led to a lower cost of sales ratio in the second half?

A: In addition to the product mix, we have seen results from individual cost improvement initiatives, as we mentioned in the presentation. However, there were no significant events during the three-month period from Q1 to Q2 that strongly affected the product mix. We will continue to focus on improving costs in the second half, but we do expect costs to worsen compared to the first half, owing to an anticipated increase in instrument sales.

Q: Looking at the growth rate for reagents, sales in the first half increased 10% on a local currency basis. Will this level of growth continue in the future?

A: We expect reagent sales to keep expanding steadily. In addition to the return of patient numbers since COVID-19 and an increase in the installed instrument base, we are seeing strong testing demand due to aging populations in various countries. In particular, Southeast Asian governments are investing robustly in healthcare, and demand for testing is expected to continue growing.
