

Presentation

Tachibana: My name is Tachibana. Thank you for attending Q1 Financial Results Briefing.

First of all, before I start explaining today's financial summary materials, I would like to first give you an overall impression.

The global healthcare market, with the exception of a few countries, such as China, is entering a post-COVID-19 stage, moving toward recovery from the effects of the pandemic and toward further development of healthcare systems.

On the other hand, as you know, the world is moving in a big way in terms of the global economic environment and geopolitics, and while there are negative factors, there are also moves to mitigate the situation. Although the external environment is changing rapidly in the immediate future, the healthcare market is an area that will grow over the medium to long term, and we intend to strike a balance between working firmly toward the future and demonstrating the flexibility to respond appropriately to changes in the environment.

Our Q1 results in such an environment are affected by the particular factors that are happening in the world today. In particular, the impact of the lockdown in China and high global prices and labor costs are two major special factors that are temporary headwinds, but otherwise the situation is positive.

I will now explain in line with the materials. Please see the table of contents. I will explain in this order.

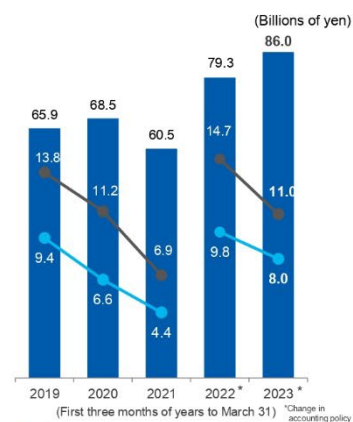
Financial Highlights



(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

Please look at page five. This is a summary of Q1 results.

Sales were JPY86.02 billion, up 8.4% YoY, and operating profit was JPY11.05 billion, down 25.3% YoY. Quarterly profit was JPY8.03 billion, down 18.2%.

Although the lockdown in China had a significant negative impact on net sales, all other regions performed well, offsetting the China portion and resulting in higher sales.

Operating profit decreased compared with the same period last year due to two major factors: an increase in SG&A and R&D expenses and a higher cost-of-sales ratio.

The increase in SG&A and R&D expenses is due to numerous initiatives for the future, including enabling direct sales, new product development, activities to obtain regulatory approval, R&D for new value creation, and digitalization, all of which we are working to steadily advance.

Although the increase in SG&A expenses due to the recovery of activities curtailed by COVID-19 had been anticipated, soaring labor costs and higher prices in Europe and the U.S. were higher than expected and are working to push up SG&A expenses. Foreign exchange rates are also having an effect. Despite these factors, overall SG&A and R&D expenses were kept within plan.

The cost-of-sales ratio increased as a result of a temporary drop in demand due to the lockdown in China and other factors, which led to a decline in output and lower capacity utilization, and the inability to absorb the sharp rise in raw material prices. Also, operating profit declined due to factors including higher transportation and labor costs.

The exchange rates, shown in the lower right-hand corner, were a positive factor in terms of sales and profit, as the yen depreciated from the previous year against all currencies, but the positive impact in Q1 was smaller than the degree of responsiveness to exchange rates in the fiscal year plan. If the yen continues to weaken by the same degree in the future, the positive impact of foreign exchange rates will increase from Q2 onward, toward the end of the fiscal year.

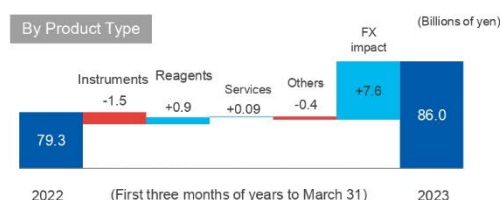
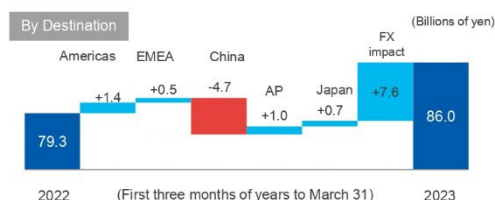
Breakdown of Net Sales (by Destination and Product Type)



(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.



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Please see page six. This shows factors behind the increase & decrease in sales (by region and by product).

Only China shows a decrease in revenue, which will be explained on a later page.

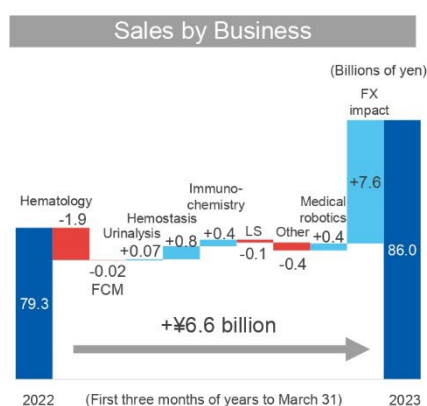
The Americas is doing well due to the partnership with Siemens Healthineers in the urinalysis field in North America last year. In Latin America, the effect of the change in the sales structure in Brazil last year was seen immediately after the start of the current fiscal year.

The growth rate in EMEA is low, but this is because last fiscal year was strong due to the acquisition of large projects. Although the growth rate appears low in comparison, it is strong except for this point.

In the Asia Pacific, reagent sales are increasing due to recovery in demand for testing, and in addition, sales in India continue to be strong, as in the previous fiscal year. Southeast Asia, including Indonesia and Thailand, and Australia also performed well, with the highest, double-digit growth of all regions.

In Japan, sales of COVID-19-related tests declined, but the blood coagulation and immunology fields are doing well, and with the addition of sales from the medical robotics business, sales increased 6% from the same period last year.

Breakdown of Net 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

Next is page seven. This shows sales by business.

The China region was a major influence, with weak performance in the hematology and urinalysis fields. As for life sciences, the decrease in COVID-related tests, as noted in the lower left-hand corner, led to a decrease in profit. The medical robot business posted sales of JPY500 million. Three new hinotori units were installed in Q1, bringing the total number of hinotori units installed to 21.

(1) Impact of lockdowns



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

Please go to page eight. Let me explain the situation in China.

We continue to expect growth in China over the medium to long term, but it has slowed temporarily due to the COVID-19 lockdown and other factors.

The graph on the upper left shows Shanghai's hematology testing trends since January of this year.

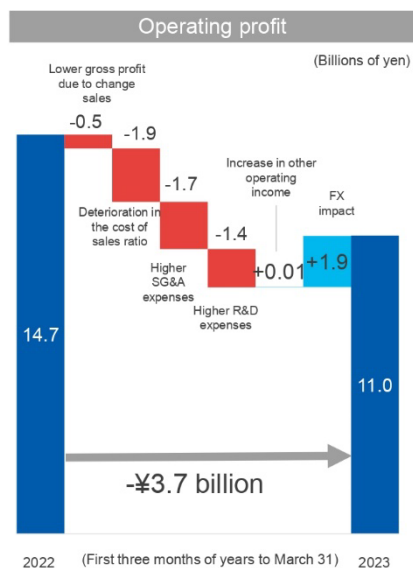
Due to the lockdown that began at the end of March, the number of tests fell by up to about 80% in April, and then recovered in about two months. Since there seems to be a series of lockdowns, large and small, throughout China, similar to the one in Shanghai, we estimate that the overall number of hematology tests in China as a whole declined by about 20% for Q1 as a whole. As a result, we estimate that we lost about JPY3 billion in Q1 reagent sales. However, based on the recent trend in the number of tests, we expect a recovery from Q2 onward.

Please see the table on the lower left.

These are results from our own study of the status of the hematology market in 2021, which was carried out by a third-party research firm and reported to us last month. While annual instruments installations in 2021, including those of other companies, were down 6% to 7% YoY, at Tier 3, our cumulative installations at hospitals increased by about 3%. That therefore shows that our users are not being taken by other companies. The hematology market growth rate in 2021, shown in the bottom row, was about 16% YoY, partly due to increased reagent sales following the recovery from COVID. The market growth rate is expected to be about 3% to 4% from 2021 to 2023.

In addition to the budgetary constraints caused by the sluggish Chinese economy, the re-spread of COVID infections appears to have caused the government budget to be allocated to infection control on a priority basis, and we estimate the impact of this on our instruments sales in Q1 to be JPY1.5 billion. In addition, since we believe that the government procurement policy favoring local Chinese companies will continue for the time being, we are expanding the number of locally produced items. We have already obtained approval for the Automated Hematology Slide Preparation Unit SP-50, and in H2, we will also begin selling a large-scale system made in China that combines a transportation system and the SP-50 with the locally manufactured XN, which is already on the market.

Breakdown of Operating Profit



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

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Please see page nine. Factors contributing to increase & decrease in operating profit.

The main reasons for the decrease in profit were a deterioration in the cost ratio and a decrease in gross profit due to lower sales. The cost ratio deteriorated by 2.5 percentage points due to lower output, higher raw material and transportation costs, and higher service costs due to higher prices and labor costs as a result of the China lockdown, despite an improvement due to an increase in the reagent composition ratio.

Selling, general and administrative expenses are expected to increase in line with the planned increase due to the resumption of activities after their restriction by COVID-19, and investments in digitalization and strengthening of the direct sales system are also on track. On the other hand, although there is an impact from the yen's depreciation, as well as from soaring labor costs in Europe and other regions, overall SG&A expenses have been kept within the original plan. R&D expenses increased due in part to continued investment in new products and increased expenses for global regulatory filing activities.

The following pages explain our initiatives for future growth.

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

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Please go to page 11. These are the initiatives for each region in the fiscal year ending March 31, 2023.

In the Americas, initiatives include the urinalysis field in North America, and the BT-50 in hematology field, which I will explain later. And we anticipate growth in Brazil.

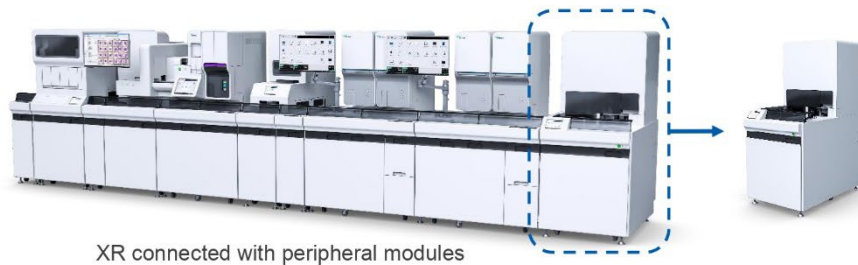
In the EMEA we expect to expand business in countries that have recently converted to direct sales.

In China, the switch to a new distributor in Shanghai has already been completed, which was an issue last fiscal year. We believe that the lockdown in China as a whole is coming to an end and that conventional growth can be expected. We are also expanding the number of items produced locally.

In AP, we see India, with its population of 1.3 billion people, as a major market in the medium to long term, and we are running a project focused on India. As one of these measures, we are considering the establishment of a new plant to strengthen our production system in India.

Activity in Japan will increase due to sales of XR=Series in hematology field and surgical robot systems, among other products.

Evolution of the XR-Series Hematology System



XR connected with peripheral modules

- 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

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Please see page 12. Evolution of the hematology XR-Series.

While scheduled times for the introduction to overseas regions of the XR-Series that went on sale in Japan last year are as shown, the world's first automated quality control module BT-50, which was introduced in Japan in Q1 of this year, will be introduced in the Americas as an additional module to the XN-Series, without waiting for the introduction of XR, to provide new added value. It was already presented last week at the AACC exhibition in Chicago and has generated a great deal of interest.

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

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Please see the following page, page 13.

The expansion of use in medical practice of surgical robot systems is awaiting approval.

For Alzheimer's testing, the completion of the self-declaration of the European IVD Directive is a new development.

The third point shown here is a product developed by Astrego, a Swedish company, that is a revolutionary testing system for drug resistance testing for urinary tract infections, which enables testing in less than an hour, instead of the several days required in the past. Below right is a photo of the device and its cartridge. We have high expectations for this system as it will contribute to the antimicrobial resistance (AMR) measures, which are considered a very important global issue.

Digital Transformation (DX)



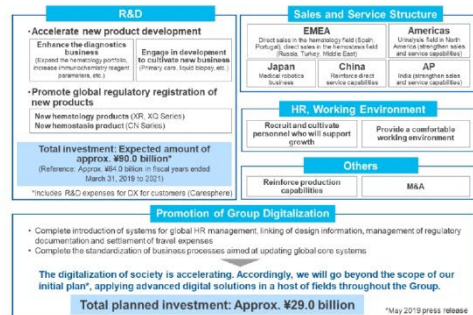
(1) Internal DX

- 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



Please see page 14.

Regarding our approach to digital transformation, we are working on internal DX and DX for customers.

In-house DX is in the process of revamping almost all systems for the entire Group, with individual systems for human resource management, purchasing, production, CRM, etc. already in operation, and ERP, the core system, having begun operation in the AP region last month. We will gradually expand the service to other regions in the future. We will standardize operations and provide seamless information to significantly raise the operational efficiency and management level of the entire Group.

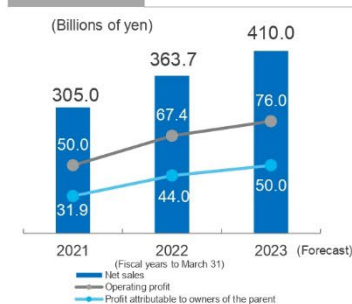
In DX for customers, we introduced a new quality control system, Caresphere XQC, last fiscal year, which is progressing well. And in conjunction with the introduction of XR, we introduced a remote training system, Caresphere Academy, which allows us to provide the latest training using avatars in a very efficient way remotely.

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.

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Finally, here are our full-year forecasts. Please see page 16.

There are no changes from what was announced in May for both H1 and the full year. Although the environment is challenging due to global inflation and the lockdown in China, we are seeing favorable conditions in all regions except China, and in China, we expect economic conditions to move in the direction of recovery, including the easing of the lockdown.

In terms of sales, although there is nothing we can do about the demand already lost due to the lockdown in China and other factors, we will make up for it with a number of positive factors in other regions, and we will minimize the impact by taking what measures we can, such as adding items produced locally in China.

As for operating profit, we expect that the cost of raw materials, transportation costs, and labor costs will continue to rise for the time being, but we intend to improve the cost-of-sales ratio by increasing production amid recovery of the Chinese market. We will also continue to make steady investments for the future and firmly control SG&A costs in order to come as close as possible to our operating profit goal. We will continue to ensure that we pursue opportunities in the healthcare market.

This concludes the explanation.