

Business Results

First Three Months of the Fiscal Year Ending March 31, 2023

August 4, 2022
Sysmex Corporation

Index

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Change in Accounting Policy

In the past, configuration or customization costs under cloud computing contracts were recorded as “other non-current assets.” However, based on the discussions leading to the IFRS Interpretations Committee’s agenda decision issued in April 2021, from the fiscal year ended March 31, 2022 the Company has changed its method of recognizing the costs of configuration or customization services in cloud computing contracts as an expense when these services are received. Accordingly, we have by retroactively adjusted the figures for the first three months of the fiscal year ended March 31, 2022. (Please refer to the appendix for a comparison of figures before and after the adjustment.)

The Sysmex Group adopted International Financial Reporting Standards (IFRS) in the fiscal year ended March 31, 2017. Figures are disclosed in compliance with IFRS.

This material contains forward-looking statements about the Sysmex Group. These forward-looking statements are based on the current judgments and assumptions of the Sysmex Group in light of the information currently available to it. Uncertainties inherent in such judgments and assumptions, the future course of our business operations and changes in operating environments both in Japan and overseas may cause our actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements or financial position either expressed or implied within these forward-looking statements.

1.

Business Results First Three Months of Fiscal Year Ending March 31, 2023

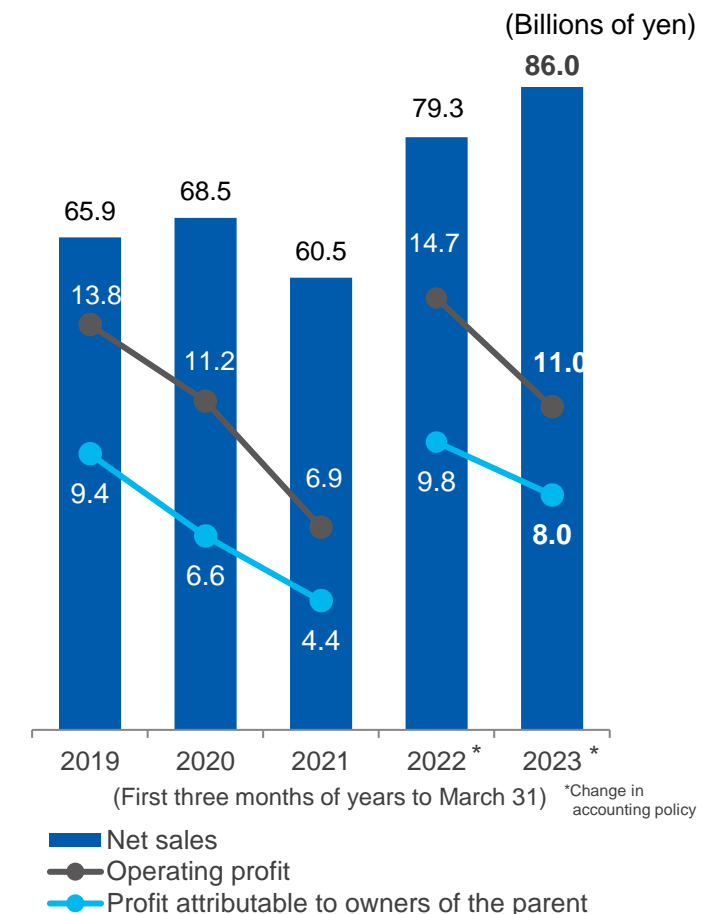
Financial Highlights



(Billions of yen)	First three months of fiscal year ending March 31, 2023		First three months of fiscal year ended March 31, 2022		YoY (previous period = 100%)	FX impact	
	Results	Ratio	Results	Ratio		Impact	YoY (excluding FX impact)
Net sales	86.0	100%	79.3	100%	108.4%	+7.6	98.8%
Cost of sales	43.0	50.1%	37.4	47.2%	114.9%	-	-
SG&A expenses	25.1	29.2%	21.7	27.4%	115.6%	-	-
R&D expenses	6.9	8.0%	5.4	6.9%	125.9%	-	-
Other income (expenses)	0.1	0.2%	0.1	0.2%	-	-	-
Operating profit	11.0	12.8%	14.7	18.6%	74.7%	+1.9	61.8%
Profit attributable to owners of the parent	8.0	9.3%	9.8	12.4%	81.8%	-	-

● Sales up, profit down year on year

- ✓ **Net sales:** Although sales were down in China owing to the negative impact of lower testing demand due to lockdowns, net sales were up as a result of higher sales in all other regions and the impact of yen depreciation.
- ✓ **Operating profit:** The increases in SG&A and R&D expenses were in line with planned levels. Nevertheless, profit declined due to deterioration in the cost of sales ratio (because of falling output and significantly higher raw material prices), as well as sharply higher shipping and personnel costs.
- ✓ **Profit attributable to owners of the parent:** Profit was down due to the decline in operating profit, despite the impact of exchange rate gains.



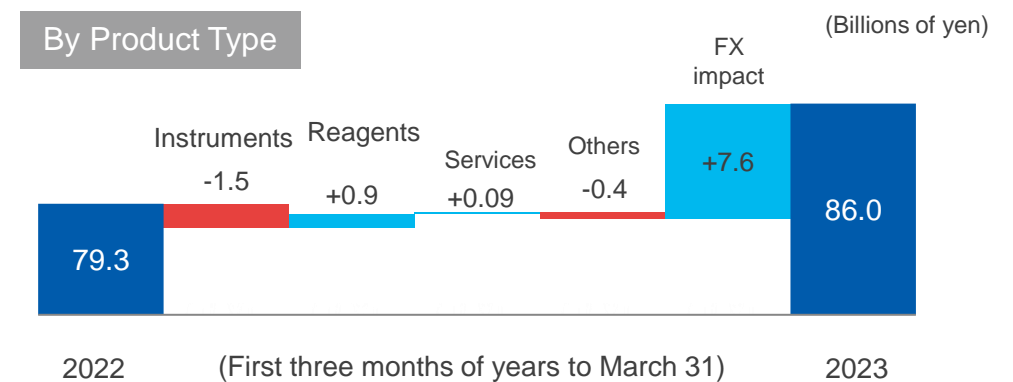
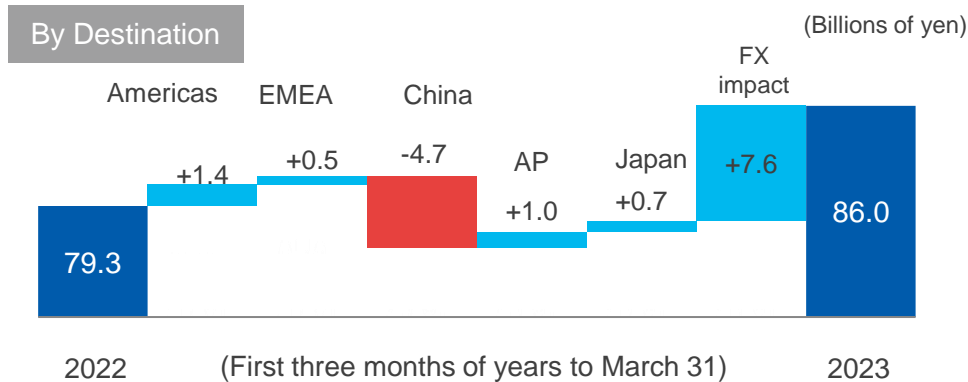
	First three months of fiscal year ending March 31, 2023	First three months of fiscal year ended March 31, 2022
1USD	¥129.6	¥109.5
1EUR	¥138.1	¥132.0
1CNY	¥19.6	¥17.0

Breakdown of Net Sales (by Destination and Product Type)

(Billions of yen)	First three months of fiscal year ending March 31, 2023		First three months of fiscal year ended March 31, 2022	
	Results	Ratio	Yen basis	Local currency basis
Net sales	86.0	100.0%	108.4%	98.8%*
Americas	23.0	26.8%	127.2%	107.5%
EMEA	27.2	31.7%	108.0%	103.1%
China	14.5	16.9%	83.8%	72.6%
AP	8.1	9.5%	128.4%	116.5%*
Japan	12.9	15.1%	106.0%	-
Instruments	19.1	22.3%	100.7%	91.8%*
Reagents	52.1	60.7%	111.6%	101.9%*
Services	11.8	13.8%	112.7%	100.9%*
Others	2.8	3.3%	93.0%	86.7%*

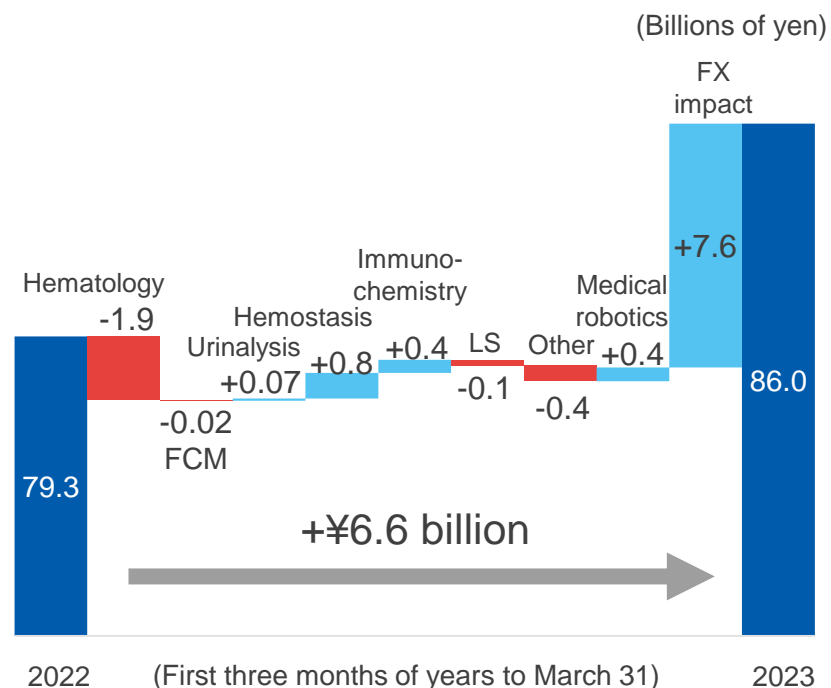
*Year-on-year change on a yen basis, excluding the impact of exchange rate fluctuations

- Americas: Sales were up, due to higher urinalysis reagent sales in North America and increased hematology instrument sales in North, Central and South America.
- EMEA: Higher reagent sales (stemming from a greater installed instrument base) pushed up sales in EMEA, even though instrument sales were down, affected by large tenders in the first three months of the previous fiscal year.
- China: Sales of instruments and reagents were both down, affected by lockdowns.
- AP: Sales were up, as a recovery in testing demand boosted reagent sales and instrument sales rose, centered on India.
- Japan: Sales were up. Reagent sales increased, particularly in the hemostasis and immunochemistry fields, and sales rose in the medical robotics business.



Breakdown of Net Sales (by Business)

Sales by Business



Sales in the hematology field declined, affected by citywide lockdowns in China. However, sales were up in all other major fields, partly due to yen depreciation.

(Billions of yen)	First three months of fiscal year ending March 31, 2023		First three months of fiscal year ended March 31, 2022	
	Results	Ratio	Yen basis	Excluding FX impact
Net sales	86.0	100.0%	108.4%	98.8%
Hematology	51.7	60.1%	106.1%	95.9%
FCM	0.4	0.6%	103.8%	95.7%
Urinalysis	6.8	7.9%	113.1%	101.3%
Hemostasis	13.6	15.9%	118.0%	107.0%
Immunochemistry	4.2	5.0%	118.0%	111.4%
Clinical chemistry	0.8	0.9%	114.3%	105.5%
Life science	4.0	4.7%	99.7%	95.4%
Others	3.6	4.3%	90.8%	86.9%
Diagnostics business	85.5	99.4%	107.9%	98.2%
Medical robotics business	0.5	0.6%	702.2%	702.2%

COVID-related testing

(including life science, immunology and others)

Q1 FY03/2023: ¥1.04 billion

(¥0.86 billion in Japan, ¥0.18 billion overseas)

YoY: Down 48% (-¥0.95 billion)

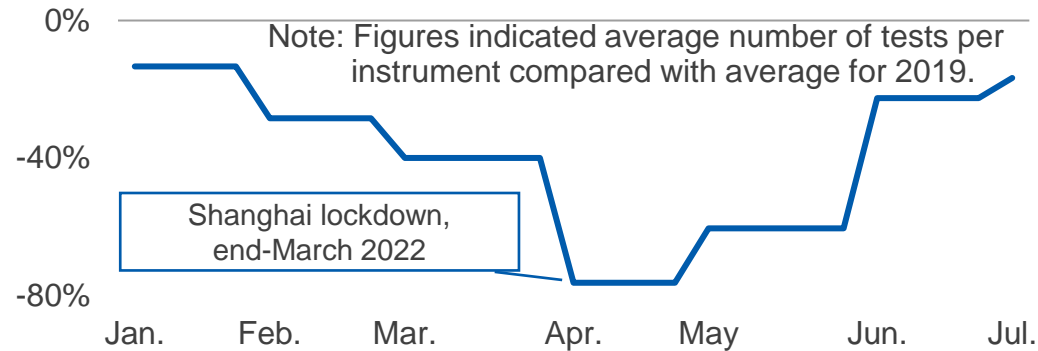
(Reference) In full-year FY03/2022: ¥8.2 billion

In Q4 FY03/2022: ¥2.7 billion

(1) Impact of lockdowns

Hematology tests in Shanghai*

*Based on Sysmex's findings



Impact on Sysmex's reagent sales in all fields in 1Q

- In Shanghai, the decline in testing reached a maximum of 80% in April, but has been recovering since.
- Similar lockdowns (some large, some small) occurred at different times throughout China.
- In Q1, testing numbers were down by around 20% throughout China (based on Sysmex's findings).
⇒ Lost demand for Sysmex's reagents: Estimated at around ¥3.0 billion
- On a recovery trend from Q2

(2) Hematology market*

*Based on Sysmex's findings

Instruments installed in 2021 (By Sysmex and other companies)	<ul style="list-style-type: none"> • Down 6–7% in 2021 (YoY) (Flat at Tier 3 hospitals, down by around 16% at Tier 2 hospitals) Note: Sysmex's cumulative installations at Tier 3 hospitals rose by more than 3%.
Market growth rate (instruments and reagents)	<ul style="list-style-type: none"> • Growth of around 16% in 2021 (YoY) (including recovery following decrease in testing in FY03/2021) • CAGR of 3–4% expected for 2021–2023

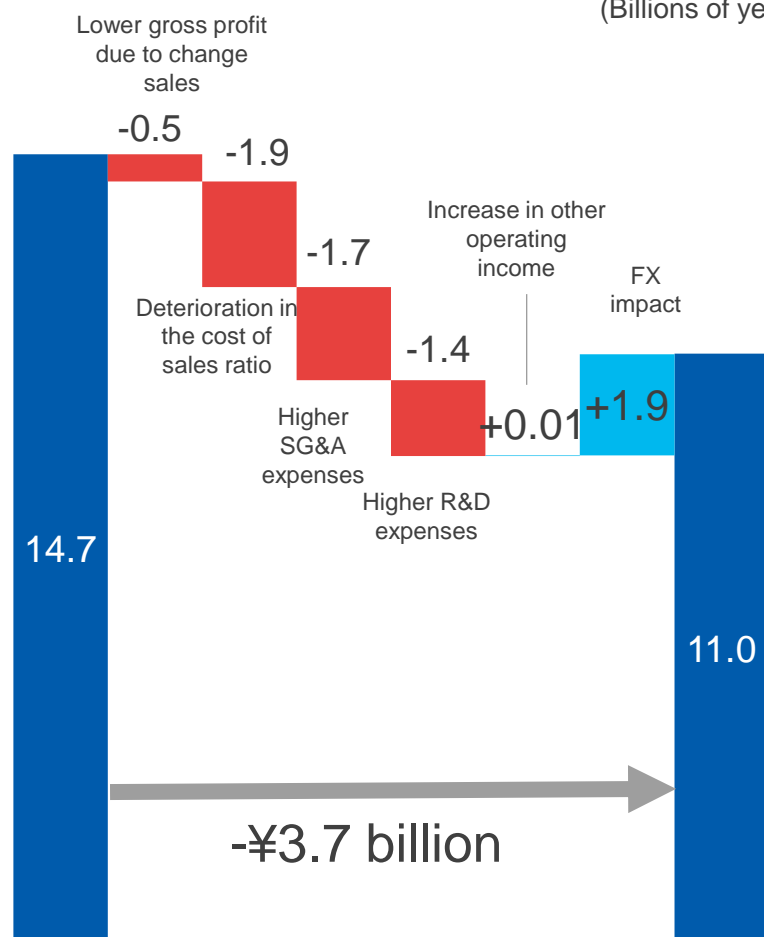
Impact on Sysmex's instruments sales in all fields in 1Q

- Due to sluggish economic growth in China and the resurgence of COVID-19, budgets are allocated toward preventing infection.
⇒ Negative Impact on Sysmex's instrument sales: Estimated at around ¥1.5 billion
- Due to the government's procurement policy, local companies are likely to continue enjoying an advantage.
⇒ Sysmex is responding by expanding local production.
 - In April, full-fledged launch of the UF-3000 in the urinalysis field
 - In the hematology field, planning to launch a transport system and the SP-50 slide preparation unit in 2H
 - Promoting the addition of further products

Breakdown of Operating Profit

Operating profit

(Billions of yen)



2022 (First three months of years to March 31) 2023

Note: Figures and comments below exclude the impact of exchange rates.

- Lower gross profit due to change in sales: ¥0.5 billion
 - Deterioration in the cost of sales ratio: ¥1.9 billion (worse by 2.5pt)
 - A higher percentage of reagent sales prompted an improvement, but lower output, sharply higher raw material and shipping costs, and higher service costs (due to substantial increases in commodity prices and personnel costs), caused the ratio to deteriorate.
 - Higher SG&A expenses: ¥1.7 billion
 - Increase due to the resumption of activities that had been restricted due to COVID-19
 - Investments in digitalization and reinforcement of the direct sales structure in line with plans
 - Sharply higher personnel costs in Europe, but overall SG&A expenses controlled to be within planned amounts
 - Higher R&D expenses: ¥1.4 billion
 - Ongoing investments in product development and cost related to regulatory affairs higher, but controlled to be within planned amounts
 - Increase in other operating income: ¥0.01 billion
-
- FX impact: ¥1.9 billion positive impact

2.

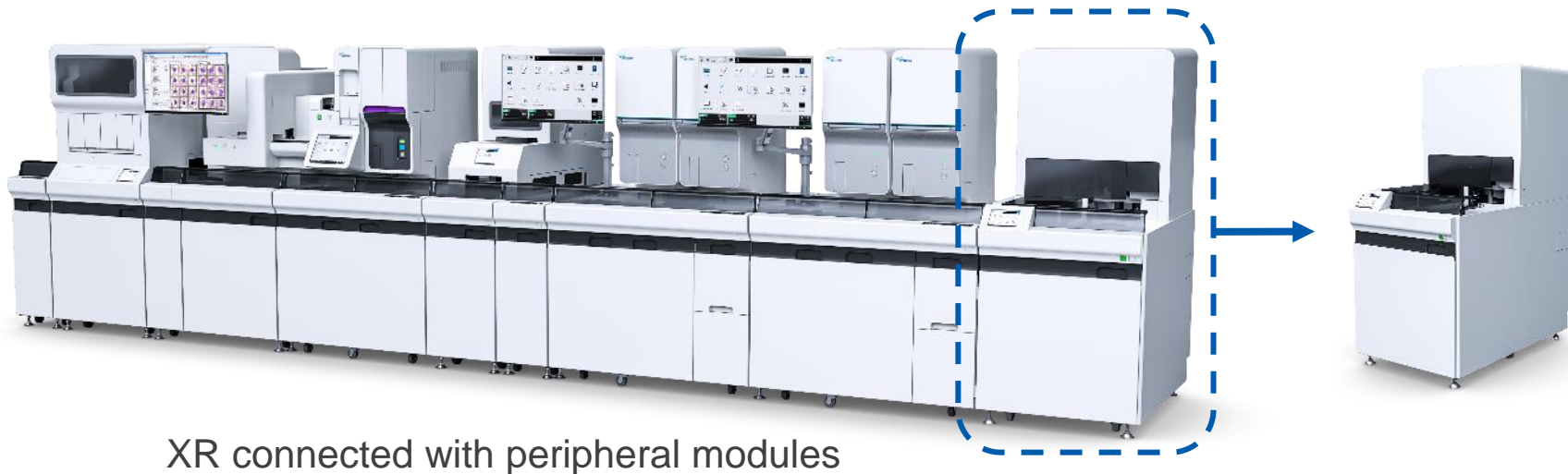
Initiatives Aiming for Future Growth

Initiatives by Destination in the Fiscal Year Ending March 31, 2023



Americas	<ul style="list-style-type: none"> • North America: Positive sales of urinalysis systems due to last year's transfer of urine chemistry analyzers from Siemens Healthineers and our own urine sediment analyzers • Anticipated growth in the hematology field due to the launch of new transportation systems (such as the BT-50) • Brazil: Favorable mid/low-end business in the hematology field due to last fiscal year's transfer from Roche
EMEA	<ul style="list-style-type: none"> • Spain, Portugal: Robust performance following move to direct sales last fiscal year • Saudi Arabia: Start of direct sales following February 2022 establishment of local subsidiary, expect growth in current fiscal year • Ongoing investment projects in line with efforts to reinforce healthcare infrastructure
China	<ul style="list-style-type: none"> • Issues with distributors in China: Completed transfer to five new distributors; affected by market environment, but making steady progress on activities to shift production to China • Expansion of knockdown production (hematology transportation systems, slide preparation units, urine sediment analyzers)
AP	<ul style="list-style-type: none"> • Recovery in general testing demand owing to easing of restrictions on movement due to COVID-19 • High growth in India following start of direct sales in April 2019 <p>Note: Considering reinforcement of our production system in India (establishing a new factory)</p>
Japan	<ul style="list-style-type: none"> • Commenced sales of hematology products here before other parts of the world (XR™-Series and transportation systems), and performance on hinotori™, a robotic-assisted surgical system, was favorable • Ongoing demand for testing related to COVID-19, owing to a resurgence in infections

Evolution of the XR-Series Hematology System



BT-50: Barcode terminal

- **World-first automated quality control function**
- Automatic startup and quality control
- Automated cleaning and shutdown
- Reads bar codes on blood collection tubes, confirms arrival of blood collection tubes

- Japan: In Q1, launched the BT-50, a new module for the XR-Series offering fully automated quality control
- US: Planning to launch the XR-Series in the fiscal year ending March 2025, but in Q3 of the fiscal year ending March 31, 2023, planning to launch the BT-50 as an additional module for the XN™-Series (announced at the AACC meeting in July)
- EMEA: Planning to launch the XR-Series (including the BT-50) in Q4 of the fiscal year ending March 31, 2023
- AP: Planning to launch during the fiscal year ending March 31, 2023, but the timing is flexible due to delayed regulatory screening, owing to COVID-19

Robotic-Assisted Surgical System, Testing for Alzheimer's Disease, Antimicrobial Susceptibility Testing

(1) Robotic-assisted surgical system (hinotori)

- Including three units installed in Q1, 21 units have been installed since the start of sales, and customer feedback is positive.
- Filed an application in October 2021 to increase applicable indications (to gastroenterology and gynecology) and awaiting approval.
- Preparing to file regulatory applications in the United States, Europe and AP.

(2) Testing for Alzheimer's disease (test to measure amyloid beta in the blood)

- In December 2021, submitted an application with Japan's PMDA that is currently under review by the authorities.
- In June 2022, completed declaration of conformity to the European IVD Directive.
- Preparing to introduce laboratory developed tests (LDTs) in the United States.

(3) Acquisition of Astrego (antimicrobial susceptibility testing system for urinary tract infections)

- Astrego (a Swedish company that became a wholly owned subsidiary in May 2022) is pursuing product development and commercialization.
- This will contribute to measures to address antimicrobial resistance (AMR), which is an emerging social issue. Note: Astrego's innovative testing system allows testing that previous required several days to be performed within one hour.
- Completed its declaration of conformity to the European IVD Directive in March 2022.
- Following evaluation by key opinion leaders (KOLs) in Europe and data collection, activities are underway for a full-scale market introduction in the next fiscal year.
- Expectations are extremely high and evaluations are positive among KOLs and users.



Instrument & Cartridge for antimicrobial susceptibility testing

(1) Internal DX

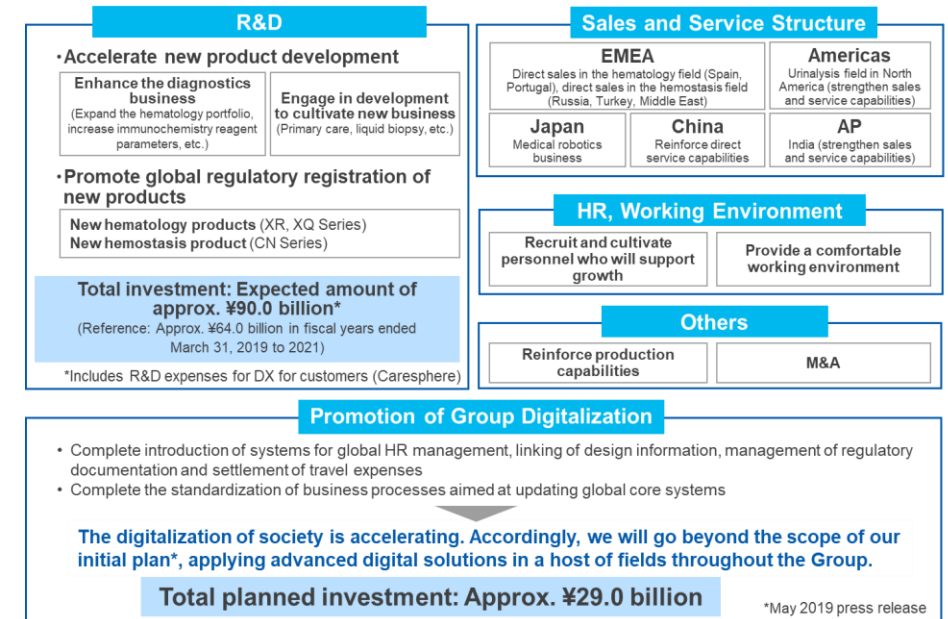
- Renovating nearly all systems in the Group
- Standardize operations and make information seamless to significantly improve the operational efficiency and management level of the entire Group
- Individual systems for HR management, purchasing, manufacturing and CRM already in operation
- ERP on core systems started operation in AP in July, ahead of other regions (currently working on a project to introduce the system to other regions)
- Project involving integrated product lifecycle management, including development work, currently being implemented
- Internal DX scheduled for completion in March 2024; in addition to significant improvements in various operational efficiencies, achieve cost reductions, mainly in the areas of manufacturing and SCM

(2) DX targeting customers

- Roll out new solutions, based on the Caresphere™ brand
- Already renovated (as Caresphere XQC) the SNCS quality control service introduced in 1999
- Introduced Caresphere Academy, a digital training system, to coincide with XR launch
- State-of-the-art training using avatars to improve quality and promote higher efficiency
- Add further value on the Caresphere platform

Key investment projects during the period of the mid-term management plan

Excerpted from materials announced in May 2021



Caresphere Academy *image



3.

Earnings Forecast for the Fiscal Year Ending March 31, 2023

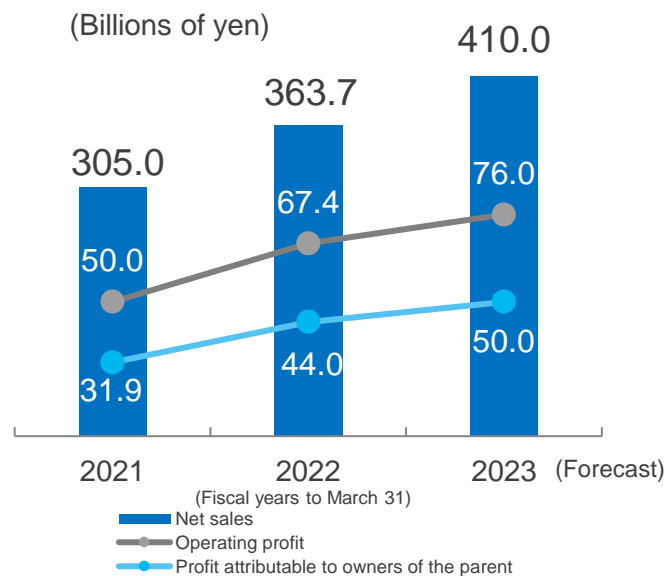
Consolidated Earnings Forecast

(No Change Following May 2022 Announcement)



(Billions of yen)	Fiscal year ending March 31, 2023		Fiscal year ended March 31, 2022		YoY increase
	Forecast	Ratio	Results	Ratio	
Net sales	410.0	100.0%	363.7	100.0%	+12.7%
SG&A expenses	113.0	27.6%	94.2	25.9%	+19.9%
R&D expenses	33.5	8.2%	26.7	7.4%	+25.1%
Operating profit	76.0	18.5%	67.4	18.5%	+12.7%
Profit attributable to owners of the parent	50.0	12.2%	44.0	12.1%	+13.4%

Planned investment	Capital expenditure: ¥41.8 billion	Depreciation and amortization: ¥32.5 billion
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Assumed Exchange Rates (year)

	Fiscal year ending March 31, 2023	Fiscal year ended March 31, 2022
1 USD	¥120.0	¥112.4
1 EUR	¥130.0	¥130.6
1 CNY	¥18.0	¥17.5

Exchange Rate Sensitivity

	Net sales (year)	Operating profit (year)
USD	¥0.7 billion	¥0.1 billion
EUR	¥0.5 billion	¥0.1 billion
CNY	¥5.7 billion	¥4.0 billion

Net sales

- ✓ Performance is favorable in the Americas, EMEA, AP, and Japan. Through sales measures in each region, we are working to overcome performance in China and aim to achieve Group performance targets.
- ✓ Instrument sales in China are recovering, due to an increase in the number of product items manufactured locally. Also, we are promoting sales measures to limit the impact of challenges in the operating environment.

Operating profit

- ✓ We believe sharply higher raw material prices will continue. Even so, we expect the cost of sales ratio to improve as a result of higher output stemming from a recovery in sales.
- ✓ Despite investments in future growth and sharply higher shipping and personnel costs, we will control SG&A expenses appropriately to stay in line with planned levels.

Although the operating environment remains problematic, we believe the healthcare market offers a number of opportunities. By maximizing the effects of the measures we are already undertaking, we expect to reach our objectives for the full fiscal year.

(Appendix)

Information by Destination (Americas)

(Million USD)	First three months of fiscal year ending March 31, 2023	First three months of fiscal year ended March 31, 2022	YoY (Previous period = 100%)	
			Local currency basis	Yen basis
Sales	178.2	165.9	107.5%	127.2%
Instruments	45.3	43.8	103.6%	122.6%
Reagents	83.9	74.9	112.0%	132.5%
Services, others	49.0	47.2	103.8%	122.9%

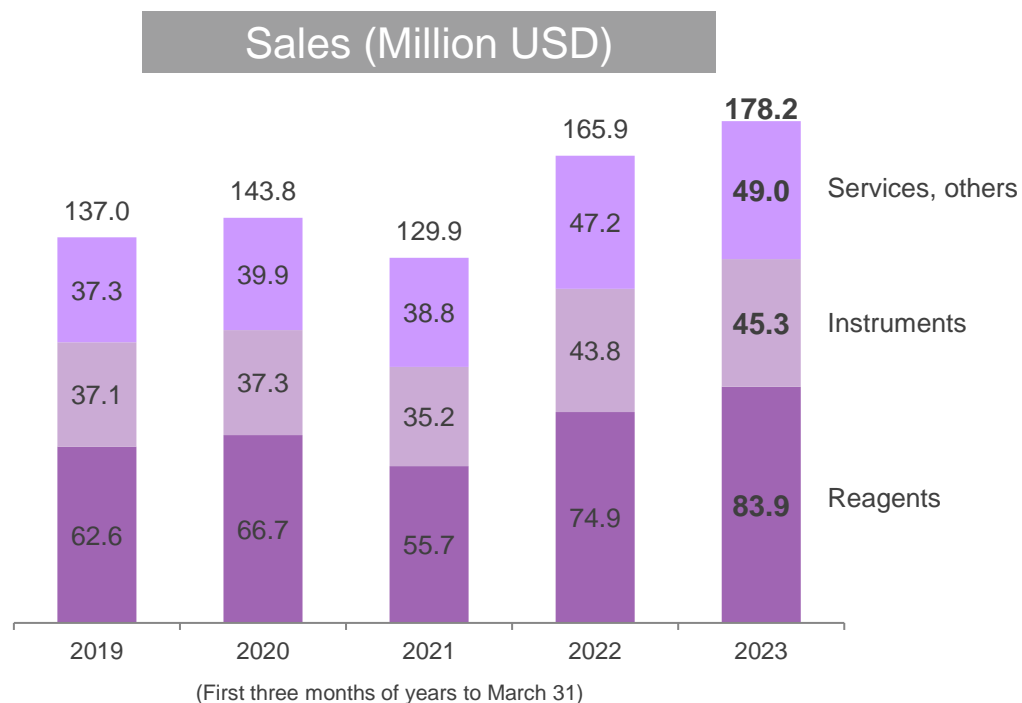
Sales were up, due to robust performance in the hematology field in North, Central and South America, as well as ongoing increases in the urinalysis field in North America, as in the previous year.

● Instruments

- ✓ Growth in the hematology field in North, Central and South America.
- ✓ In the urinalysis field, higher sales due to collaborations with Siemens Healthineers; also, favorable performance in Central and South America.

● Reagents

- ✓ Favorable sales due to a greater installed instrument base in the hematology field, plus a revision of the selling structure in Brazil.
- ✓ In the urinalysis field, business expanded in North America thanks to Siemens Healthineers' transfer of customers. Also, our installed instrument base increased.



Information by Destination (EMEA)

(Million EUR)	First three months of fiscal year ending March 31, 2023	First three months of fiscal year ended March 31, 2022	YoY (Previous period = 100%)	
			Local currency basis	Yen basis
Sales	197.3	191.3	103.1%	108.0%
Instruments	51.2	52.0	98.5%	103.0%
Reagents	115.4	109.6	105.2%	110.2%
Services, others	30.7	29.7	103.6%	108.5%

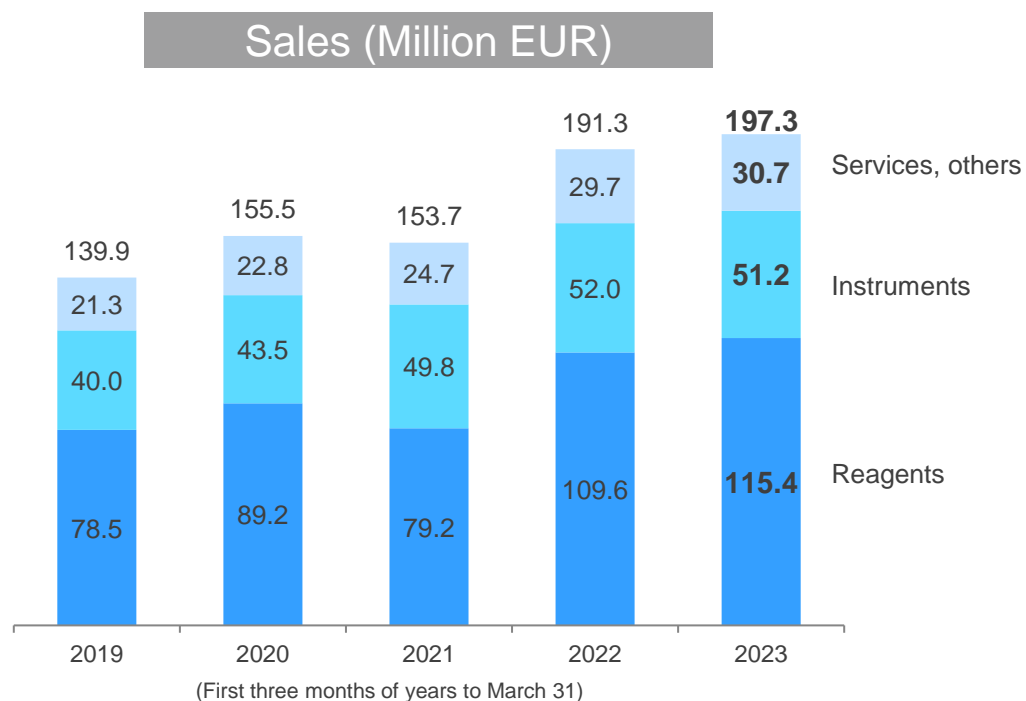
Sales were up. Although instrument sales were down in comparison to robust performance in the first three months of the previous year, reagent sales increase due to a greater installed instrument base.

● Instruments

- ✓ In the hematology field, sales decreased in comparison with the same period of the previous year (winning of major tenders), despite higher sales due to favorable results in direct-sales areas, notably Spain.
- ✓ Sales rose in the urinalysis field, particularly in Italy. Also, sales in the hemostasis field increased, due to robust sales to Siemens Healthineers.

● Reagents

- ✓ Sales increased, notably in the hematology, urinalysis and hemostasis fields, owing to an increase in the installed instrument base.
- ✓ Demand for testing related to COVID-19 decreased.



Information by Destination (China)

(Million CNY)	First three months of fiscal year ending March 31, 2023	First three months of fiscal year ended March 31, 2022	YoY (Previous period = 100%)	
			Local currency basis	Yen basis
Sales	742.8	1,023.8	72.6%	83.8%
Instruments	121.8	269.5	45.2%	52.2%
Reagents	554.0	636.5	87.0%	100.5%
Services, others	67.0	117.8	56.9%	65.7%

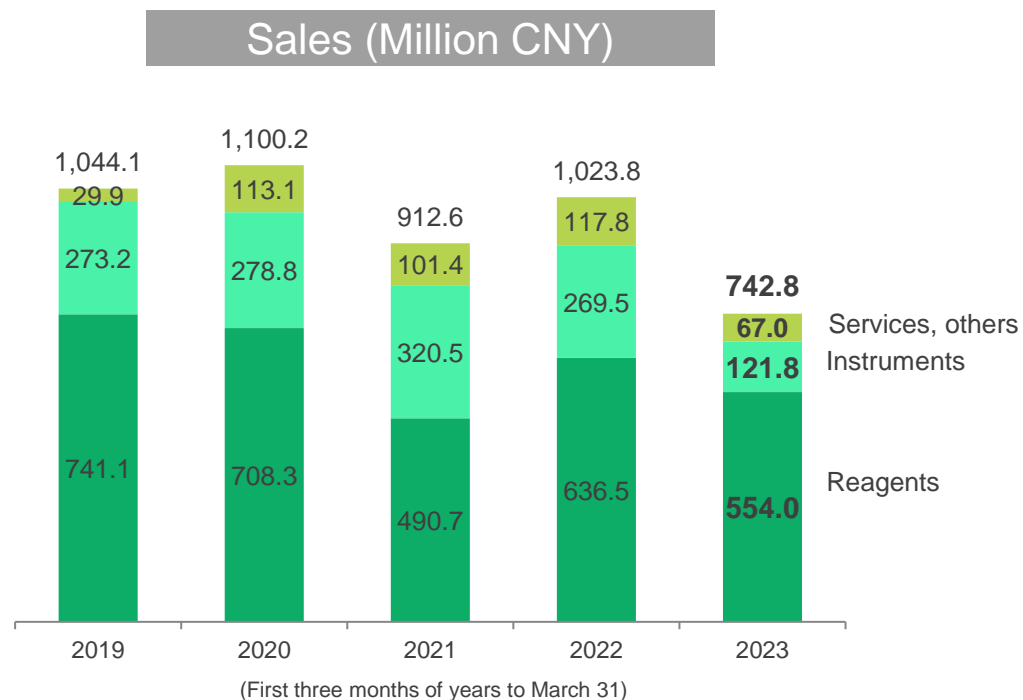
Instrument and reagent sales were down substantially, owing to lockdowns continuing from the end of the previous fiscal year.

● Instruments

- ✓ Sales were down in all fields, affected by citywide lockdowns and government procurement policies (delays in purchases of products from overseas).

● Reagents

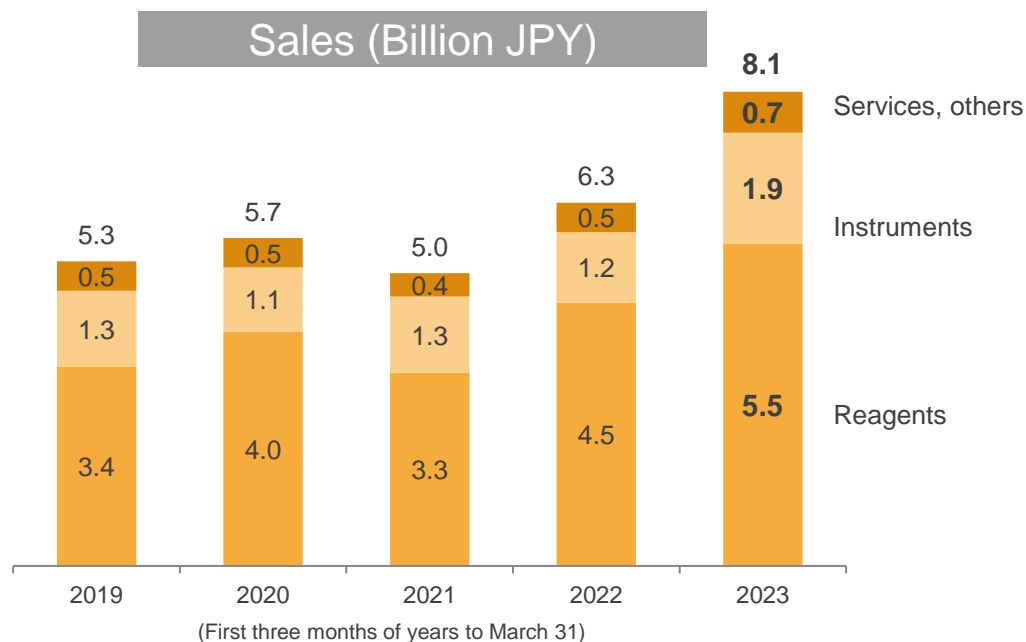
- ✓ Sales decreased, as testing demand fell as a result of large-scale lockdowns, although sales increase in the hemostasis field.



Information by Destination (AP)

(Billions of yen)	First three months of fiscal year ending March 31, 2023	First three months of fiscal year ended March 31, 2022	YoY (Previous period = 100%) Yen basis
Sales	8.1	6.3	128.4% (116.5%)
Instruments	1.9	1.2	159.2%
Reagents	5.5	4.5	120.5%
Services, others	0.7	0.5	124.6%

*Note: Figures in parentheses exclude the impact of exchange rate fluctuations.



Sales rose by double digits. Reagent sales increased, as testing demand recovered, and instrument sales grew, centered on India and Australia.

● Instruments

- ✓ In India and Australia, sales were favorable in the hematology field.
- ✓ Sales increased in the urinalysis, hemostasis, and immunochemistry fields, as we took advantage of sales opportunities resulting from investment in healthcare infrastructure.

● Reagents

- ✓ Performance was favorable, notably in the hematology and urinalysis fields, due to a recovery in testing demand.
- ✓ In the immunochemistry field, sales were up in Vietnam, the Philippines, and South Korea.

Information by Destination (Japan)

(Billions of yen)	First three months of fiscal year ending March 31, 2023	First three months of fiscal year ended March 31, 2022	YoY (Previous period = 100%)
	Yen basis		
Sales	12.9	12.2	106.0%
Diagnostics business	12.4	12.1	102.5%
Instruments	1.4	1.5	93.9%
Reagents	9.0	8.7	103.3%
Services, others	1.9	1.8	105.8%
Medical robotics business	0.5	0.07	702.2%

Sales rose due to higher sales of reagents and in the medical robotics business, despite lower instrument sales in the diagnostics business (a reaction from positive results in the same period of the previous year).

Diagnostics business

● Instruments

- ✓ Sales rose, particularly in the hematology field (positively affected by introduction of the XR™-Series) and the immunochemistry field.
- ✓ Sales were down substantially in the life science field, owing to lower demand for testing related to COVID-19.

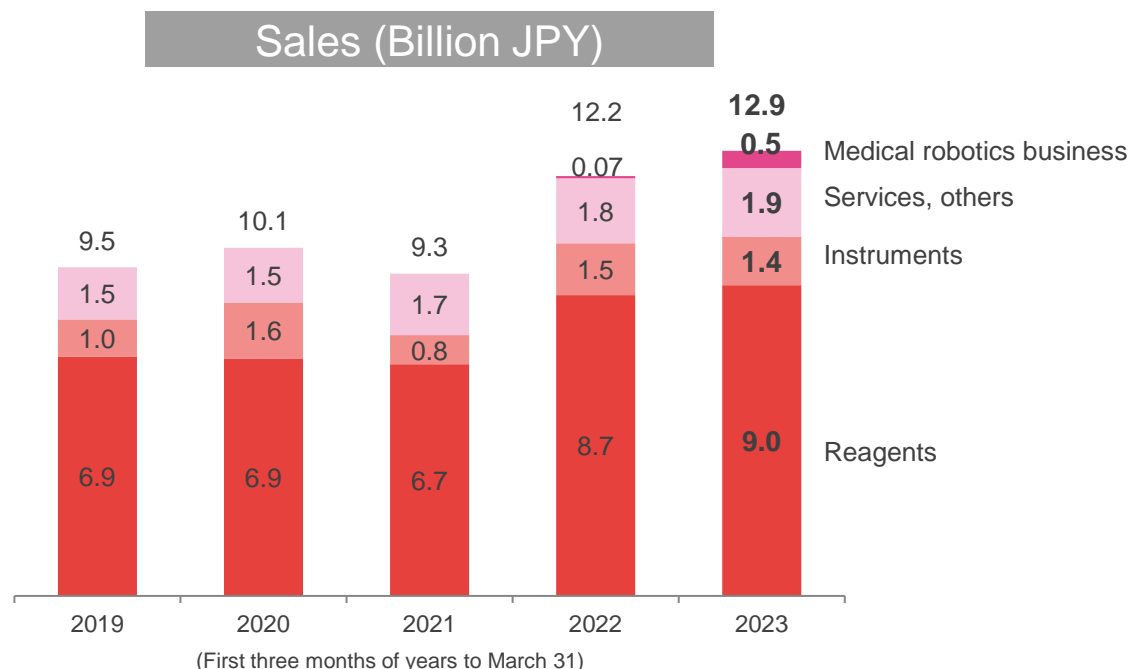
● Reagents

- ✓ Despite a decline in testing related to COVID-19, sales rose, centered on existing parameters in the hemostasis and immunochemistry fields.

Medical robotics business

- Including three installed this fiscal year, 21 units have been installed since the start of sales*

*Contract details differ, depending on the sales scheme and the amount and timing to book as sales are different, so the number of units installed does not align with sales results.



Impact of Change in Accounting Policy

(First Three Months of Fiscal Year Ended March 31, 2022)



Owing to the change in accounting policy, rather than recording configuration and customization costs under cloud computing contracts as “other non-current assets,” they are now being posted to “SG&A expenses” upon receipt of services. This change has been retroactively applied to the fiscal year ended March 31, 2022.

(Billions of yen)	First three months of fiscal year ended March 31, 2022 (before retroactive adjustment)		First three months of fiscal year ended March 31, 2022 (retroactively adjusted)	
		Ratio		Ratio
Net sales	79.3	100%	79.3	100%
Cost of sales	37.4	47.2%	37.4	47.2%
SG&A expenses	21.5	27.1%	21.7	27.4%
R&D expenses	5.4	6.9%	5.4	6.9%
Other income (expenses)	0.1	0.2%	0.1	0.2%
Operating profit	15.0	19.0%	14.7	18.6%
Profit attributable to owners of the parent	9.9	12.6%	9.8	12.4%

Lighting the way **with diagnostics**