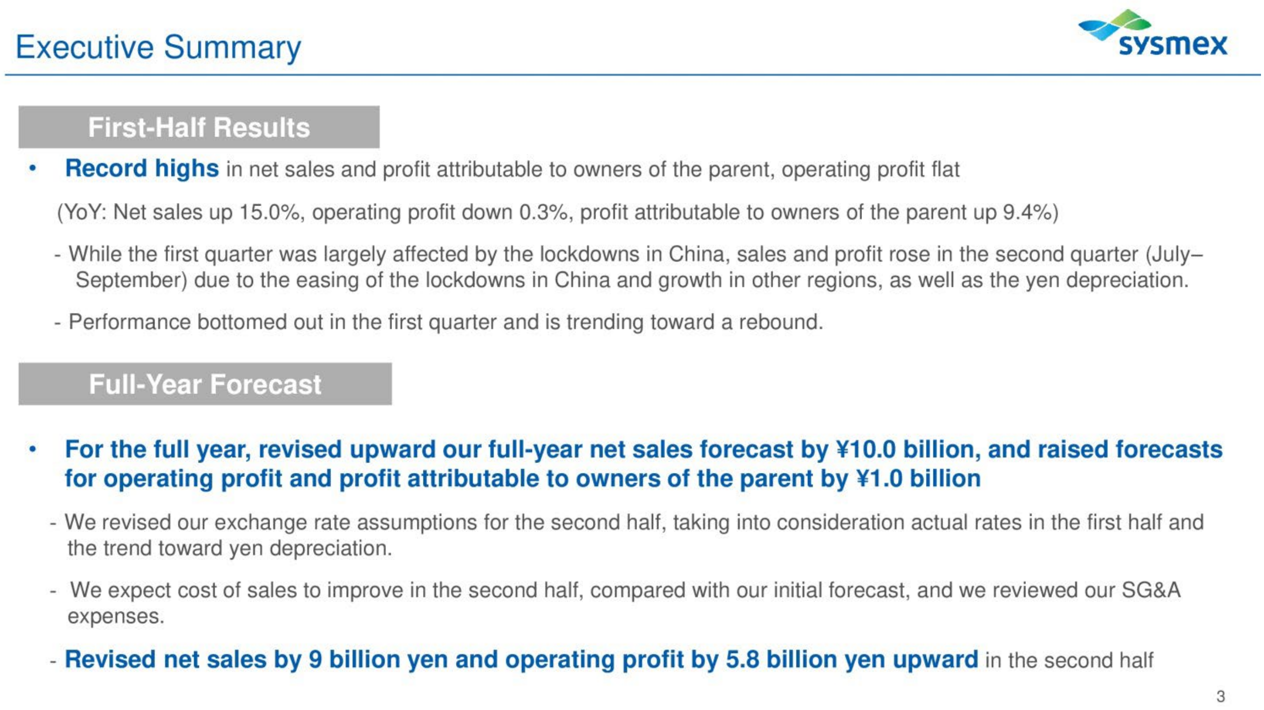
Presentation

Ietsugu: Good morning. Ietsugu is speaking and thank you for attending today's meeting, a financial result briefing of the Q2 of FY2022.

The contents of the report include a summary of financial results and a forecast for the full year.



Next is a summary.

It means that we were able to achieve record sales and quarterly profit.

Operating profit was flat. Especially in Q1, the impact of the lockdown in China was very significant, and we were in a difficult situation.

In Q2, however, the impact of the lockdown in China eased a little, and on the other hand, due to the depreciation of the yen, both sales and income increased in our company where 85% of sales are exports to overseas markets..

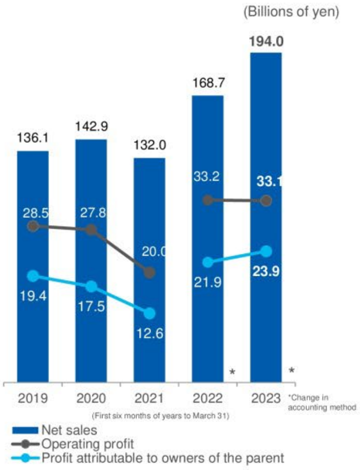
Overall, we believe that we are on the road to recovery. For the full year, we have upwardly revised net sales by JPY10 billion and operating profit and net profit by JPY1 billion.

In any case, the yen is now weakening considerably, and we are seeing some tailwind for us.

Financial Highlights (Year on Year)

(Billions of yen)	First six months of fiscal year ending March 31, 2023		First six 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	194.0	100%	168.7	100%	115.0%	+20.5	102.8%
Cost of sales	95.4	49.2%	78.9	46.8%	121.0%	-	-
SG&A expenses	52.9	27.3%	44.5	26.4%	119.0%	-	-
R&D expenses	14.5	7.5%	11.6	6.9%	125.1%	-	-
Other income (expenses)	2.1	1.1%	(0.4)	(0.3)%	-	-	-
Operating profit	33.1	17.1%	33.2	19.7%	99.7%	+5.9	81.7%
Profit attributable to owners of the parent	23.9	12.4%	21.9	13.0%	109.4%	-	-

- **Achieved record-high net sales and profit attributable to owners of the parent**
  - ✓ **Net sales:** Sales rose in every region except China. Although China continues to be affected by lockdowns, net sales rose by double digits, due in part to the impact of yen depreciation.
  - ✓ **Operating profit:** Flat despite higher sales, due to deterioration in the cost of sales ratio, partly owing to sharply higher raw materials prices.
  - ✓ **Profit attributable to owners of the parent:** Up, partly due to the positive effect of foreign exchange gains



	First six months of fiscal year ending March 31, 2023	First six months of fiscal year ended March 31, 2022
1USD	¥134.0	¥109.8
1EUR	¥138.7	¥130.9
1CNY	¥19.9	¥17.0

Next is a summary of H1 financial results.

As you can see here, on a yen basis, sales increased 15% to JPY194 billion, and operating income was JPY33.1 billion, down JPY100 million from the previous year.

On the other hand, as you can see here, the yen has weakened considerably, and we are benefiting from that.

As I mentioned earlier, in Q1, especially in China, the situation in China continued to be quite difficult, especially in the form of the lockdown in Shanghai and the one that followed.

On the other hand, as I will explain later, there is also a Buy China Policy, in which Chinese-made products are given priority. Such is the current situations.

Quarterly Operating Performance (Q1→Q2)

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Operating profit improved substantially in Q2, thanks to higher net sales and an improved cost of sales ratio.

(Billions of yen)

	Q1 (Apr. – Jun.) Fiscal year ending March 31, 2023	Ratio	Q2 (Jul.–Sep.) Fiscal year ending March 31, 2023	Ratio	Vs. Q1 (Previous period = 100%)
Net sales	86.0	100.0%	107.9	100.0%	125.5% (Elongation rate)
Cost of sales	43.0	50.1%	52.4	48.5%	(1.6)pt
SG&A expenses	25.1	29.2%	27.8	25.8%	(3.4)pt
R&D expenses	6.9	8.0%	7.6	7.0%	(1.0)pt
Other income (expenses)	0.1	0.2%	1.9	1.8%	–
Operating profit	11.0	12.8%	22.0	20.5% [18.6%]	+7.7pt [5.8pt]
Profit attributable to owners of the parent	8.0	9.3%	15.9	14.8%	+5.5pt

Note: Figures in [ ] indicate operating profit excluding the impact of other income (expenses).

Q2 (Jul.–Sep.)

- **Net sales**
  - Net sales rose by double digits (up 25.5%) from Q1, due to a recovery in China, growth in other regions and the impact of yen depreciation.
- **Cost of sales ratio**
  - Despite sharp ongoing increases in various costs, the ratio improved 1.6pt from Q1, thanks in part to yen depreciation.
- **Operating margin**
  - The operating margin improved 7.7pt from Q1.
  - The margin improved 5.8pt, excluding the impact of other operating income (expenses).

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Next is a comparison between Q1 and Q2.

Q1 results were very difficult, but as you can see here, sales grew by about 25%. The cost to sales ratio and other factors has also improved. The operating profit improved by 7.7 percent point. Q1 was tough, and that is where we attribute it to China.

Breakdown of Net Sales (by Business)

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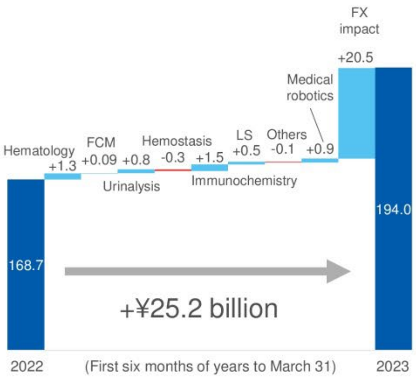
Sales by Business (Billions of Yen)



COVID related testing
(Included in the life science, immunochemistry and others categories)
In the first six months of the fiscal year ending March 31, 2023: ¥3.4 billion (¥3.1 billion in Japan, ¥0.3 billion overseas)

(Reference):
¥3.7 billion in the first six months of the fiscal year ended March 31, 2022
¥8.2 billion in the fiscal year ended March 31, 2022

On a yen basis, sales rose by double digits in major fields.

(Billions of yen)	First six months of fiscal year ending March 31, 2023 Results	Ratio	First six months of fiscal year ended March 31, 2022 Yen basis	Excluding FX impact
Net sales	194.0	100.0%	115.0%	102.8%
Hematology	114.4	59.0%	114.5%	101.4%
FCM	1.0	0.6%	124.9%	111.3%
Urinalysis	15.6	8.1%	122.0%	106.6%
Hemostasis	31.8	16.4%	111.0%	98.7%
Immunochemistry	10.8	5.6%	126.3%	117.5%
Clinical chemistry	1.6	0.8%	108.9%	99.3%
Life science	9.2	4.8%	112.9%	107.1%
Others	7.9	4.1%	102.9%	98.0%
Diagnostics business	192.7	99.3%	114.5%	102.3%
Medical robotics business	1.2	0.7%	353.9%	-

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Next is a factor of increase and decrease in sales. The overall increase was JPY25.26 billion. Although there were some foreign exchange benefits, overall, I think we were able to make good progress.

As for hemostasis, there was a slight YoY decline, but this was due to COVID-19, which has subsided considerably. Regarding hemostasis, there is the D-dimer indicator, which is used to measure the worsening of the COVID-19 situation, and there was a considerable increase in the previous period. Medical robots are JPY1.26 billion.

Breakdown of Net Sales (by Destination and Product Type)

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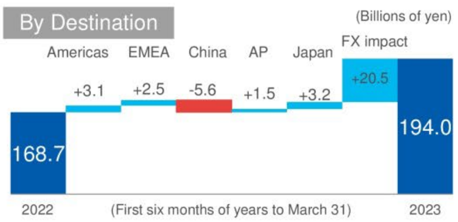
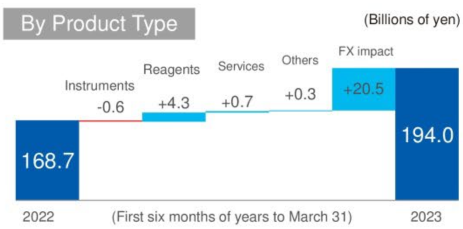
(Billions of yen)	First six months of fiscal year ending March 31, 2023 Results	Ratio	First six months of fiscal year ended March 31, 2022 Yen basis	Local currency basis
Net sales	194.0	100.0%	115.0%	102.8%*
Americas	50.2	25.9%	131.5%	107.6%
EMEA	55.1	28.4%	112.1%	105.8%
China	42.8	22.1%	101.7%	86.5%
AP	16.9	8.7%	124.6%	111.3%*
Japan	28.7	14.9%	112.7%	–
Instruments	43.4	22.4%	110.0%	98.4%*
Reagents	117.3	60.5%	116.3%	104.3%*
Services, others	33.2	17.1%	117.2%	103.7%*

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

- Americas: **Sales up**, due to higher hematology instrument sales in North, Central and South America, as well as favorable performance in the urinalysis field in North America
- EMEA: **Sales up**, due to higher sales of urinalysis and hemostasis instruments and higher sales of reagents, owing to an increase in the installed instrument base
- China: Sales down on a local currency basis, due to the impact of lockdowns, although up on a yen basis
- AP: **Sales up**, due to a recovery in testing demand, higher reagent sales stemming from expansion in the installed instrument base, and a rise in instrument sales
- Japan: **Sales up**, due to higher instrument sales, centered on the hematology field, plus higher sales of immunochemistry reagents and in the medical robotics business





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Next, sales by region.

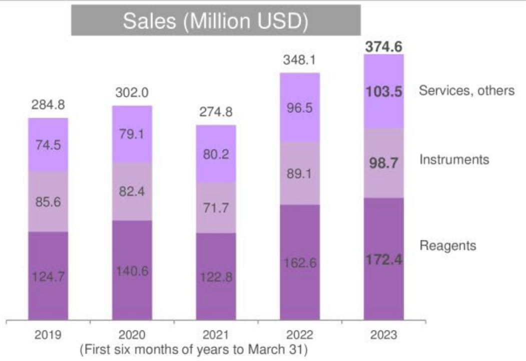
As you can see here, overall, especially if you look at it on a local currency basis, the situation in China is a bit difficult. Others have been recovering in one way or another.

In particular, the Americas and Europe, each of which is affected a little by the problems in Russia and Ukraine.

In any case, overall, we were able to increase revenues.

Information by Destination (Americas)

(Million USD)	First six months of fiscal year ending March 31, 2023	First six months of fiscal year ended March 31, 2022	YoY (Previous period = 100%) Local currency basis	Yen basis
Sales	374.6	348.1	107.6%	131.5%
Instruments	98.7	89.1	110.8%	135.5%
Reagents	172.4	162.6	106.0%	129.5%
Services, others	103.5	96.5	107.3%	131.2%



Sales rose, due to favorable performance in North America, as well as in Brazil and other parts of Central and South America, centered on the hematology and urinalysis fields.

- **Instruments**
  - ✓ In the hematology field, sales increased in North America, and performance was favorable in Central and South America, owing to a reinforced sales structure in Brazil.
  - ✓ In the urinalysis field, sales rose due to an alliance with Siemens in North America. Also, sales were up substantially in Central and South America, centered on Brazil.
- **Reagents**
  - ✓ In the urinalysis field, sales rose significantly due to higher sales in North America and expansion of the installed instrument base at commercial labs in Brazil.

Next, the Americas.

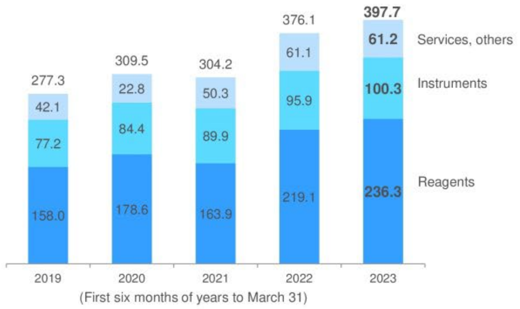
In the Americas, North America and Latin America are performing well. In Brazil, until the previous year, Roche had been acting as a distributor, but while they are still acting as the distributor for the high-end segment, SYSMEX manage distributor directly for the middle- and lower-end segment. In that sense, we have achieved a fairly good level of penetration.

As for urinalysis field, we have asked Siemens to take over the dipstick business , or rather, the customer of Siemens has been shifted to us, and the business has been growing steadily.

Information by Destination (EMEA)

(Million EUR)	First six months of fiscal year ending March 31, 2023	First six months of fiscal year ended March 31, 2022	YoY (Previous period = 100%)	
			Local currency basis	Yen basis
Sales	**397.7**	376.1	**105.8%**	112.1%
Instruments	**100.3**	95.9	**104.5%**	110.7%
Reagents	**236.3**	219.1	**107.9%**	114.3%
Services, others	**61.2**	61.1	**100.2%**	106.2%

Sales (Million EUR)



Sales rose, thanks to the acquisition of a large tender in Italy, higher sales of instruments in direct sales areas, and favorable performance in reagents in the hematology field.

- **Instruments**
  - ✓ In addition to an increase in the urinalysis field centered on Italy, where we acquired a large tender, sales in the hemostasis field were favorable in Turkey and other direct sales areas.
- **Reagents**
  - ✓ Sales rose, centered on the hematology, urinalysis, and hemostasis fields, due to expansion of the installed instrument base.
  - ✓ Demand for COVID-19-related testing turned downward.

Next, EMEA.

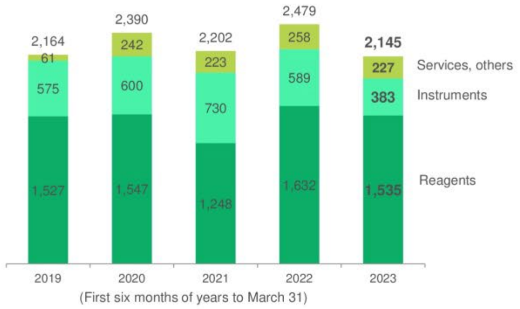
In EMEA, we have won a large sales contract in Italy, and overall, hematology reagents are performing well. As I mentioned earlier, there is some influence from Russia, but other than this matter, most of the business went quite well.

On the local currency basis, the results are decent, though not double-digit range. On the other hand, there is also the benefit of foreign exchange, so the yen-based growth has been quite good.

Information by Destination (China)

(Million CNY)	First six months of fiscal year ending March 31, 2023	First six months of fiscal year ended March 31, 2022	YoY (Previous period = 100%) Local currency basis	Yen basis
Sales	**2,145.6**	2,479.9	**86.5%**	101.7%
Instruments	**383.1**	589.1	**65.0%**	76.5%
Reagents	**1,535.4**	1,632.6	**94.0%**	110.5%
Services, others	**227.1**	258.2	**88.0%**	103.6%

Sales (Million CNY)



Sales were down in the first six months. However, sales were up substantially in Q2 compared with Q1, owing to the easing of lockdowns and a recovery in testing demand.

- **Instruments**
  - ✓ Sales were down in all fields, affected by citywide lockdowns and government procurement policies (delays in purchases of products from overseas). However, sales of knockdown products were favorable.
- **Reagents**
  - ✓ Sales rose in the hemostasis field for reagents used to predict COVID-19 aggravation.
  - ✓ Testing demand recovered in Q2, leading to resurgence in the hematology and urinalysis fields. However, performance was down due to the impact of lockdowns in Q1.

Quarterly Sales, by Product Type (Million CNY)

Next, China.

There were some very tough situations, especially in Q1 as China was locked down very tightly. There were situations where people couldn't get out. There was a situation in which people with chronic diseases were not able to take the usual tests. In a sense, the situation was very difficult, and reagent sales were affected by the situation.

On the other hand, there is a Buy China Policy, which favors Chinese-made products. In response to this, we have been doing what we call knockdown, in which the products made in Japan are reassembled over there and then approved as made in China after obtaining Chinese approval for five or six years now. We are prepared to do so, but it is difficult to prepare for all models. Now, it means that it is part of hematology. We have not yet done everything, so we are struggling a bit with some of the instruments in this area, and then we have also decreased some general reagents through lockdowns.

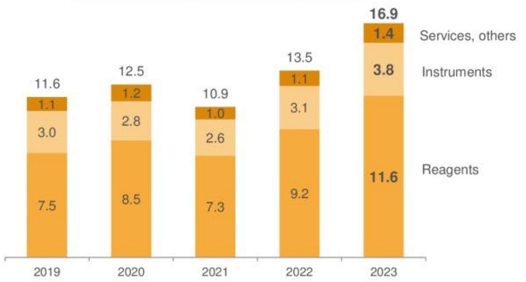
In any case, Q1 was very tough, but it has eased up a bit since Q2. Xi Jinping is now in his third term. We had hoped that the zero-coronavirus policy would be revised, but since it is still in place, we think that the situation in China will continue to be a bit difficult.

Information by Destination (AP)

(Billions of yen)	**First six months of fiscal year ending March 31, 2023**	First six months of fiscal year ended March 31, 2022	**YoY (Previous period = 100%)** Yen basis
Sales	**16.9**	13.5	**124.6% (111.3%)**
Instruments	**3.8**	3.1	**120.0%**
Reagents	**11.6**	9.2	**125.9%**
Services, others	**1.4**	1.1	**126.8%**

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

Sales (Billion JPY)



(First six months of years to March 31)

Sales grew by double digits, thanks to favorable performance by instruments and reagents in the hematology and urinalysis fields.

- **Instruments**
  - ✓ Sales were favorable in the hematology field, centered on India, Indonesia, Australia and Taiwan.
  - ✓ Sales in the hemostasis field were down, owing to comparison with favorable performance in the previous fiscal year, but solid sales in the urinalysis field in Indonesia and other locations pushed up overall sales.
- **Reagents**
  - ✓ Expansion of the installed instrument base prompted favorable sales in the hematology field in India, Vietnam and South Korea, prompting double-digit growth.
  - ✓ Owing to a recovery in testing demand, sales grew by double digits in the urinalysis and immunochemistry fields.

Next, Asia-Pacific.

AP is doing very well in the hematology and urinalysis fields, both instruments and reagents, which means double-digit revenue growth. We have India, Indonesia, Australia, and Taiwan, and we at SYSMEX are determined to expand our business to India in particular.

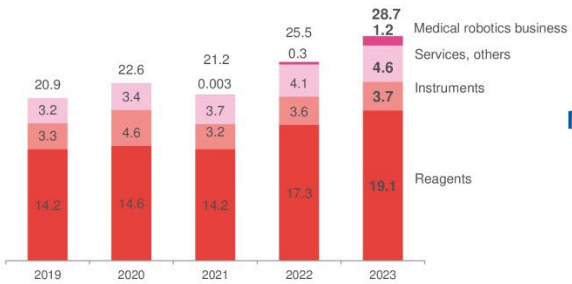
We believe that the population is very large, and on the other hand, there is a large number of digital human resources, and we believe that growth will be recognized in the future. We intend to focus this area. In general, the development is taking place in a very good way.

As you know, AP is an area with a large population, so China is the largest, followed by India, Indonesia, Pakistan, and Bangladesh, which has a population in excess of 100 million. I am very much looking forward to the future of SYSMEX, and in this sense, I think we have been able to penetrate the market very well. We believe that this is an exciting development that we can look forward to even more in the future.

Information by Destination (Japan)

(Billions of yen)	First six months of fiscal year ending March 31, 2023	First six months of fiscal year ended March 31, 2022	YoY (Previous period = 100%) Yen basis
Sales	**28.7**	25.5	**112.7%**
Diagnostics business	**27.5**	25.2	**109.2%**
Instruments	**3.7**	3.6	**103.0%**
Reagents	**19.1**	17.3	**110.1%**
Services, others	**4.6**	4.1	**110.9%**
Medical robotics business	**1.2**	0.3	**353.9%**

Sales (Billion JPY)



(First six months of years to March 31)

Sales rose, due to higher reagent sales, increased sales of instruments centered on the hematology field, and expansion of the medical robotics business.

Diagnostics business

- **Instruments**
  - ✓ Sales rose in the hematology field, owing to favorable performance of the XR™-Series.
  - ✓ Sales grew by double digits, due to solid performance in the urinalysis, hemostasis, and immunochemistry fields.
- **Reagents**
  - ✓ In addition to an increase in testing related to COVID-19, sales rose due to an increase centered on the immunochemistry and hemostasis fields.

Medical robotics business

- **28 units have been installed since the start of sales, including seven new units in Q2***

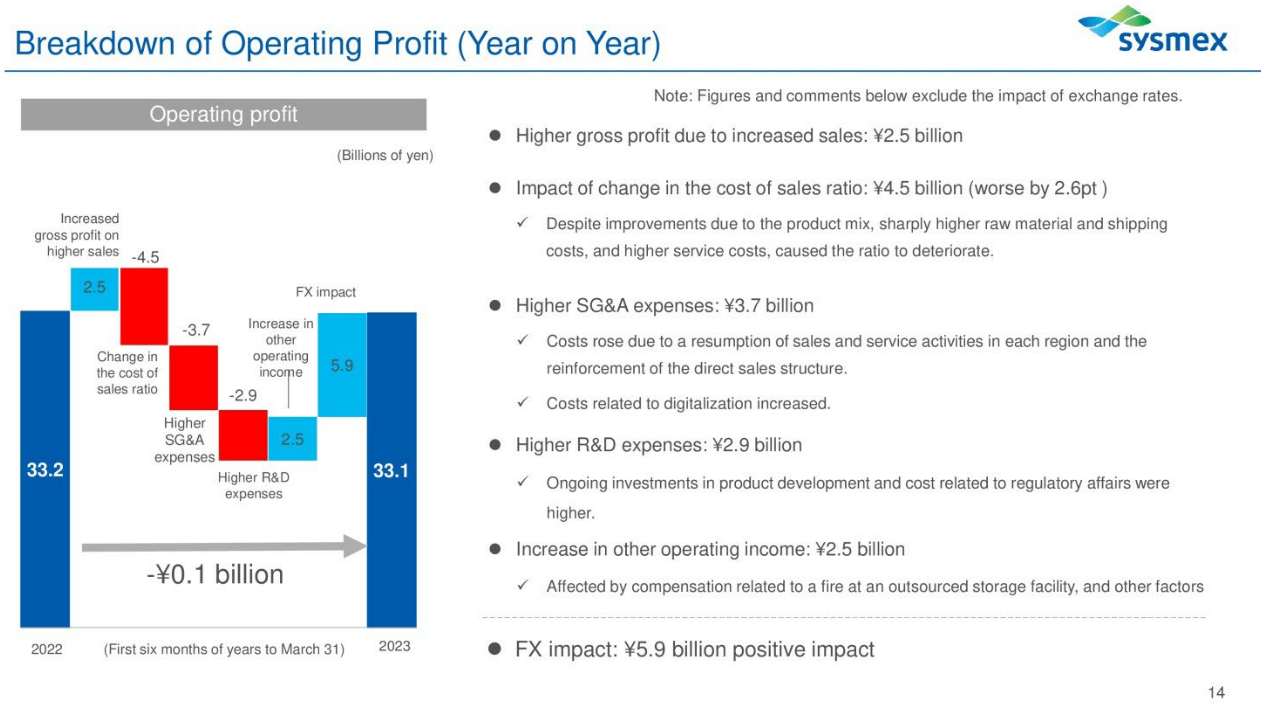
*Contract details differ, depending on the sales scheme and the amount and timing to book as sales are different, so the number of units installed does not align with sales results.

Next, Japan.

For Japan, sales of reagents increased. We also have a new product called XR, which has been launched in Japan but has not yet been launched globally, and we are currently working on the procedures for approval. This new-product effect was also a slight factor.

Then there were the COVID-19-related sales increased, though which are falling off a bit now. Sales are growing by double digits, at 12.7%.

In any case, this is our home ground, and on the other hand, we are currently launching hinotori, a Medicaroid product, and we will see what will happen in the future. In Q2, seven new units were introduced to the market, so the total number of units is now 28. I will explain the surgical procedures later, but I am sure that we can look forward to future developments as the surgical procedures expands.



Next is the change in operating income.

One problem is still the cost ratio, which has worsened by 2.6 percent point. It is the semiconductor issue. The shortage of semiconductors is a global problem, and in order to make sure that we could supply our instruments, we had no choice but to purchase them at a higher market price. This was a situation that, in a very real sense, raised the cost ratio a bit.

In fact, all other raw materials have also been rising. The same problem occurs with raw materials of reagents. As I just mentioned, inflation is a problem in this area, and another problem is that logistics costs, or transportation costs, have remained high for a long time. In addition, service cost such as labor costs, especially in the US, have been rising, and these factors have contributed to the deterioration of the situation.

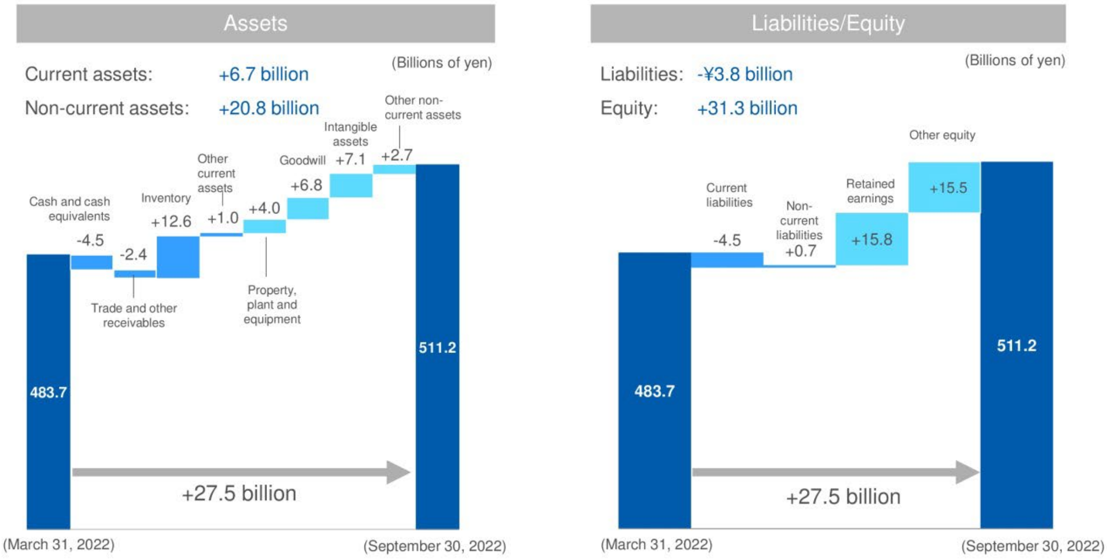
Regarding SG&A expenses, as I mentioned earlier, due to our service activities, and we have been expanding our direct sales system, SG&A expenses increased. Compared to last year, for example, in Europe, we have shifted to direct sales in the Iberian Peninsula, Spain and Portugal, and in Central and South America, we have been focusing on Brazil, that’s why SG&A expenses increased.

Now, we are also taking on the DX challenge of digitization. In addition, we are continuously investing in research and development, which is, in a sense, our lifeline, or rather, a very important area.

Last year, we had a fire at an outsourced storage facility, we received a security deposit related to the fire in Q2, which added a little to our operating income.

In this sense, we are seeing an increase of JPY5.98 billion in exports, which are extremely large. However, from an overall perspective, operating income is down JPY100 million compared to last year. I am wondering if there is a little bit of a management level issue here.

Breakdown of Changes in the Consolidated Statement of Financial Position



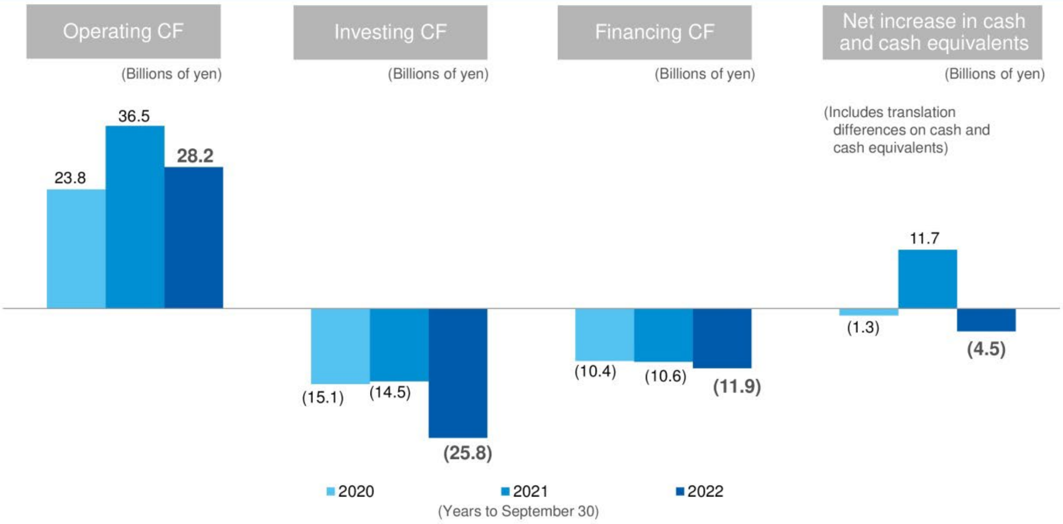
Next is the consolidated financial position.

Regarding this, inventories, in particular, have risen considerably. This already means that we still need to do something, anyway, including for the semiconductors I mentioned earlier. Our procurement team has been working very hard, making phone calls in all directions to various places to gather things.

In that sense, it is very important for a manufacturer to keep an inventory and have a stable supply system, so we are developing in this way.

Consolidated Cash Flows

Cash decreased due to higher spending, such as the conversion of Astrego to a subsidiary and investments in digitalization.



Next, cash flow.

The most conspicuous item in this category is cash flow from investing activities. This may be mentioned again later, but we are now in this situation, including the JPY5 billion capital increase for Medicaroid, and the acquisition of the Swedish company.

Key Future Growth-Oriented Initiatives

Diagnostics business

Promote the business of testing for Alzheimer's disease (test to measure amyloid beta in the blood)

- In December 2021, submitted an application with Japan's PMDA, and screening is progressing steadily
- Expect to introduce laboratory developed tests (LDTs) in the United States in Q4, as planned

Launch new products in the urine sediment testing field

- Commenced launch of compact analyzer that inherits the functionality and usability of high-end models (September 2022/Japan)

Expand cancer lymph node metastasis test system using the OSNA™ method to cervical cancer and endometrial cancer

- Received approval to expand application to cervical cancer and endometrial cancer, as well as breast cancer, colorectal cancer, gastric cancer and non-small cell lung cancer (October 2022/Japan)

Medical robotics business

Receive approval to expand applicable indications of the robotic-assisted surgical system to gastroenterology and gynecology

- Expanded application to 22 of 29 categories for robotic-assisted surgery in Japan (October 2022/Japan)

Sustainability

Start the dry ice-free supply of quality control reagents for clinical chemistry tests (September 2022/Japan)

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Next, the initiative for future growth.

We have applied for an Alzheimer's test to measure amyloid beta using our immunochemistry analyzer. The application for approval of the reagent was filed in December last year, and since it is progressing smoothly, we are expecting that the application will be approved in December, which is already next month.

As you know, Eisai's therapeutic drugs are showing new developments, and in the US, we have a laboratory in Baltimore, where we will start laboratory developed test in Q4 of this year.

In the urinalysis field, a small instrument succeeding the high-end model was launched in September, and the application of OSNA (One-Step Nucleic Acid Amplification) method to lymph node metastasis in cervical cancer and uterine cancer is also being expanded. That is how we are developing.

Also, as I mentioned earlier, the so-called medical robot, hinotori, is expanding its surgical procedures. With this, we are now able to cover 22 out of 29 procedures, or about 90% of the total number of assistive robots' surgery in Japan. In this sense, we can expect great things in the future. We have heard about successful stomach surgeries and colon cancer surgeries recently. I am looking forward to seeing more of this in the future.

Another is sustainability, in the form of dry ice-free transportation, and we are now expanding this to biochemicals.

Revised Earnings Forecast for the Fiscal Year Ending March 31, 2023 (Year on Year)

Note: Figures have been revised subsequent to the May 2022 announcement.

sysmex

With the ¥10.0 billion upward revision to our net sales forecast, we now anticipate double-digit growth.
We have revised our forecast for operating profit and profit attributable to owners of the parent upward by ¥1.0 billion each.

(Billions of yen)	Fiscal year ending March 31, 2023			Fiscal year ended March 31, 2022		YoY increase
	Initial forecast	Revised forecast	Ratio	Results	Ratio	
Net sales	410.0	**420.0**	**100.0%**	363.7	100.0%	**+15.5%**
Cost of sales	189.0	**200.0**	**47.6%**	173.1	47.6%	**+15.5%**
SG&A expenses	113.0	**112.5**	**26.8%**	94.2	25.9%	**+19.4%**
R&D expenses	33.5	**33.5**	**8.0%**	26.7	7.4%	**+25.5%**
Operating profit	76.0	**77.0**	**18.3%**	67.4	18.5%	**+14.2%**
Profit attributable to owners of the parent	50.0	**51.0**	**12.1%**	44.0	12.1%	**+15.9%**

Planned investment: Capital expenditure: **¥41.8 billion** Depreciation and amortization: **¥30.5 billion** (¥32.5 billion)

- **Assumed Exchange Rates**

	Full year (Revised Nov. 2022)	Second half (Revised Nov. 2022)	Fiscal year ended March 31, 2022
1 USD	¥139.5	¥145.0	¥112.4
1 EUR	¥140.4	¥142.0	¥130.6
1 CNY	¥19.9	¥20.0	¥17.5

- **Exchange Rate Sensitivity (year)**

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

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Next is the forecast for the full year.

We have made an upward revision of JPY10 billion in net sales. We were about to make double-digit growth. We have also revised operating income and net income upward by JPY1 billion. One of the reasons for this is that the yen has weakened considerably.

In terms of the assumed exchange rates for the second half of the year, the US dollar is revised to JPY145, the euro to JPY142, and the Chinese yuan to JPY20, making the yen considerably weaker compared to the previous period. The US dollar is at JPY146 now, and I think the euro is also about JPY146. Chinese yuan is about JPY20, we have just made the so-called correction in a way that is in line with the current situation.

It is important to improve the cost ratio. We are in the process of making various allowances for a cost ratio similar to that of the fiscal year ended March 31, 2022. Under these circumstances, as I mentioned earlier, operating income and net income have been revised upward by JPY1 billion each, and we are now considering an operating income of JPY77 billion and a net income of JPY51 billion.

Revised Earnings Forecast for the Fiscal Year Ending March 31, 2023 (details of second half)

Note: Figures have been revised subsequent to the May 2022 announcement.

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(Billions of yen)	First half of fiscal year ending March 31, 2023 (Apr.–Sep.)		Second half of fiscal year ending March 31, 2023 (Oct.–Mar.)				Fiscal year ending March 31, 2023 (Apr.–Mar.)			
	Results	Ratio	Initial forecast	Revised forecast	Ratio	Change (Against previous forecast)	Initial forecast	Revised forecast	Ratio	Vs. initial forecast
Net sales	194.0	100.0%	217.0	226.0	100.0%	+9.0	410.0	420.0	100.0%	+10.0
Cost of sales	95.4	49.2%	-	104.5	46.3%	-	189.0	200.0	47.6%	+11.0
SG&A expenses	52.9	27.3%	-	59.5	26.3%	-	113.0	112.5	26.8%	-0.5
R&D expenses	14.5	7.5%	-	19.0	8.4%	-	33.5	33.5	8.0%	-
Other income (expenses)	2.1	1.1%	-	0.9	0.3%	-	1.5	3.0	0.7%	+1.5
Operating profit	33.1	17.1%	38.0	43.8	19.4%	+5.8	76.0	77.0	18.3%	+1.0

- **Net sales:** Although we expected net sales to also be affected by an economic slowdown in China in the second half, we have revised our forecast upward by ¥10.0 billion based on growth in other regions and the impact of yen depreciation.
- **Cost of sales:** In the second half, we expect the cost of sales ratio to improve by 2.9pt compared to the first half, due to cost-reduction measures and the effect of yen depreciation.
- **Operating profit:** In the second half, we expect to overcome our shortfall for the first half and have raised our full-year forecast by ¥1.0 billion. To achieve this, we expect to benefit from higher gross profit on higher sales, in addition, we will appropriately control SG&A expenses, which we expect to rise due to the impact of exchange rates.

Next, the revised forecast for H2.

As you know, H1 was very difficult, especially in the form of lockdowns in China, but we have recovered from that relatively in Q2.

In H2, we should be able to recover properly, and the effects of the yen's depreciation should have a considerable impact.

We are also working on cost-reduction measures in various ways to improve the cost ratio itself by 2.9% compared to H1.

In such a situation, sales are expected to grow and still be affected by foreign exchange rates. In addition, we have made an upward revision of JPY1 billion to supplement H1 targets in the context of more appropriate cost control of SG&A expenses.

Dividend Forecast

The dividend amount remains unchanged from our initial forecast at the start of the year, however the dividend payout ratio has been revised from May 2022.

	Interim dividend	Year-end dividend	Total	Payout ratio
Fiscal year ended March 31, 2022	¥37	¥39	¥76	36.0%
Fiscal year ending March 31, 2023 (proposal)	¥40	¥40	¥80	32.8% (33.5%)

Forecast figures announced in May 2022 are indicated in parentheses, ( ).

Sysmex aims to maintain a proper balance between aggressive investment, which is designed to sustain steady high growth, and returns to our shareholders as our earning power increases. In terms of returns to shareholders, we intend to provide a stable dividend on a continuous basis and aim for a consolidated payout ratio of 30% under our basic policy of sharing the successes of our operations in line with business performance.

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Next, the dividend forecast.

Regarding dividends, there is no change from the beginning-of-year forecast.

In that sense, the interim dividend was JPY40, and the year-end dividend was JPY40, for a total annual dividend of JPY80, an increase of JPY4 over the previous year. Regarding the dividend payout ratio, the current forecast is 32.8%. Regarding dividends, we are trying to steadily increase them. Our target is a payout ratio of 30%. We are also developing our business based on this policy, which is to ensure that dividends are increased.

The lockdown in China in Q1 was quite sensational, and our stock price was affected by it to a great extent. In China, I understand that Xi Jinping's zero-coronavirus policy continues. However, it has been recovering relatively at the moment. There are still some local cities where lockdowns are in place, so this area may still be unpredictable, but I believe that the recent large-scale lockdown in Shanghai will no longer be the case.

It is difficult to predict what will happen in the future, since China continues the zero-coronavirus policy. However, along with such a situation, there is also the Buy China Policy, the policy of using products made in China. This is much tougher. I have heard that the opinions vary considerably from state to state, but I have often heard that there are many customers who, to tell the truth, would prefer to use SYSMEX.

However, in such a situation, the authorities will check on the business transactions, and we are currently working on measures towards knockdown and further expanding the portfolio. In hematology, some of our main instruments are made in China, but the peripheral instruments has not yet been properly developed. This is also a challenge we are taking on right now. If we can do this, the entire system itself can become Made in China, and I believe this will make us more competitive.

On the other hand, I have heard that Mindray is very aggressive in its preferential treatment of domestic products, but we have been doing business in China since the late 1990s, so we are confident in our brand power. We would like to establish a knockdown system in this area in a way that it will be firmly rooted in the future.

On the other hand, India also has a Make in India policy, and we have some experience in China. We are trying to develop the project in such a way that it will be successful. We believe that India will be a promising area, and that the economy itself will become much stronger. China is in a bit of a difficult political situation, but India is still a little better off than China. So, we are trying to do developments in those areas.

We are grateful for the weak yen, and although SYSMEX had a hard time when the yen was very strong, we are determined to sustain our growth in the form of how we can successfully ride this great wave and how we can expand our new business, hinotori, medical robotics business, in the future.

That concludes my presentation. Thank you for your attention.

[END]