Questions and Answers (Summary) on the Financial Results Presentation for the First Six Months of the Fiscal Year Ending March 31, 2026

Q: What factors led you to revise downward your financial forecast for the fiscal year ending March 31, 2026?

A: The main factors behind the revision to net sales include the changing market environment in China, the impact of the transition to a new core system in Japan during the first quarter, and the postponement of our business launch in clinical chemistry. For operating profit, the primary reasons were the revaluation of overseas inventories that occurred in Q1 and the significant downward revision of sales assumptions in China. Outside of China, performance was strong in overseas regions from Q2 onward, and operating margins improved compared to Q1. However, we revised downward our forecasts for both net sales and operating profit to fully reflect the impact of government-driven healthcare cost control policies in China.

Q: With the effects of government-driven healthcare cost control policies becoming more apparent—including the “minimum necessary principle” (restrictions on set tests) and the deteriorating financial condition of distributors—what specific impacts are you seeing in the Chinese market?

A: The biggest impacts for us have been the decline in CRP testing in the hematology field and a reduction in hemostasis testing volumes, particularly D-dimer, due to restrictions on set tests. While the impact on CRP was already visible in Q1, from Q2 onward the stricter enforcement of set tests restrictions—under the “minimum necessary principle”—has also affected hemostasis testing, particularly D-dimer, leading to a drop in test volumes. Additionally, the policy has placed financial pressure on many medical institutions, forcing distributors to lower prices and extend collection periods, worsening their financial situation. This has led to inventory adjustments at the distributor level, which has also impacted our sales. We expect these impacts to continue into the second half, and have accordingly revised our full-year sales forecast for China downward by 20% year on year on a local currency basis.

Q: What is your outlook for China from the next fiscal year onward, and how confident are you about this outlook?

A: Given the increasingly competitive landscape over the past few years, the government’s preference for domestic products, and various cost-containment policies, we believe it will be difficult to maintain the high growth rates seen in the past. However, we expect the impact of restrictions on set tests —currently the most significant factor for us—to run its course between the end of this fiscal year and the first half of next fiscal year. As for distributor inventory adjustments, since most reagents have a shelf life of about one year, we expect these effects to gradually ease, and we anticipate recovery between Q3 and Q4. In the medium to long term, even though China’s population growth is slowing, aging demographics and increasing health awareness are expected to drive higher demand for healthcare. We also anticipate an increase in the number of hospitals, which should ultimately result in a growth in test volumes comparable to developed countries. While performance this fiscal year will be impacted significantly by these challenges, we expect a recovery from the end of the current fiscal year into early next fiscal year, followed by a transition to stable growth.

Q: What is the short-term outlook for the clinical chemistry business transfer?

A: We expect growth and do not see this as a factor contributing to the decline in net sales. Our strategy focuses on mid-sized instruments, targeting emerging markets and mid-tier hospitals that global majors do not currently serve. Development considerations are already underway, and we anticipate being able to offer solutions soon. In addition to instruments, we plan to offer Sysmex-branded reagents, ensuring both comprehensive solutions and profitability. We have already commenced some aspects of the business in the Asia Pacific region, and will begin a full rollout from that region.

Q: Why did first-half sales of the hinotori™ surgical robot fall short of the initial plan?

A: The main factor was reduced investment by medical institutions in Japan due to their deteriorating financial conditions, resulting in a significant decline in both replacement and new demand year on year. This affected our initial plans, as we had anticipated strong outright sales of the surgical robot, but installations have been slower than expected. For the second half, we will focus on lease and per-case fee proposals, enabling hospitals to spread costs over time and helping us close deals with institutions considering adoption.

<Other frequently asked questions>

1. The reason why the Chinese yuan has higher exchange rate sensitivity than other currencies

This is because transactions between Sysmex headquarters in Japan and the regional headquarters in China are conducted in U.S. dollars, not yuan. Therefore, both USD–CNY and USD–JPY exchange rate fluctuations affect consolidated results. In cases like yen depreciation, both sales and SG&A rise, partially offsetting the forex impact on operating profit. However, since SG&A expenses are relatively low in China, the offsetting effect is limited, making operating profit more sensitive to currency movements compared to other regions.

2. Regarding operating profit by regional headquarters

Operating profit by regional headquarters includes the impact of transfer pricing adjustments and therefore does not directly reflect actual business activities. However, for example, in China, the use of indirect sales through distributors results in a lower SG&A expense ratio compared to other regions, and similar differences in sales channels across regions also influence the margin.

*Please note that profit by region is not disclosed; please refer to the group′s consolidated operating profit.
