



Sysmex Report 2020

# Sysmex Report 2020

Fiscal 2019 (April 1, 2019 to March 31, 2020)

Sysmex Corporation

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Lighting the way **with diagnostics**



# Lighting the way with diagnostics

Sysmex enhances diagnostic value with innovative testing, to bring greater trust and confidence to healthcare.

Sysmex operates in the domain of healthcare testing, which involves examining blood, urine and other samples. We provide customers with a variety of products and services in more than 190 countries and regions. We will undertake new challenges in the field of diagnostics as the future of healthcare unfolds.



## Lighting the way **with diagnostics**

Hematology is used around the world in screening for infectious diseases. Rapid diagnosis and the swiftest possible start of treatment are important in diseases such as the coronavirus disease 2019 (COVID-19), which has grown into a pandemic, as well as malaria, dengue fever and other diseases that spread primarily in tropical and subtropical regions. Sysmex provides products and services that help stamp out infectious diseases.

>>Our Response to the COVID-19 Pandemic P19

>>Initiatives in Emerging Markets and Developing Countries P43

>>Sustainability Data Book > Improvement in Accessibility to Medical Services by Means Such as Familiarizing Products P11

### Hematology Global market share

More than **50**%

Sysmex provides medical institutions around the world with *in vitro* diagnostic products and services for measuring blood, urine and other samples. In our mainstay field of hematology, we have a global market share of more than 50%.

We support routine healthcare activities, such as diagnosing health to prevent illness, diagnosing illness, determining the method of treatment, measuring the results of treatment and monitoring post-treatment.

>>Supporting Healthcare with IVD P35

### Number of cases (estimated)

COVID-19<sup>1</sup> Total of more than **20** million  
(As of August 2020)

Malaria<sup>2</sup> Approximately **230** million/year

Dengue fever<sup>3</sup> Approximately **390** million/year

Sources:

1 "World Map of the Novel Coronavirus," Nikkei

2 "World malaria report 2019," WHO

3 "Fact sheets (Dengue and severe dengue)," WHO



## Lighting the way with diagnostics

In the future, the number of people with dementia is expected to rise substantially throughout the world. For one of the most common forms of dementia, Alzheimer's disease, Sysmex has entered a business alliance with Eisai Co., Ltd. aimed at developing a blood test that will enable diagnosis while placing less of a burden on the patient, compared with conventional testing methods. We are pursuing joint research aimed at enabling early-stage diagnoses, the selection of treatment methods and the monitoring of treatment results.

>>Sysmex's Business P85

>>Sustainability Data Book > Resolution of Medical Issues through Business Activities P9

Number of new cases of cancer around the world (2018)<sup>1</sup>

Approximately **18** million

Around the world, the number of cancer cases is growing. Sysmex provides tests that help in diagnosing these cases, deciding treatment methods, measuring results during treatment and supporting the diagnosis of lymph node metastasis, as well as in post-treatment monitoring.

One example is cancer gene panel testing, which analyzes abnormalities in cancer-specific genes in cancer patients and provides information that is useful in making accurate diagnoses and deciding treatment methods, including the selection of anti-cancer drugs. In 2019, we were the first in Japan to obtain insurance coverage for such a system. Currently, we are assessing utilities to expand the scope of insurance coverage. Furthermore, globally we are rolling out immunochemistry testing and testing for the lymph node metastasis of cancer to improve the quality of life of cancer patients.

>>Sysmex's Business P88

Source: 1 "WHO report on cancer," (published February 2020)

People around the world with dementia (2050 projection)<sup>2</sup>

Approximately **150** million

Source: 2 "World Alzheimer Report 2018," Alzheimer's Disease International



Contents

01 INTRODUCTION



Introduction

Sysmex enhances diagnostic value with innovative testing, to bring greater trust and confidence to healthcare.

- 01 Corporate Message  
**Lighting the way with diagnostics**
- 09 An Ideal Unchanged Since Our Founding
- 11 Corporate Philosophy for the Sysmex Group  
**Sysmex Way**

13 OUR VALUE



Sysmex's Value Creation

Based on the "Sysmex Way," the corporate philosophy for the Sysmex Group, we intend to contribute toward a fulfilling and healthy society, while aiming for sustainable growth.

- 13 ■ To Our Stakeholders
- 19 ■ Our Response to the COVID-19 Pandemic
- 21 ■ Sysmex's History
- 23 ■ Management Resources
- 25 ■ Sysmex's Story of Value Creation (Business Model)
- 27 ■ Materiality
- 29 ■ Performance Highlights
- 31 ■ Interview with the CFO

33 OUR BUSINESS & STRATEGY



Strategies for Achieving Sustainable Growth

As the healthcare market continues to grow, we aim to help extend healthy lifespans through efforts to resolve medical issues in various regions, as well as achieving further growth.

- 34 ■ Management Plan
- 35 ■ Supporting Healthcare with *In Vitro* Diagnostics (IVD)
- 37 ■ Sysmex's Positioning
- 38 ■ A Changing Market Environment
- 39 ■ Sysmex's Global Business Development
  - 41 Initiatives in Developed Countries
  - 42 Initiatives in China
  - 43 Initiatives in Emerging Markets and Developing Countries
- 45 ■ Environmental Considerations in Our Business Activities

47 OUR PLATFORM



Management Base to Support Sustainable Growth

We aim to grow further by making use of the management resources we have cultivated to date. At the same time, we will reinforce our management base in the interest of enhancing management quality.

- |                                       |   |
|---------------------------------------|---|
| 48 ■ Management Base                  | 57 ■ Corporate Governance                                   |
| 49 ■ Management Resources             | 61 ■ Risk Management  |
| 49 R&D Capabilities                   | 63 ■ Members of the Managing Board                          |
| 51 Production System                  | 67 ■ Interview with an Outside Member of the Managing Board |
| 52 Global Sales and Service Structure | 68 ■ Executive Officers                                     |
| 54 Stable Financial Foundation        |   |
| 55 Diverse Human Resources            |   |

69 OUR PERFORMANCE AND COMPANY INFORMATION

Activity Report and Corporate Overview

- |   |                                      |
|---|--------------------------------------|
| 69 Management's Discussion and Analysis           | 81 Non-Financial Targets and Results |
| 75 Consolidated Financial Data (10 Years)         | 83 Stakeholder Engagement            |
| 77 Consolidated Statement of Financial Position   | 85 Sysmex's Businesses               |
| 78 Consolidated Statement of Income               | 87 Primary Products and Services     |
| 78 Consolidated Statement of Comprehensive Income | 89 Terminology                       |
| 79 Consolidated Statement of Changes in Equity    | 91 Stock Information                 |
| 80 Consolidated Statement of Cash Flows           | 92 Corporate Information             |

Editorial Policy

The Sysmex Report, an integrated report that summarizes financial and non-financial information, is intended to help stakeholders understand Sysmex's medium- to long-term value creation. For more detailed information, please visit our website or see our Sustainability Data Book. In editing this publication, we referred to the IIRC's International Integrated Reporting Framework, as well as the Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry.

System of Disclosure

| Financial Information  | Non-Financial Information  |
|--|--|
| Sysmex Report (an integrated report, published annually)   |  |
| Investor Relations Site<br><a href="https://www.sysmex.co.jp/en/ir/index.html">https://www.sysmex.co.jp/en/ir/index.html</a><br>This site discloses details of financial, stock and shareholder information. <ul style="list-style-type: none"><li>Financial statements</li><li>Financial data, etc.</li></ul> | Sustainability Site<br><a href="https://www.sysmex.co.jp/en/csr/index.html">https://www.sysmex.co.jp/en/csr/index.html</a> <ul style="list-style-type: none"><li>Sustainability Data Book (PDF, published annually)<br/><a href="https://www.sysmex.co.jp/en/csr/report/index.html">https://www.sysmex.co.jp/en/csr/report/index.html</a></li></ul> Corporate Governance Report<br><a href="https://www.sysmex.co.jp/en/corporate/governance.html">https://www.sysmex.co.jp/en/corporate/governance.html</a> |

Organizations Covered

In principle, this report covers the Sysmex Group (including Group companies in Japan and overseas). In this report, "Sysmex" refers to the Sysmex Group as a whole. "Sysmex Corporation" refers to the Company on a stand-alone basis.

Period Covered

The target period is fiscal 2019 (April 1, 2019 to March 31, 2020), but the report also covers some activities conducted after April 2020.

Accounting Standards

In fiscal 2016, we voluntarily adopted the International Financial Reporting Standards (IFRS). In this report, figures presented up to fiscal 2014 are in accordance with Japanese GAAP. Figures from fiscal 2015, are presented in accordance with IFRS.

Forward-Looking Statements

Statements in this report pertaining to Sysmex's future plans, strategies, business performance and other items are based on currently available information and involve certain risks and uncertainties. Actual results may differ materially from those anticipated in these statements.

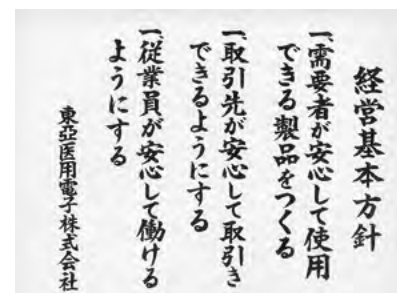


Sustainability Data Book





Founder: Taro Nakatani



Founding philosophy, the  
“Three Aspects of Confidence”

Taro Nakatani defined this basic perspective  
on management

- Total customer confidence in all of our products.
- Total confidence in our associates in all our business transactions.
- Total confidence of our employees in themselves and all their work.



## An Ideal Unchanged Since Our Founding

Our founder, Taro Nakatani, defined our corporate objective thus: “By providing the products we create, we will help resolve the issues society faces and make our own lives more fulfilling.” He formulated our founding philosophy, the “Three Aspects of Confidence,” to achieve these aims. The philosophy calls for management that instills confidence among our major stakeholders (customers, business partners and employees). It also encourages us to maintain a sense of challenge, continuing to inspire confidence in a changing society.

>>Website, “50 Years of Sysmex”

Our ideal is to help resolve medical issues with a view to realizing a healthier and more fulfilling society.

Our corporate culture encourages us to take up the challenge of  
developing new technologies and products amid a continuously changing society.

Furthermore, by maintaining the sense of value that inspires confidence in all the people Sysmex comes into contact with,  
we carry forward the ideal, culture and sense of value expressed in the “Sysmex Way,”  
the Sysmex Group’s current corporate philosophy.



In 1960, Sysmex founder Taro Nakatani visited the United States, looking for new business ideas. His attention was drawn to the field of medical electronic devices. Convinced that clinical testing would play a major role in society in the future, when he returned to Japan Mr. Nakatani began working with young researchers, conducting studies and engaging in development. In 1963, they succeeded in the commercialization of Japan’s first hematology analyzer, the CC-1001. Moving on from this success, TOA MEDICAL ELECTRONICS CO., LTD. (current Sysmex Corporation) was established in 1968.





# Corporate Philosophy for the Sysmex Group

In 2007, we formulated the “Sysmex Way,” a corporate philosophy for the Sysmex Group, carrying forward and expanding the perspective of our founding philosophy. Our current corporate philosophy consists of three parts: the Mission, which defines our social *raison d’être* and states how we hope to contribute to society; the Value, which describes the values and management style that we must abide by; and the Mind, which expresses the mindset that every employee within the Sysmex Group must observe. Our Core Behaviors encompass the customers, business partners and employers expressed in the “Three Aspects of Confidence.” In addition, they declare our objective of instilling confidence in other stakeholders: our shareholders and society.

## Sysmex Way

### Mission

Shaping the advancement of healthcare.

### Value

We continue to create unique and innovative values, while building trust and confidence.

### Mind

With passion and flexibility, we demonstrate our individual competence and unsurpassed teamwork.

## Our Core Behaviors

### To our Customers

We deliver reassurance to our customers, through unmatched quality, advanced technologies, superior support, and actions that consistently reflect the viewpoint of our customers. We constantly look out for our customers' true needs, and seek to generate new solutions to satisfy those needs.

### To our Employees

We honor diversity, respect the individuality of each employee, and provide them with a workplace where they can realize their full potential. We value the spirit of independence and challenge, provide employees with opportunities for self-fulfillment and growth, and reward them for their accomplishments.

### To our Business Partners

We deliver commitment to our client companies through broad-ranging partnerships. We strive to be a company that can grow in step with our trade partners, through respect and mutual trust.

### To our Shareholders

Our shareholders can rest assured that we will continue to improve the soundness and transparency of our management policies, while promoting information disclosure and close communications. We commit ourselves to a consistent yet innovative style of management, in order to achieve sustainable growth and increased shareholder value.

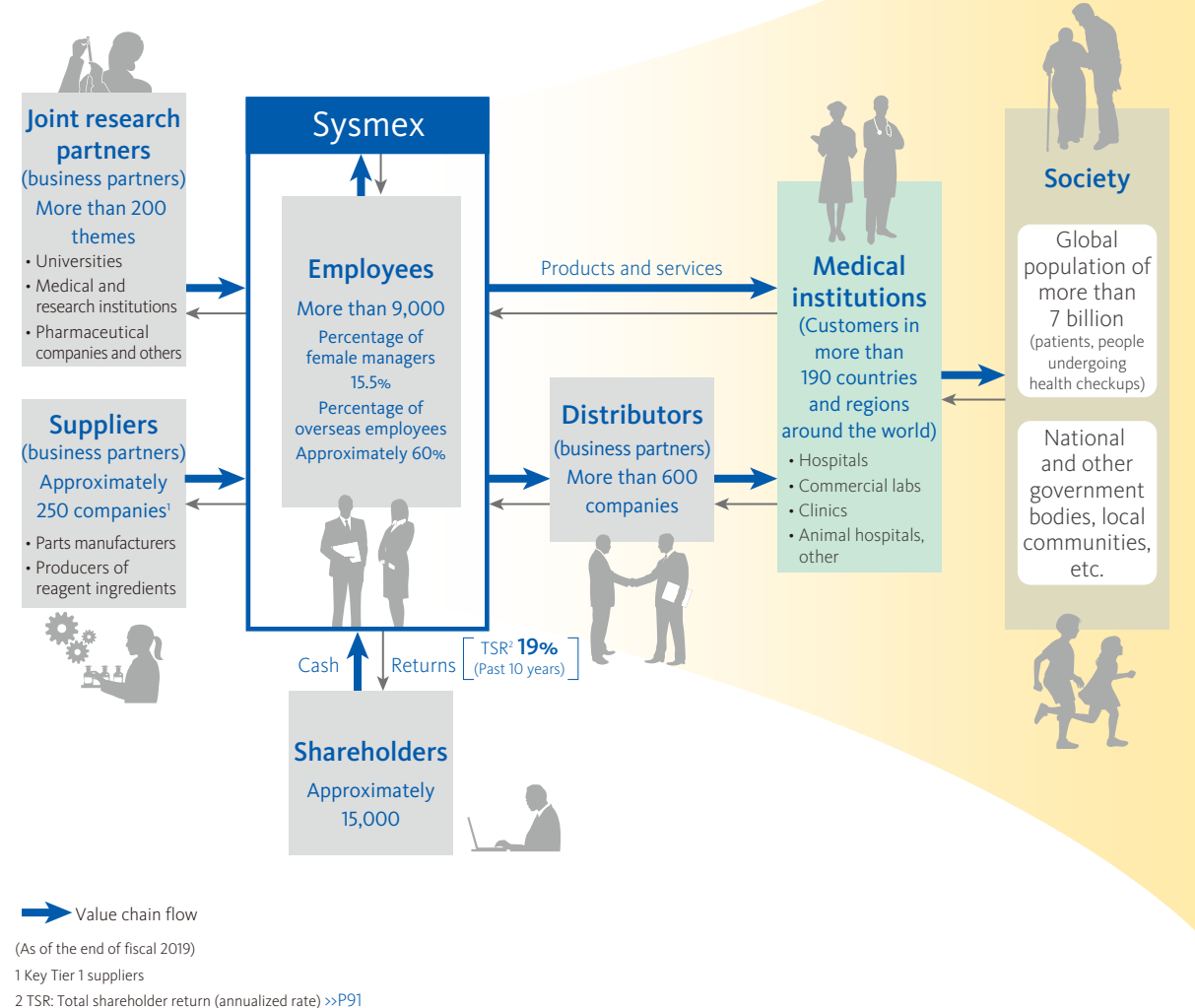
### To Society

We carry out our business in strict compliance with laws and regulations, as well as in adherence to high ethical standards. As a responsible member of society, we play an active role in resolving environmental issues and other problems that impact our society today.

## Sysmex's Principal Stakeholders

Sysmex works alongside its business partners and employees to provide products and services to medical institutions and other customers in an effort to resolve medical issues. As our business expands, our stakeholders have grown more diverse. Nevertheless, our fundamental management philosophy of instilling confidence among our stakeholders has remained unchanged. To this end, we promote proactive dialogue and strive to co-create value.

»Stakeholder Engagement P83







## Sysmex's Value Creation

### To Our Stakeholders

We aim to help resolve the world's medical issues and achieve sustainable growth by creating high-value-added testing and diagnostic technologies.

I would like to extend my sincere sympathies to the people who are suffering from the novel coronavirus disease (COVID-19), as well as their families and other related parties. In these times of social and economic disruption, with no clear idea of how long the situation will continue, many people are doing their utmost to protect and maintain the healthcare structure. I offer my heartfelt thanks to all of you who are working on the front lines of this pandemic.

Looking around the world, a variety of medical issues exist. In addition to measures to prevent the spread of COVID-19, developed countries are focused on curtailing healthcare expenses amid the accelerating trend toward fewer children and aging societies. Meanwhile, emerging markets are putting healthcare infrastructures in place, while developing countries face issues, such as improving access to medical care.

The "Sysmex Way," the corporate philosophy for the Sysmex Group, identifies Sysmex's mission as "Shaping the advancement of healthcare." In line with this mission, we are addressing one of the Sustainable Development Goals (SDGs): to "Ensure healthy lives and promote well-being for all at all ages." By providing high-value-added products and services, we stand alongside our stakeholders as we strive to contribute to the development of healthcare and the healthy lives of people.

Hisashi Ietsugu  
Chairman and CEO



Q  
1

Looking back on results for fiscal 2019, net sales reached the highest level to date, but operating profit and profit attributable to owners of the parent were down year on year. What do you see as the main factors?

Despite the impact of exchange rates, net sales exceeded ¥300 billion, due to increases in each region. We made progress in a number of areas. Reagent sales rose, owing to expansion of the installed instrument base. In addition, we received an order from a prominent commercial lab in the United States. After revising our sales structure in April 2019, we received several large orders in India. In June 2019, we launched a lab assay service using our system for cancer gene profiling.

However, profitability decreased; this is an area where we need to improve. One factor was delays in the launch of new products in the existing IVD business, particularly in the hematology field, causing the customer cycle of instrument replacement to lengthen. Optimizing the product development cycle is essential, as it enables us to provide new products with newly added value in a timely manner to address the issues customers face. Sysmex already enjoys the leading share of the global market in the hematology field, and we are highly competitive, with customers giving high marks to our products and services. I think that being in this situation has given us an excuse to rest on our laurels. What customers need from us is high-value-added products and services. To provide these, all our employees across all divisions—not just in sales but also in planning, R&D, and other divisions—must be keenly attuned to customers' requirements. As we go about our work, it is important to think about what constitutes added value. We need to go back to our origins and reinforce our systems for providing products and services from a customer perspective.

Currently, we are moving forward steadily with initiatives designed to improve profitability, such as developing new products in the hematology field and rolling out new products globally in the hemostasis field.

Meanwhile, another factor leading to sluggish profitability is our proactive investment as we take up challenges in new fields, causing R&D and other expenses to rise. Even so, we need to continue making these investments, as they are necessary for establishing the drivers of future growth.

>>Management's Discussion and Analysis P69

Q  
2

The spread of COVID-19, beginning in the fourth quarter of fiscal 2019, significantly affected the operating environment. How will the healthcare industry change going forward?

This situation could have prompted people to rethink the importance of healthcare, and countries may now reconsider their policies on curtailing medical expenditures. Developed countries have been working to cut healthcare costs, while emerging markets and developing countries have failed to finish setting up healthcare structures due to factors such as a lack of financial resources. Consequently, many countries were unable to quickly adopt measures to address the pandemic or to respond appropriately. In the past, when we referred to "infectious diseases," we mainly thought of malaria and other tropical diseases that were prevalent mostly in developing countries and emerging markets. With the current pandemic, the importance of having healthcare structures in place (including measures for fighting infectious diseases) has become a common theme around the world, including in developed countries. As a result, rather than emphasizing policies for paring pack excessive healthcare costs, going forward I think countries will look for ways to ensure the efficiency of healthcare while expanding the necessary medical infrastructure.

The current pandemic has also brought the importance of testing into sharp relief in an unprecedented manner. Formerly, few people knew about PCR testing and antigen/antibody tests. Nowadays, these tests are a topic of everyday conversation. People have also gained a better understanding of the role testing plays: the importance of testing to initial diagnosis (the gateway to healthcare) and its necessity for treatment monitoring and confirming recovery. Previously, insufficient costs were allocated to testing because people did not understand and value testing accurately. The current pandemic is prompting a greater awareness of the role of testing in healthcare and its level of contribution. As a result, I think the value of testing will be more accurately recognized in the future.





Q  
3

### How has Sysmex responded to stakeholders in the face of the COVID-19 pandemic?

Saying Sysmex is partly like a medical institution is no exaggeration. If one of our employees were to become infected and bring the Group's operations to a halt, it could have a major impact on healthcare activity. For this reason, we have introduced thorough infection-prevention measures and are doing our utmost to keep our manufacturing and supply systems operational. I would like to take this opportunity to extend my sincere gratitude to all our employees who are doing their utmost on the front lines.

We quickly introduced teleworking and stepped up the use of staggered working hours for employees other than those involved in manufacturing and services. Sysmex had already put in place the infrastructure needed for working from home and remote working, such as structures for holding remote meetings and accessing databases from outside the Company. Our efforts to provide an attractive working environment for employees enabled us to respond to the situation promptly.

With respect to one of our materiality items, the "resolution of medical issues through products and services," in Japan we are partnering with BGI Genomics on the sale of their PCR testing kits and reinforcing the testing system in Japan by handling PCR testing. In addition, we are developing and working toward the practical realization of antigen and antibody tests using our immunoassay system. PCR testing requires time and money, making it difficult to test large numbers of people in some regions. However, the ability to perform testing quickly (such as antigen testing) would help in optimizing diagnosis and treatment. I believe that putting this sort of testing flow in place is another way in which Sysmex can provide important value to its stakeholders.

[»Our Response to the COVID-19 Pandemic P19](#)



Q  
4

### What do you perceive as being management issues that will affect sustainable growth going forward?

One of the most important issues is responding accurately to a changing world. Technological innovation has a particularly significant effect on members of the healthcare sector, such as ourselves. For example, when new treatment methods are developed it becomes necessary to monitor their efficacy. This requires new testing methods. Rather than being satisfied with our current position as the leading company in the hematology field, we must continue to incorporate technological innovation into our products and services and take up the challenge of creating new testing and diagnostic technologies. We need to understand things we did not understand in the past, and simplify matters that are complicated. Expanding our portfolio of high-value-added products through these efforts will help us achieve sustainable growth. Accordingly, we must not neglect investment in these areas.

Enhancing employees' capabilities and making the most of their individual characteristics are also essential to the Group's sustainable growth. Innovation will require personnel with strong skills in specific fields. Rather than putting people to work and training them in areas of weakness, we need to assign people to work in areas where they can make the most of their skills and train them accordingly. To this end, Sysmex introduced a new human resource system in April 2020. The system focuses on enhancing and leveraging individuals' specialized expertise. The system provides an opportunity to make the most of employees' diverse personalities, and we aim to enhance our management skills to help them grow.

[»Diverse Human Resources P55](#)

Q  
5

### What closing message would you like to leave with stakeholders?

The spread of COVID-19 is prompting major social change. Expectations toward Sysmex, as a provider of products and services that help resolve medical issues, are also mounting. By continuing to take on the challenge of creating valuable testing and diagnostic technologies, we will contribute toward realizing a sustainable society and enhance corporate value. We would like to ask our stakeholders for their continued support and understanding of our endeavors.



# Our Response to the COVID-19 Pandemic

In response to the global pandemic, our mission is to prevent medical activity from being interrupted. For this reason, in the early stages of the pandemic we launched a countermeasures project and responded in accordance with our business continuity plan (BCP). While ensuring employee safety, we have worked to ensure a steady supply of products and services to our customers and to continue developing new diagnostic technologies.

>>A Changing Market Environment P38 >>Risk Management Structure P61 >>Impact of the COVID-19 Pandemic P70



Delivering products to help with healthcare activities (left: Indonesia; right: India)

## Impact on Existing Business and Measures to Address It

### Maintaining Stable Supply and Ensuring Employee Safety

Sysmex provides IVD products and services globally. We are making every effort to prevent the interruption of testing, which plays an important role in diagnosis and treatment, even in these unprecedented circumstances. At our instrument and reagent factories in 10 countries around the world, we have continued to operate while putting in place thorough measures to prevent infection. To ensure a stable supply to customers, we are procuring raw materials through multiple routes and ensuring we maintain sufficient inventories of instruments. For services and support, we are making full use of the online support system we have been enhancing. In addition to support in regions where we conduct sales directly, we have sustained support in regions where we operate via distributors. >>A Production System Capable of Achieving High Quality and Stable Supply P51

To prevent the spread of infection, we have encouraged teleworking among employees in divisions other than manufacturing and logistics. We were able to respond swiftly in this regard, as we had already put a remote working environment in place. Going forward, even while maintaining a workforce of more than 9,000 employees throughout the Group, we will maintain working environments that ensure that each of them can work safely.

### Efforts to Provide Support in Regions of Growing Infection

Sysmex has made it a practice of contributing to local communities throughout the world, based on its Policy on Corporate Citizenship Activities and Philanthropy. Our stance in this regard remains unchanged, even in the face of the COVID-19 pandemic.

In addition to providing medical institutions fighting on the front lines of COVID-19 with the most recent scientific information, we have donated masks, protective clothing, protective goggles and non-contact thermometers to help them safely go about their medical activities.

In the United States and Brazil where we have reagent manufacturing bases, we produced sterilizing liquid, which was difficult to obtain in local communities. In addition to medical institutions, we donated this liquid to police forces and local charitable institutions. Even amid the ongoing spread of COVID-19, we continued to conduct blood donation activities throughout the Group to ensure that enough blood for transfusions was available to as many patients as possible.

In these ways, we are working alongside our stakeholders to fight COVID-19. Around the world, Sysmex employees support the communities where they work.

Manufacturing sterilizing liquid (Brazil)



Employees involved in installing instruments at a hospital in Wuhan (China)



## New Initiatives

### Initiatives to Enhance PCR Testing

In Japan, which faced issues in expanding its PCR testing system, Sysmex pursued initiatives aimed at preventing the spread of COVID-19 and achieving the early resolution of it.

First, we signed a basic distributorship agreement with BGI Genomics, which has novel coronavirus nucleic acid detection kits. In March 2020, we became the first company in Japan to obtain marketing and manufacturing approval (regulatory approval) for PCR testing kits for the novel coronavirus (RT-PCR method). We promptly provided the kits to medical institutions.

Working with the city of Kobe, where Sysmex has its headquarters, R&D, and other key facilities, we partnered with SRL, Inc. to become the first in Japan to create a PCR testing system in collaboration between industry and the public sector. In June 2020, we began offering a contract measurement service at the Sysmex BMA Laboratory, a clinical testing center in the Kobe Biomedical Innovation Center. We are conducting PCR tests on selected employees who request them. We aim to continue expanding the system to alleviate the physical and emotional burden on residents of local communities who face uncertainty due to the spread of COVID-19.

### Efforts to Develop and Commercialize New Diagnostic Technologies

Sysmex is striving to leverage the R&D capabilities it has cultivated to date to develop and commercialize new diagnostic technologies related to COVID-19.

In antibody testing, we have established four detection technologies that allow measurement of the circulating IgG antibody and the IgM antibody. These antibodies react specifically to proteins in the virus that causes COVID-19. In June 2020, we began providing lab assay services for research. In July, we launched a reagent for research use in conjunction with Sysmex's immunoassay systems. Going forward, this testing might be used for research into the patient's past history of COVID-19, as well as research and consideration of the clinical significance of the virus defense function, as well as in a host of epidemiological studies.

In addition, in July we launched a lab assay service for research on cytokines, which have been suggested as a useful indicator in monitoring the risk of increasing severity and treatment effects of the novel coronavirus. Targeting research institutions, medical institutions and pharmaceutical companies, we provide data that can be used to confirm testing methods suitable to clinical applications, as well as data that can be used for vaccines, antiviral drugs and other drug discovery research.

Donating non-contact thermometers (Ghana)



Staff at CoviLab, in the Sysmex BMA Laboratory (Japan)

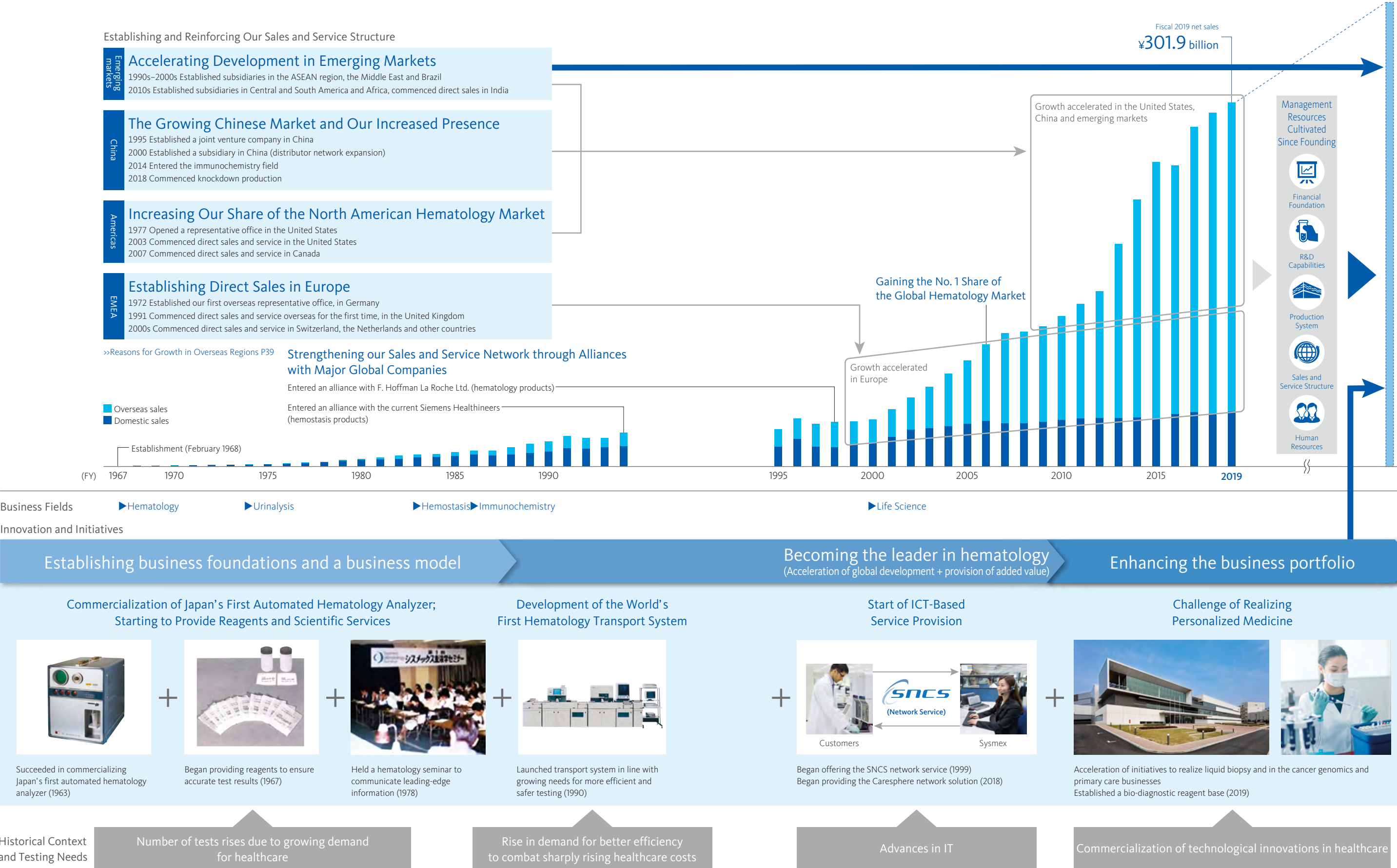




Sysmex's History

Since the time of its founding, Sysmex has grown by anticipating future needs, expanding its business model in the field of *in vitro* diagnostics and developing its business globally. Going forward, we will work to accelerate sustainable growth by quickly ascertaining changes in the operating environment and developing our business.

Accelerating Sustainable Growth  
 through Expansion in Emerging Markets and Developing Countries and by Augmenting Our Business Portfolio

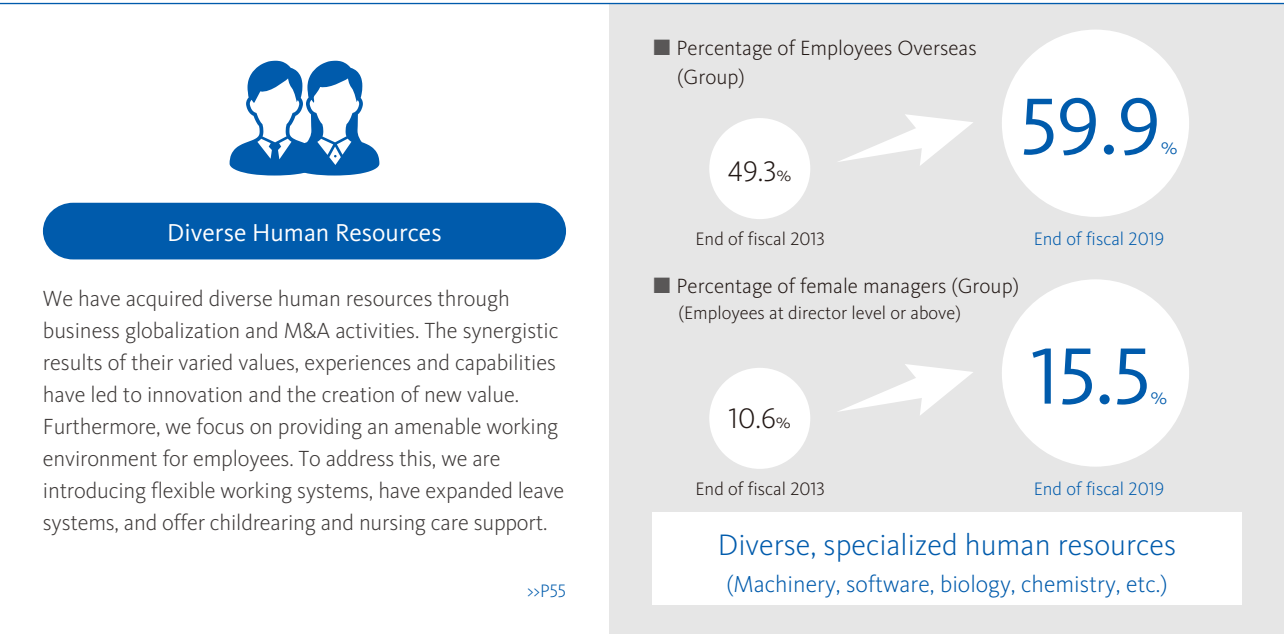
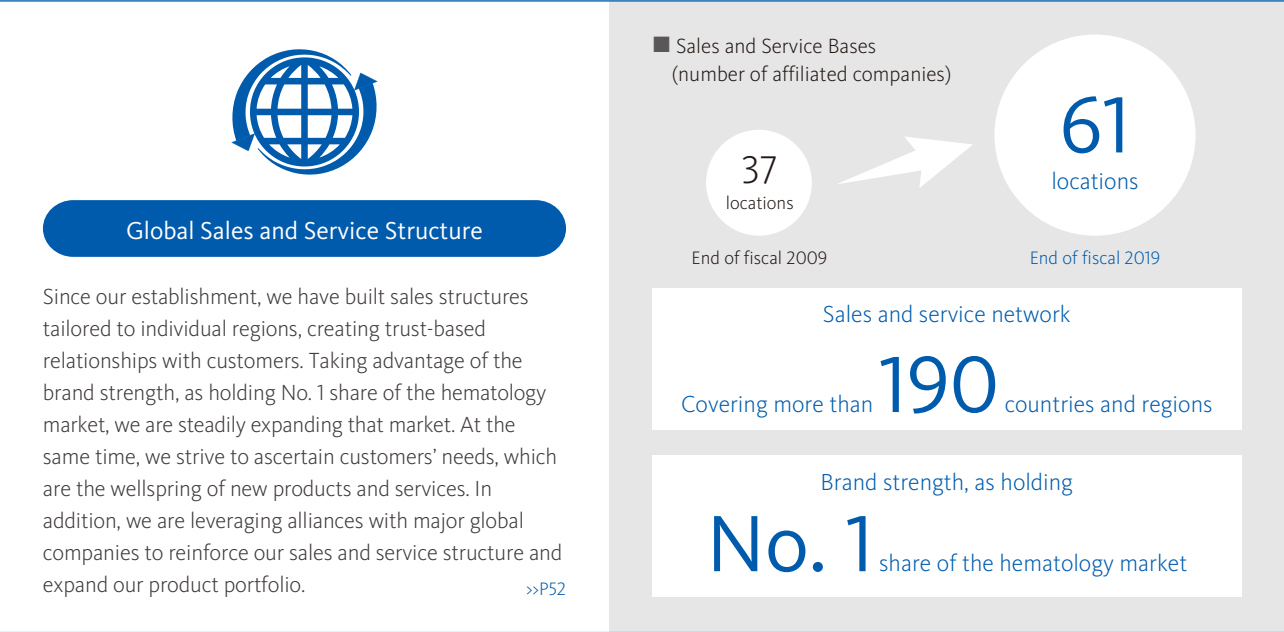
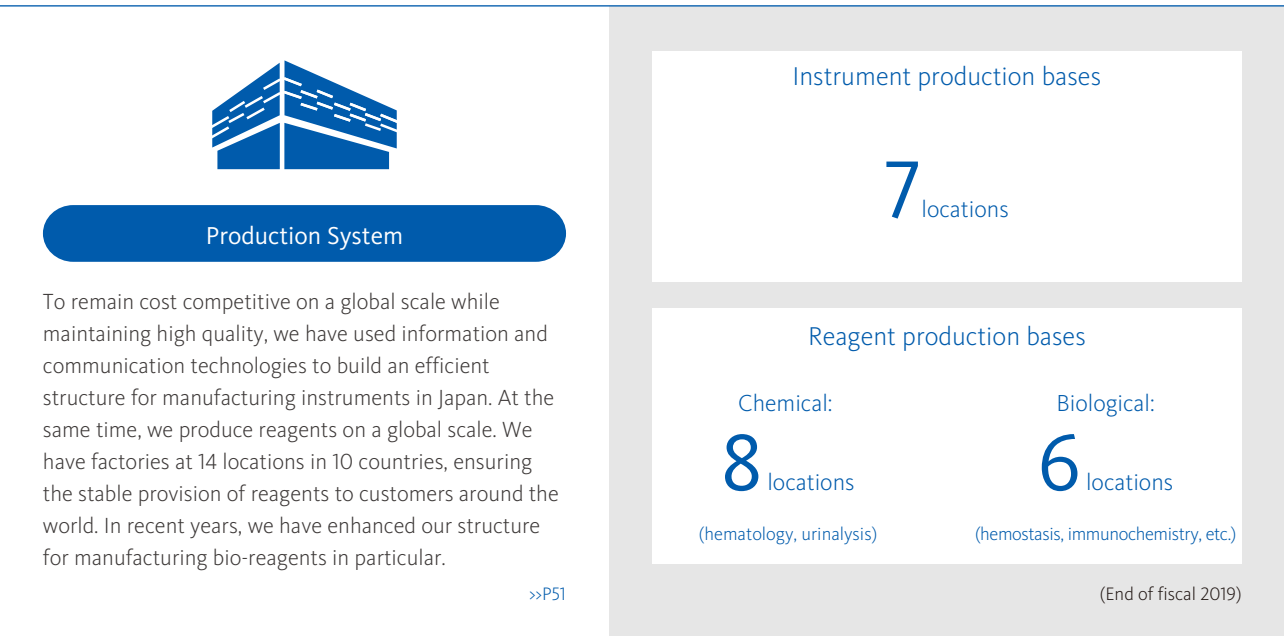
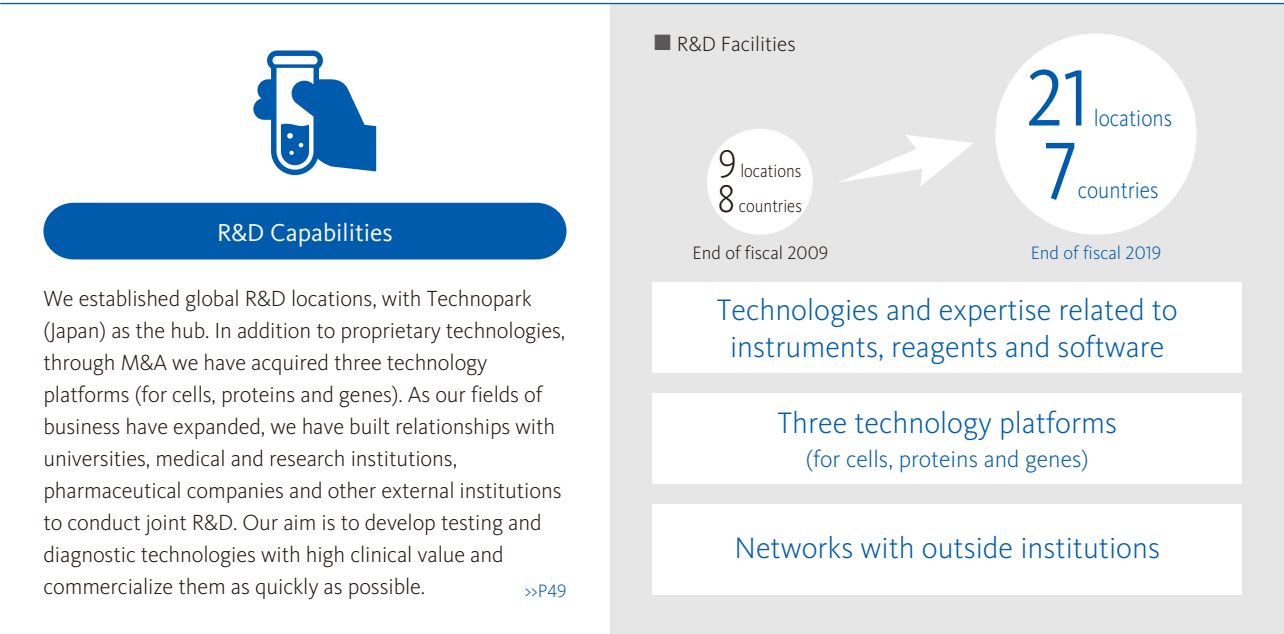
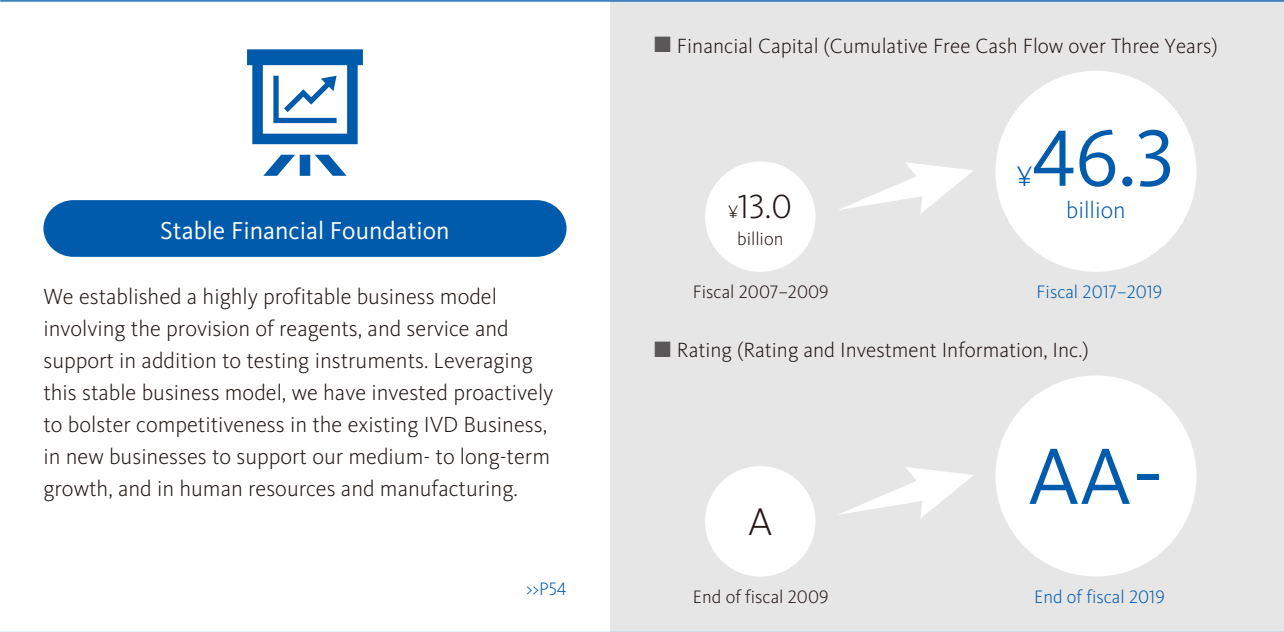




# Management Resources

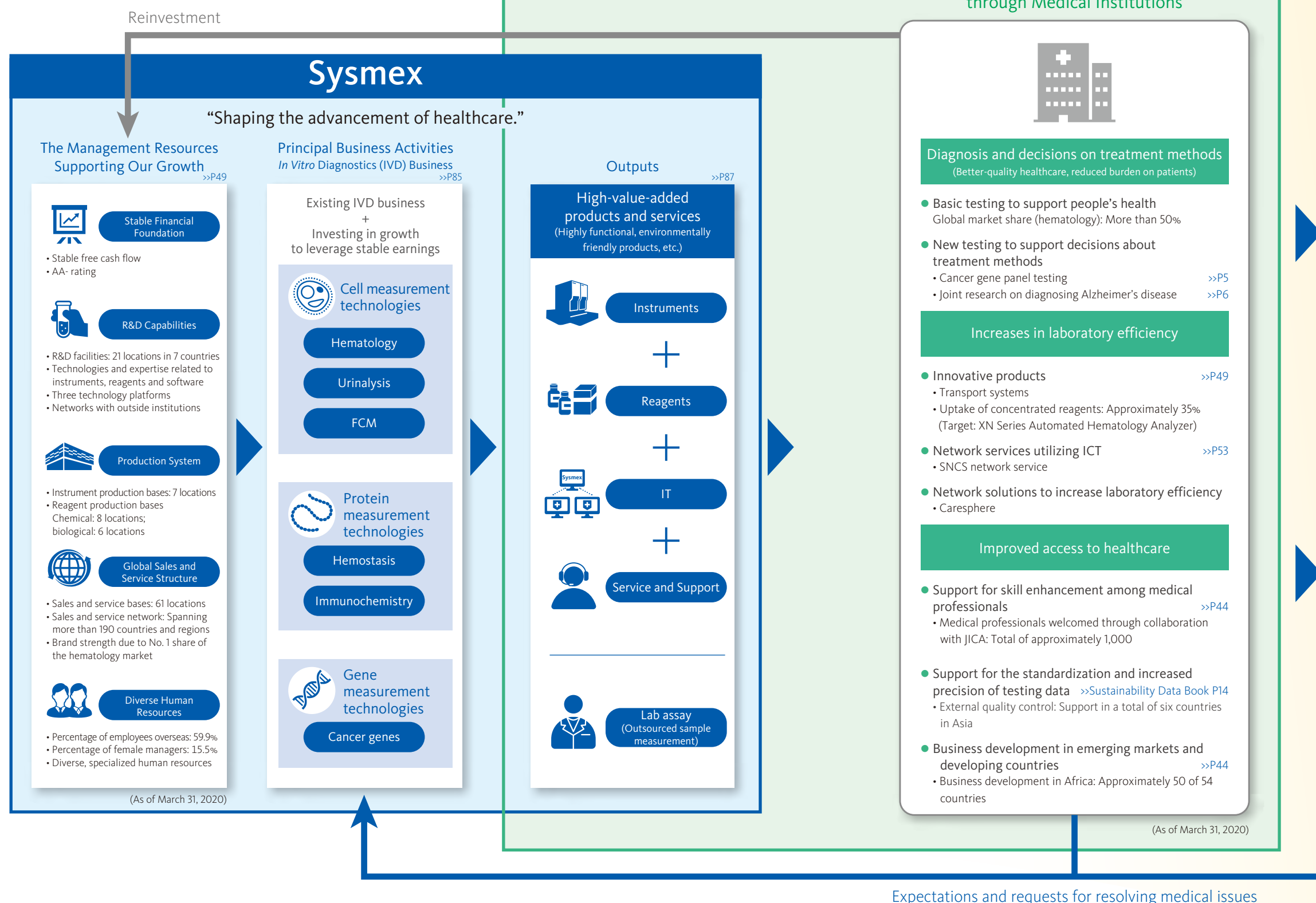
Since our establishment, Sysmex has invested in R&D and M&A in the process of generating unique technologies and new products and services.

In addition to reinforcing our management base and expanding our business portfolio in line with globalization, we have worked to achieve business model innovation and to acquire the management resources necessary to support future growth.



## Sysmex's Story of Value Creation (Business Model)

Our business centers on *in vitro* diagnostics (IVD), based on our mission of “Shaping the Advancement of Healthcare.” This mission is expressed in the “Sysmex Way,” the corporate philosophy of the Sysmex Group. By leveraging our unique management resources, we provide high-value-added products and services, aiming to contribute to a fulfilling and healthy society.



## Impact on society

>>P3  
>>Sustainability Data Book P8

Global population of  
more than 7 billion  
(patients, people undergoing health checkups)



## Extending healthy lifespans

Increasing QOL

- Helping reduce the burden on patients through early detection and treatment, as well as provision of optimal treatment methods and agents
- Realizing appropriate healthcare through improved medical access

National and other government bodies, local communities, etc.



## Configuration of sustainable healthcare infrastructure

### Curtailing healthcare expenses

- Lowering total costs by increasing laboratory productivity
- Reducing medical expenses through early detection and treatment, as well as selection of optimal treatment methods and agents





Materiality

Sysmex creates value through collaborative relationships with a variety of stakeholders. Based on our relationships with stakeholders, we have identified CSR issues that we prioritize (materiality) from a medium- to long-term perspective, and we aim to realize a sustainable society and achieve sustainable growth for Sysmex.

Identifying Materiality Items

We identify materiality items by making an overall assessment along two axes, the “degree of importance to stakeholders” from a medium- to long-term perspectives and the “degree of importance for the Company” from the perspective of risk and opportunity. As a company conducting business in the health-care sector, we have set the topmost priorities of helping to resolve medical issues through our business activities and issues involving relationships with our stakeholders, including business partners, employees and society.

>>See the Sustainability Data Book >CSR Management, P4. for details on materiality items.

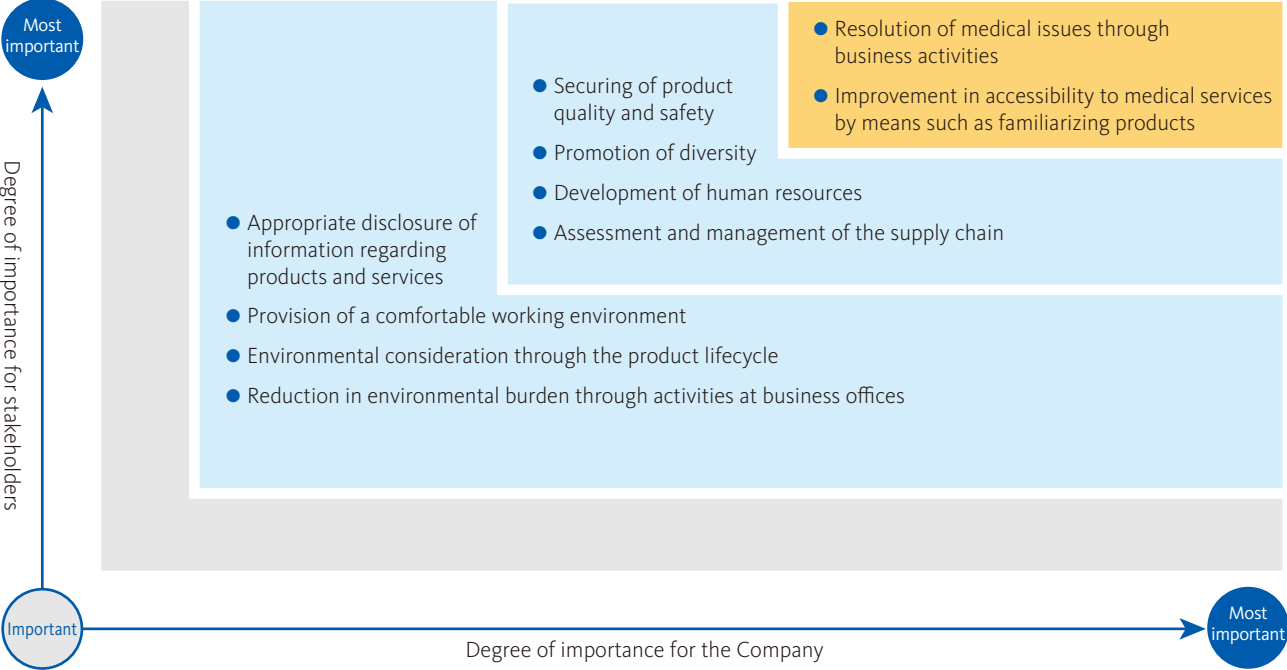
Setting Non-Financial Targets

We have developed an action plan for promoting initiatives according to the materiality items we have identified. To make our progress on these issues more visible and raise the level of performance, we have established non-financial targets that are linked to materiality items in the Group’s mid-term management plan (fiscal 2019–2021). These non-financial targets are incorporated into each division’s implementation plan. The state of progress is reported to the Managing Board and at other important meetings, targets are reviewed, and new measures are considered in an ongoing PDCA cycle.

|  |
|--|
| ■ Non-financial targets (excerpted)              |
| ● Hematology market share                        |
| ● Number of CSR surveys                          |
| ● Employee engagement score                      |
| ● Percentage of female managers                  |
| ● Rate of reduction in CO <sub>2</sub> emissions |

>>Non-Financial Targets and Results P81

■ Sysmex's Materiality Matrix



Note. As governance is a priority issue in terms of reinforcing the management base, it was excluded from prioritization.

| Materiality   | Major Initiatives  | Targets   | Impact on Sysmex   | Value Provided to Stakeholders  | Related SDGs |
|---|--|---|--|---|--------------|
| <b>1</b> Resolution of medical issues through products and services | ● Resolution of medical issues through business activities<br>● Improvement in accessibility to medical services by means such as familiarizing products               | ● Create new testing and diagnostic technologies, promote commercialization<br>● Support efforts to raise the level of healthcare in emerging markets and developing countries<br>● Promote initiatives to prevent the spread of infectious disease | ● Obtain business opportunities through market expansion<br>● Realize sustainable growth by expanding the business portfolio | ● Contribute to extending healthy lifespans<br>● Contribute toward building a sustainable healthcare infrastructure                                       |              |
| <b>2</b> Responsible provision of products and services             | ● Securing of product quality and safety<br>● Appropriate disclosure of information regarding products and services<br>● Assessment and management of the supply chain | ● Create and operate quality management systems<br>● Provide scientific information<br>● Conduct CSR-considerate procurement activities<br>>>Sustainability Data Book<br>>Responsible Provision of Products and Services P15                        | ● Enhance customer satisfaction<br>● Strengthen brand power  | ● Provide accurate test results<br>● Raise the quality of healthcare<br>● Provide stable products and services<br>● Grow in tandem with business partners |              |
| <b>3</b> Realization of an attractive workplace                     | ● Provision of a comfortable working environment<br>● Promotion of diversity<br>● Development of human resources   | ● Utilize diverse human resources and realize diverse working styles<br>● Develop human resources<br>>>Diverse Human Resources P55  | ● Augment corporate competitiveness through performance by diverse human resources   | ● Provide opportunities to realize capabilities<br>● Help realize a society receptive of diversity  |              |
| <b>4</b> Environmental consideration                                | ● Environmental consideration through the product lifecycle<br>● Reduction in environmental burden through activities at business offices                              | ● Promote environmental activities toward the realization of Sysmex Eco-Vision 2025<br>>>Environmental Consideration P45  | ● Avoid or reduce environmental risks<br>● Achieve harmony and obtain trust in local communities                             | ● Decrease environmental impact   |              |
| <b>5</b> Reinforcement of governance                                | ● Corporate governance<br>● Compliance<br>● Risk management  | ● Reinforce the corporate governance structure<br>● Put in place systems to reinforce Group compliance<br>>>Corporate Governance P57  | ● Enhance the corporate structure<br>● Lower business risk   | ● Enhance management soundness and transparency   |              |

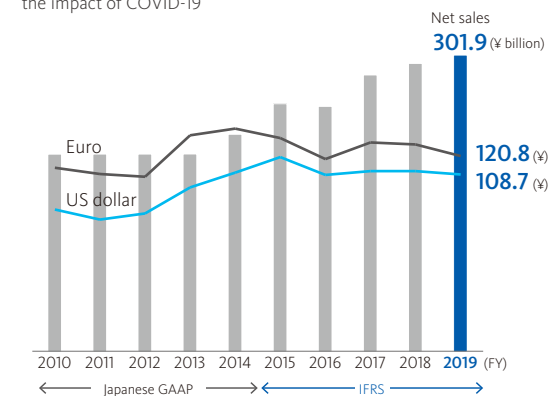
# Performance Highlights (As of the end of fiscal 2019)

## Net Sales

¥301.9 billion

(Up 2.9% year on year)

Sales up in all regions, despite yen appreciation and the impact of COVID-19

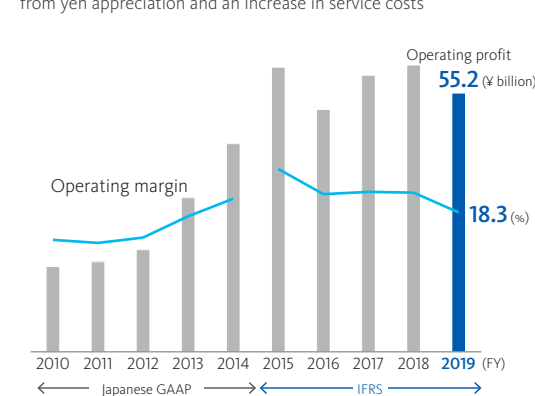


## Operating Profit/Operating Margin

¥55.2 billion 18.3%

(Down 9.8% year on year) (Down 2.6 percentage points year on year)

Profit down due to deterioration in the cost of sales ratio stemming from yen appreciation and an increase in service costs

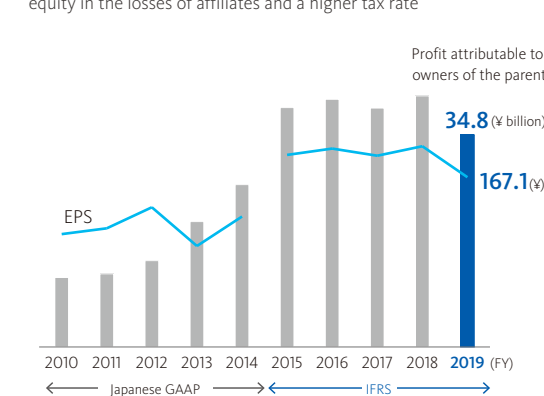


## Profit Attributable to Owners of the Parent/ Basic Earnings per Share (EPS)

¥34.8 billion ¥167.1

(Down 15.4% year on year) (Down 15.4% year on year)

Down as the result of an exchange rate loss, equity in the losses of affiliates and a higher tax rate

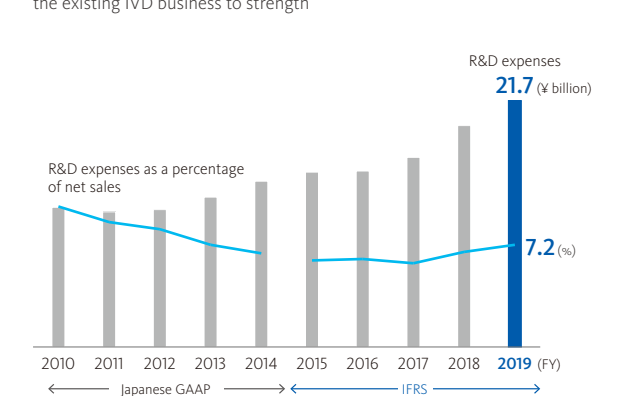


## R&D Expenses/ R&D Expenses as a Percentage of Net Sales

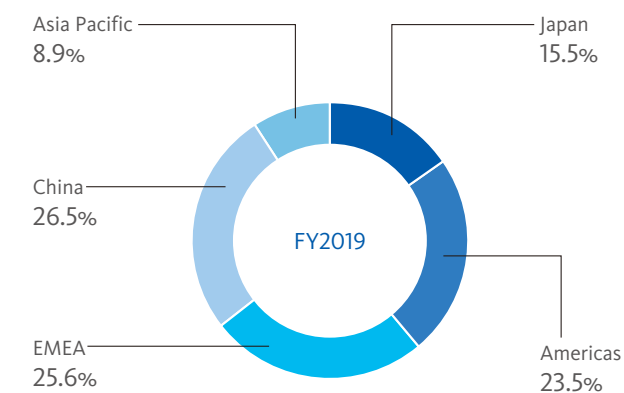
¥21.7 billion 7.2%

(Up 11.1% year on year) (Up 0.5 percentage point year on year)

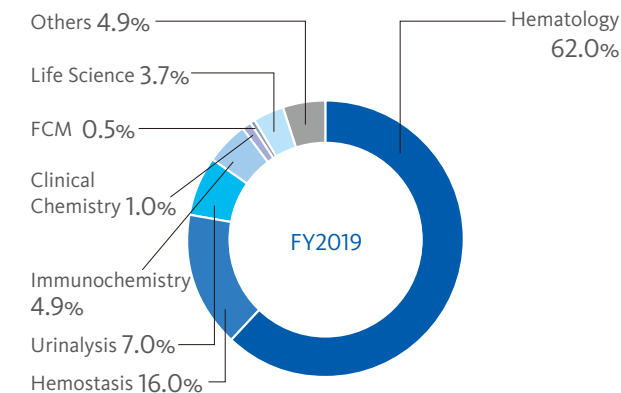
Up due to investments in the life science business and to returning the existing IVD business to strength



## Net Sales by Destination



## Sales by Business

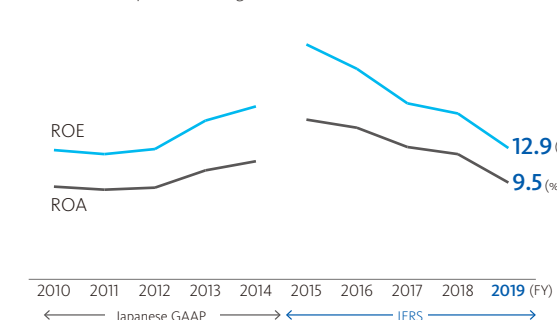


## ROE/ROA

12.9% 9.5%

(Down 3.4 percentage points year on year) (Down 2.8 percentage points year on year)

Despite higher sales, down due to increases in equity attributable to owners of the parent and higher total assets

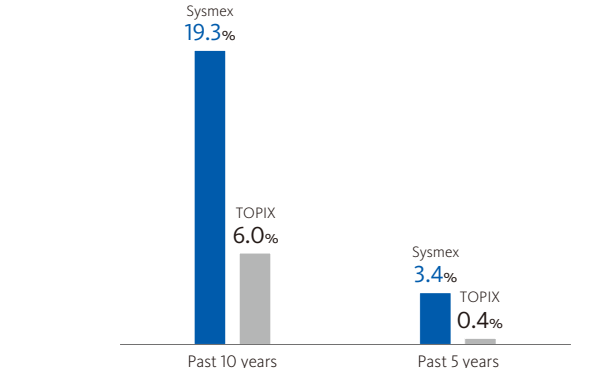


## Total Shareholder Return (TSR) (Annualized Rate)

19.3% 3.4%

(Past 10 years) (Past 5 years)

We have outperformed TOPIX due to ongoing dividend growth and long-term increases in our share price.



## Non-Financial Performance

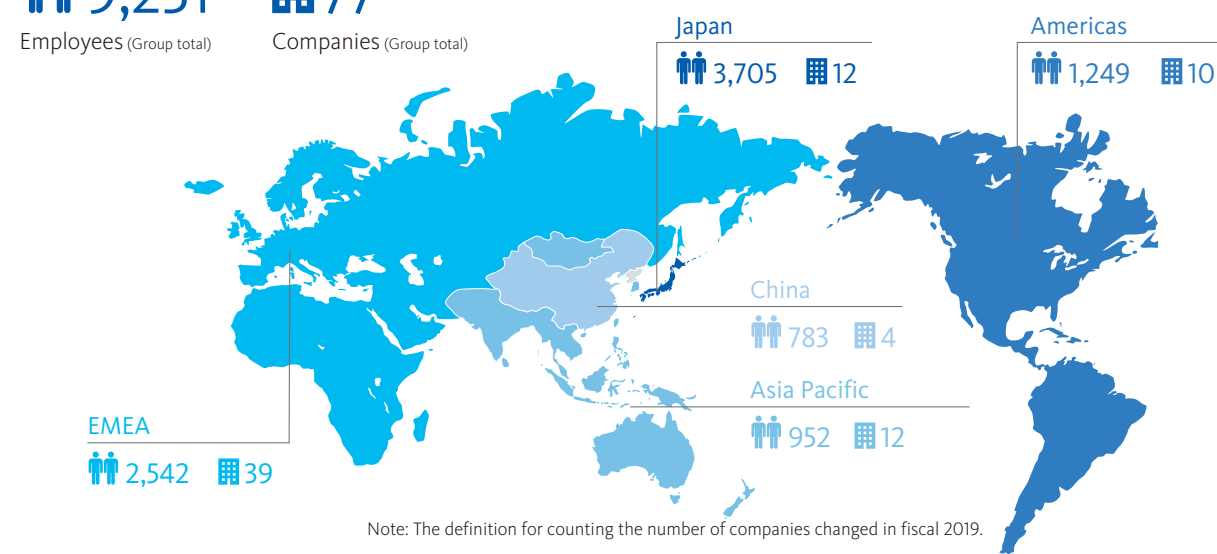
### Global business development

9,231

Employees (Group total)

77

Companies (Group total)



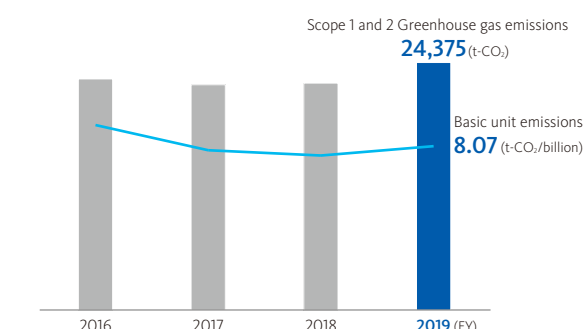
Note: The definition for counting the number of companies changed in fiscal 2019.

### Scope 1<sup>1</sup> and 2<sup>2</sup> Greenhouse gas emissions/ basic unit emissions

24,375t-CO<sub>2</sub> 8.07t-CO<sub>2</sub>/billion

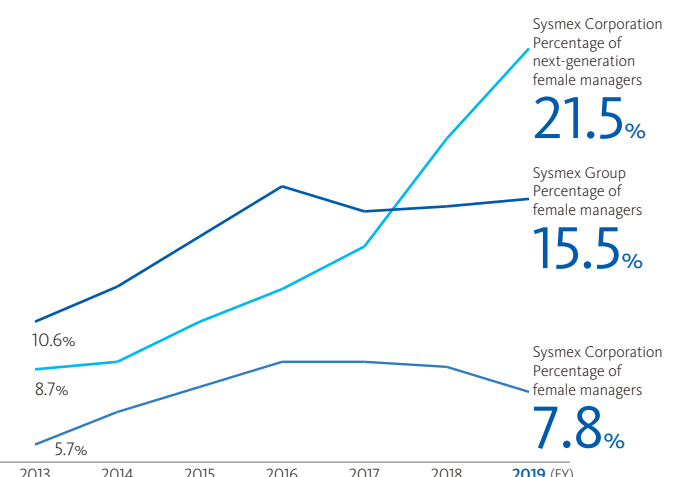
(Up 9% year on year) (Up 6% year on year)

Up due to the start of operations at Technopark East Site (April 2019)



1 Scope 1: Greenhouse gases emitted directly by Company facilities and factories (target is CO<sub>2</sub> emissions of energy consumption from stationary combustion sources)  
2 Scope 2: Greenhouse gases emitted indirectly by the Company due to energy use

### Percentage of female managers/ Percentage of next-generation female managers





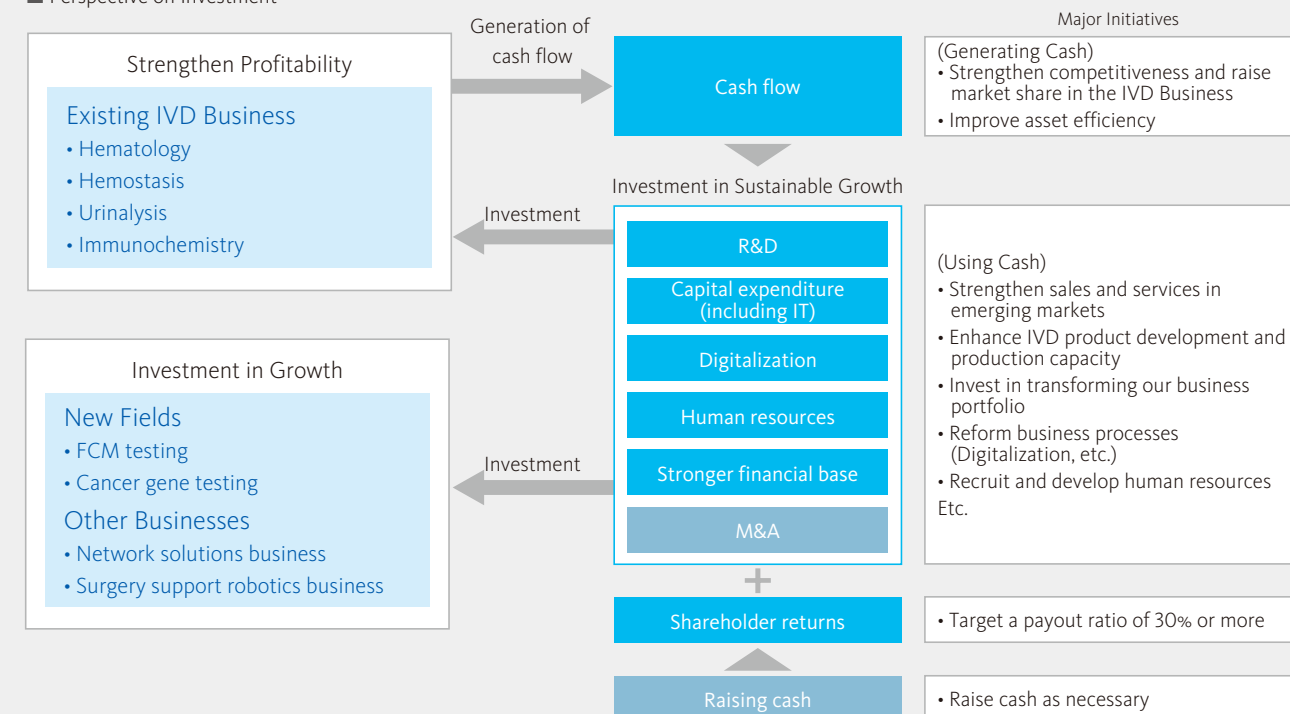


## Interview with the CFO

We aim to increase the value we provide to customers and continue to enhance corporate value.

**Yukio Nakajima**  
Member of the Managing Board and  
Senior Executive Officer  
Senior Managing Director  
CFO

### ■ Perspective on Investment



### Q 1 Please provide an overview of your operating performance in fiscal 2019.

Net sales were negatively affected by yen appreciation (negative impact of ¥11.82 billion), but higher sales in Japan and overseas pushed net sales above ¥300.0 billion for the first time. Operating profit was down, due to yen appreciation (negative impact of ¥5.28 billion), deterioration in the cost of sales ratio and an increase in R&D expenses. The worsening cost of sales ratio was partly attributable to yen appreciation and the effects of COVID-19. Other major factors included a delay in launching new hematology instruments, leading to a prolonged replacement cycle, and a higher percentage of sales from the immunochemistry and life science fields, where the cost of sales ratio is high because our scale of production remains insufficient.

We expect profitability to increase going forward, as we launch new instruments in the hematology field at an early date and see the gross profit ratio improve due to a greater installed instrument base in the immunochemistry field and the expansion of reagent parameters. In the life science field, currently we are investing in R&D and market cultivation, and we are making progress in this field, including a launch into the Japanese market for a cancer genome profiling system and regulatory approval in China of a system for diagnosing cancer lymph node metastasis.

Lockdowns resulting from the COVID-19 pandemic affected the number of tests being performed and sales of reagents from the end of fiscal 2019 through the first half of

fiscal 2020. However, we believe this downturn is temporary, as the market is showing signs of recovery. We had expected the pandemic to affect supply chains due to lockdowns and restrictions on movement in individual countries. Taking the steady supply of our products to medical institutions as our topmost priority, globally we increased inventories of instruments and reagents. We also introduced teleworking globally as part of our efforts to protect employees from infection, allowing our business to continue. At the end of fiscal 2019, our current ratio was 240%, and we maintained a credit rating of AA- from R&I, demonstrating that we continue to sustain a sound financial base even under these circumstances.

### Q 2 Please share your thoughts on investing in growth and distributing profits as shareholder returns.

The COVID-19 pandemic has had the short-term negative effect of reducing the number of people undergoing testing. Over the medium to long term, however, we anticipate a global increase in investment to expand healthcare systems. In particular, as awareness of the importance of *in vitro* diagnostics (IVD) rises, we expect this business to increase even further. Against this backdrop, we will continue investing aggressively to sustain our growth, balancing this investment against returns to shareholders in line with rising profitability. At present (as of early September 2020), we have not announced an operating performance forecast for fiscal 2020. In accordance

with our policy of providing a stable dividend on a continuous basis, we expect to award an annual dividend of ¥72 per share, the same amount as in fiscal 2019.

As investments in future growth, we are accelerating development in the IVD business, specifically of new products in the hematology field. At the same time, we intend to increase added value and raise profitability by offering services that help raise testing efficiency and quality. In India, Brazil and other emerging markets, we are proactively putting sales, service and product supply structures in place. We are also investing cash generated in the IVD field in the life science field—a field of growth—and entering new business areas, such as medical robotics (centering on surgery support robots), to achieve long-term growth.

### Q 3 What measures are being taken to continue enhancing corporate value?

Over the past few years, our profitability has been lackluster due to investment in new fields and the impact of exchange rates, among other factors, but we have maintained ROE above the cost of capital (weighted average cost of capital of approximately 5%). Sysmex has the No. 1 share of the global market in the hematology field, conducting business in more than 190 countries and regions. To continue enhancing corporate value, we will need to respond to changes in the environment and innovate swiftly.

To do so, we must invest in our businesses and R&D. We

also need to invest in human resources and digitalization to strengthen our corporate structure. Recognizing that human resources is the key to our ability to win out in global markets, we will recruit personnel with even higher levels of specialization and enhance education and training to augment their skills. Even during the COVID-19 pandemic, we engaged in online recruiting and conducted remote education and training. In April 2020, we introduced a globally consistent job-based human resource management system for all key positions throughout the Sysmex Group. This is one example of measures we are putting in place toward the next generation.

COVID-19 has had the effect of accelerating our digital transformation. Sysmex had already commenced some initiatives in October 2018; we are further expanding their scope and stepping up these activities. We will develop new products and services, speed up the regulatory registration process, and improve supply chain efficiency in such areas as procurement, manufacturing, inventory and quality management. As a result, Sysmex will reduce costs and shorten lead times. We aim to augmenting quality and boost customer satisfaction by moving more sales, support and services online. We will shore up corporate soundness by reforming processes across the value chain and creating a new business model. We believe such efforts will enable us to increase the value we provide to customers and lead to enhanced corporate value.





## Strategies for Achieving Sustainable Growth

As the healthcare market continues to grow, we aim to help extend healthy lifespans through efforts to resolve medical issues in various regions, as well as achieving further growth.



## Management Plan

Based on the “Sysmex Way,” the corporate philosophy for the Sysmex Group, we have formulated long-term management goals and a mid-term management plan to achieve sustainable growth. The plan establishes important matters to be addressed in order to reach positioning targets based on our long-term vision. We are undertaking initiatives to this end, amid a rapidly changing market environment.

Group Corporate Philosophy  
**Sysmex Way**

### Long-Term Management Goals (2025)

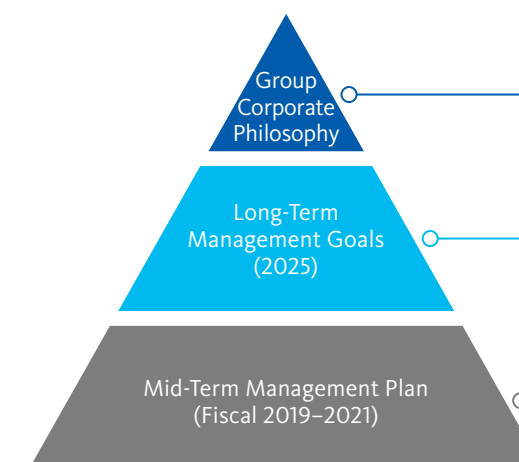
## Long-Term Vision

Unique & Advanced Healthcare Testing Company

## Positioning

1. Creating innovative diagnostic value as a global top-five company in IVD
2. A leading company in personalized diagnostics for optimizing medical treatment
3. A solution provider contributing to the advancement of primary care diagnostics
4. An attractive company providing value and instilling confidence
5. One Sysmex carrying out high-speed management

»For details on the long-term management goals, please refer to page 33 of *Sysmex Report 2018*.



## Mid-Term Management Plan (Fiscal 2019–2021)

## Important Priorities toward Sustainable Growth

1. Reinforce strong growth in the IVD Business
2. Accelerate commercialization of the Life Science Business
3. Enhance quality and quality assurance systems
4. Strengthen the regulatory affairs functions and clinical development capabilities that underpin our business
5. Restructure business processes through digitalization
6. Innovate human resource management

>>Progress on the Mid-Term Management Plan and Outlook for Fiscal 2020 P70

>>Non-Financial Targets and Results P81

>>For details of the mid-term management plan, please refer to page 37 of *Sysmex Report 2019*.



# Supporting Healthcare with *In Vitro* Diagnostics (IVD)

## About IVD

IVD, which involves studying blood, urine and other samples taken from the body, is used in a variety of ways. It is used during medical checkups to help prevent disease. IVD is also used in diagnosing diseases, determining treatment methods, measuring treatment results, preventing illness from growing increasingly severe and for post-treatment monitoring. Healthcare without accurate test results is like walking through mist; the path is uncertain. IVD is essential because it allows medical professionals to assess a patient's state of health accurately and swiftly, and to determine optimal treatment methods.

In Sysmex's main businesses of hematology, urinalysis and immunochemistry, fundamental testing is conducted to check a patient's physical condition and they performed during medical checkups for disease prevention and early-stage detection. To this end, they used for a wide range of other purposes, such as in treating disease or managing its prognosis. On the other hand, in such fields as hemostasis and gene

testing, tests are performed to measure a person's physical condition in greater detail and are mainly used in the process of diagnosing and treating illnesses.

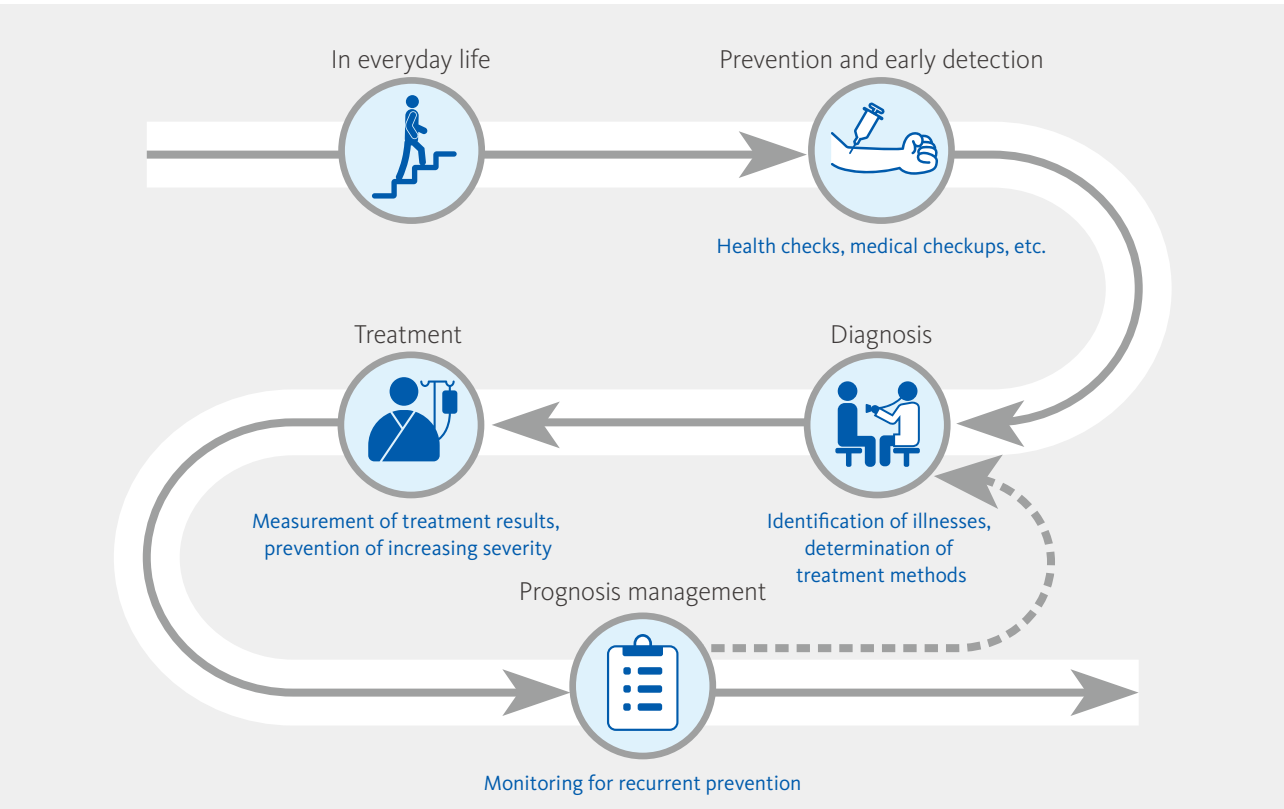
## The Growing Importance of IVD in Healthcare

In recent years, technological innovation and its application to the field of healthcare have been leading to the practical realization of new treatment methods. For example, cancer genomic medicine—a type of personalized medicine that enables treatment tailored to an individual patient's constitution and disease—is coming to the fore. Realizing this type of medicine will require analysis based on the gene testing of cancer cells.

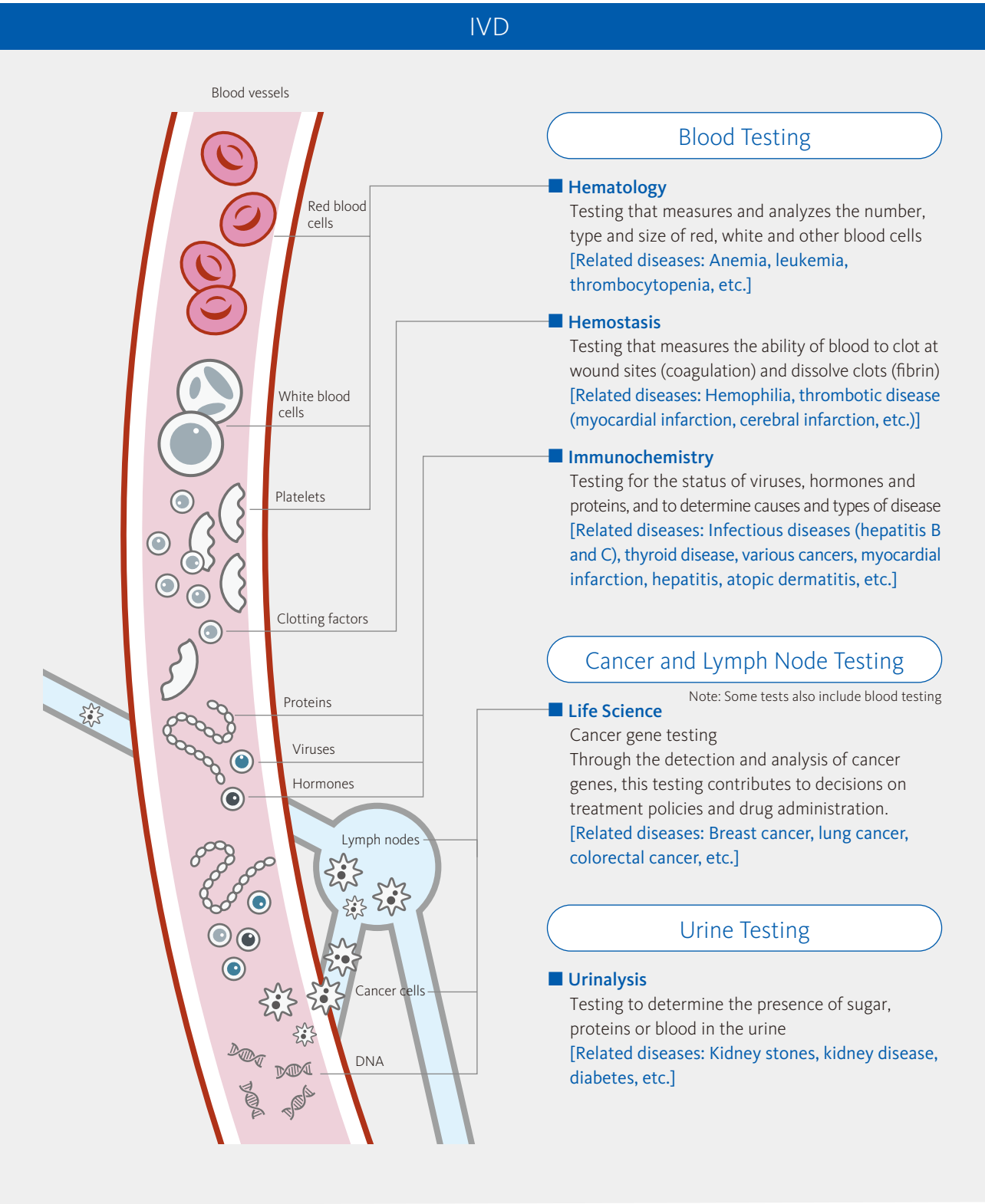
Sysmex is working to achieve this type of cancer genomic medicine and to make liquid biopsy a reality. Liquid biopsy involves testing a patient's blood and body fluids, which places less of a burden on the patient than a physical biopsy. As a result, we aim to help improve patients' quality of life and hold down healthcare expenses.

[»Realizing Personalized Medicine through Liquid Biopsy P85](#)

■ Where IVD is used



## What can be determined from samples (such as blood, urine, and cancer tissue)



Positioning in the Market

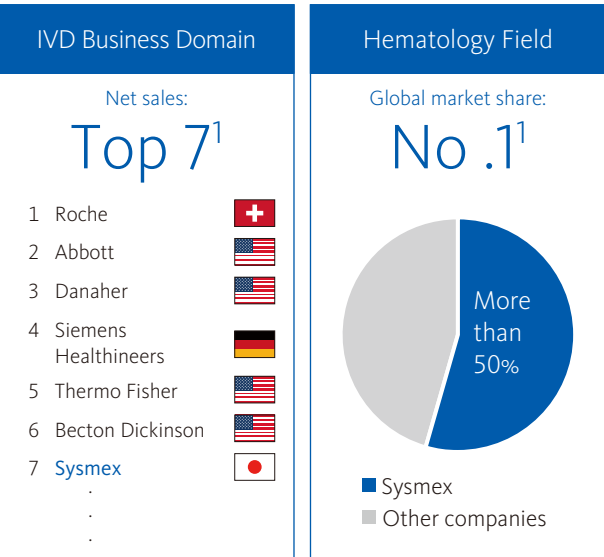
Sysmex provides products and services to customers around the world. In the IVD field, we are ranked seventh globally. Most companies in this sector are based in Europe and the United States; Sysmex is the only top-10 company headquartered in Asia. Notably, we have a leading share of the global market in the hematology field, with a share of more than 50%. Furthermore, in the hemostasis and urinalysis fields we are using alliances to expand our portfolio and achieve a high share of the global market.

Meanwhile, we are building a robust installed instrument base in the immunochemistry field, where we are developing our business, mainly in Asia. Going forward, we plan to expand our lineup by developing proprietary reagent parameters and obtaining regulatory approval as we work to expand sales further.

In addition, we aim to augment our presence in the IVD domain by launching new products in the FCM, life science and other new business areas.

Competitive Status with Other Companies

In addition to competing with European and US companies, the competitive landscape is changing as companies from emerging markets and other industries enter our field of business. However, developing business in the IVD domain means overcoming high barriers to entry, such as obtaining regulatory



1 Sysmex's estimates based on information disclosed for 2019

approvals in various countries. Sysmex has built a global structure for responding appropriately to the laws and regulations of individual countries, enabling it to swiftly provide the new products we develop to customers.

>>Responding to Increasingly Stringent Regulatory Systems P52

We will continue to provide high-value-added products and services that exceed customer expectations. As a result, we aim to firmly establish the Sysmex brand, enabling us to further enhance our market share.

Market Scale and Sysmex's Business Domains

| Testing Field                               | Market Scale (\$ million)     | Market Growth Rate <sup>2</sup> | Sysmex's Sales Composition (Fiscal 2019) | Principal Peer Companies                       |
|---|-------------------------------|---------------------------------|--|--|
| IVD market                                  | 67,000                        | 6%                              |  |  |
| Hematology                                  | 3,900                         | 5%                              | 62.0%                                    | Danaher, Siemens Healthineers, Abbott, Mindray |
| Hemostasis                                  | 3,200                         | 6%                              | 16.0%                                    | Instrumentation Laboratory, Stago              |
| Urinalysis<br>Of which, sediment urinalysis | 1,150<br>(500)                | 4%<br>(5%)                      | 7.0%<br>(—)                              | Danaher  |
| Immunochemistry                             | 20,700                        | 7%                              | 4.9%                                     | Roche, Abbott, Siemens Healthineers            |
| Clinical FCM                                | 1,000<br>(FCM overall: 3,400) | 9%                              | 0.5%                                     | Becton Dickinson, Danaher                      |
| Others (Genes, etc.)                        | —                             | —                               | 9.6%                                     |  |

2 Sysmex's estimates based on information disclosed for 2018

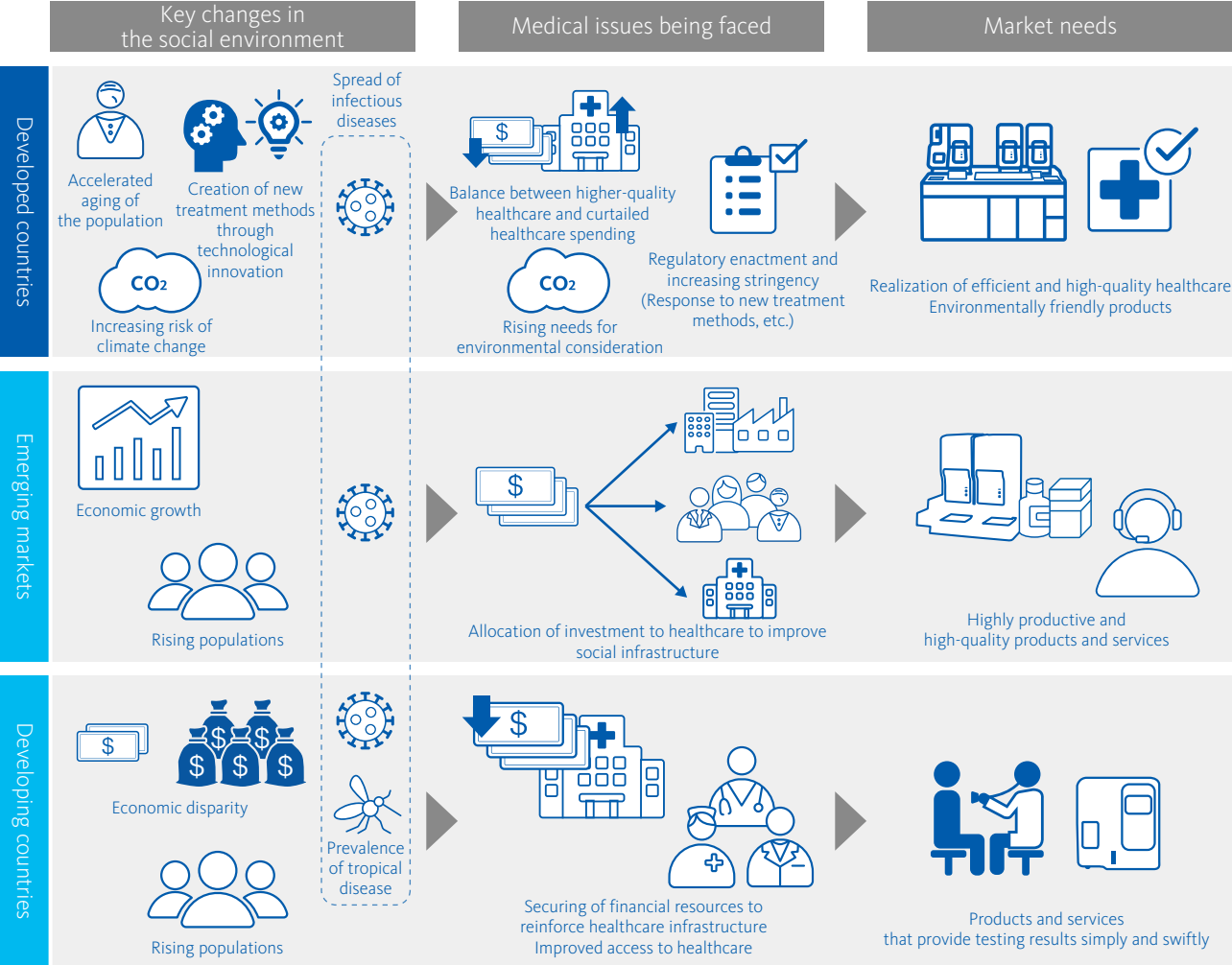
Growing Need for the Resolution of Medical Issues

Although the healthcare market is slated for robust growth, market needs are expected to change significantly by region. For example, in developed countries demographic aging and applied technological innovation are calling for higher medical efficiency to achieve a balance between higher-quality health-care and curtailed healthcare spending. Examples include liquid biopsy and cancer genomic medicine. Meanwhile, although the situation differs by level of economic growth, emerging markets and developing countries face the shared need to put in place and enhance medical infrastructure. These markets are calling for the provision of products and services that meet their regional needs and are within their budgets.

With the COVID-19 pandemic, responding to infectious disease has become a pressing medical issue worldwide. In addition to the development of vaccines and therapeutic drugs, there is a growing call for the development of more precise and simple testing technologies and the expansion of testing structures.

Furthermore, international society is placing growing pressure on companies to take social responsibility for building a sustainable society by achieving the 17 SDGs. As a healthcare company, we are particularly focused on achieving the third goal, to “ensure healthy lives and promote well-being for all ages.” This goal calls for us to help resolve medical issues through our business. We also face the growing expectation to help resolve social issues by launching environmentally friendly products.

Changing medical issues and market needs in line with shifts in the social environment





# Sysmex's Global Business Development

Sysmex is building a global sales, service and support structure.

We aim to grow in various markets by promoting initiatives tailored to individual needs and medical issues.

## Sales, Service and Support Structures Tailored to Regional Characteristics

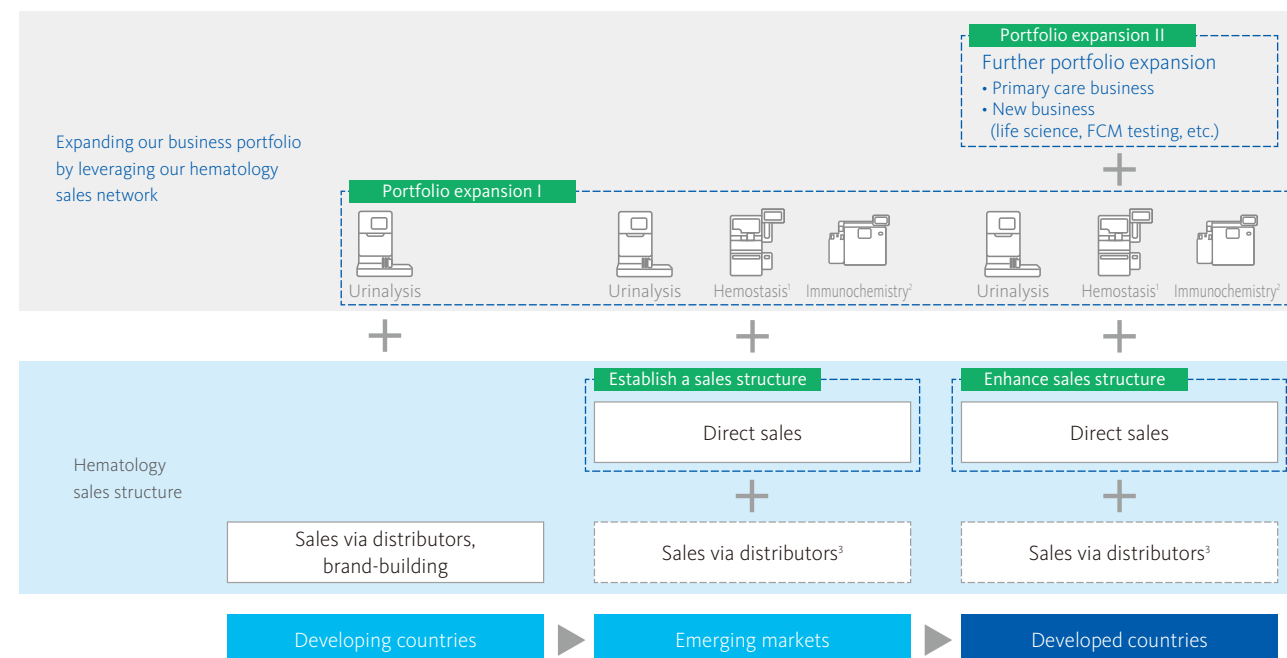
Sysmex is building sales, service and support structures tailored to meet the individual market characteristics and needs of developed countries, emerging markets and developing countries.

In developing countries, where the IVD market is small in scale, we mainly sell products through regional distributors. To build the Sysmex brand, we undertake initiatives to boost laboratory quality, such as by supporting quality control and providing information related to testing accuracy.

In emerging markets, the IVD business is poised to expand due to population growth and enhanced medical systems. In these markets, we are transitioning to direct sales, service and support structures. We are also reinforcing our supply network by establishing and expanding reagent factories. We start by working to boost our market share in our mainstay business of hematology. We then utilize this sales network to develop business in other fields, such as urinalysis, hemostasis and immunochemistry.

In developed countries, on the other hand, we already have a large share of the market in the hematology field. Accordingly, we focus on enhancing services and support to ensure customer retention. We are also broadening our business portfolio into such areas as primary care and FCM testing.

### ■ Sales Structure and Business Portfolio in Individual Markets



<sup>1</sup> Developing based on alliances in Asia and some parts of Europe <sup>2</sup> Developing in Asia <sup>3</sup> Also using distributors in low-end markets and remote locations

## Reasons for Growth in Overseas Regions

Sysmex has focused on developing its business in overseas markets since the time of our founding. We set up our first overseas location in 1972, in Germany. By fiscal 2019, overseas sales had risen to 85% of the total. Contributing to this result is the overseas sales structures we have been putting in place and strengthening since the 1990s.

We transitioned to a direct sales structure for the first time in the United Kingdom in 1991. In the 2000s, we set up bases mainly in developed countries such as Germany, France and Switzerland. In 2003, we shifted to direct sales in the world's largest market, the United States, boosting our market share substantially.

Furthermore, we were quicker than other companies to see the potential of the Chinese market. We established a reagent production base in the country in 1995 and set to work creating our structure there. As a result, we were able to build our business and increase our share of this rapidly growing market. In addition to the hematology field, we expanded our business portfolio into the urinalysis, hemostasis and immunochemistry fields.

### ■ Direct Sales Ratio (As of the End of Fiscal 2019)

| Americas | EMEA  | China | AP    | Japan | Total |
|----------|-------|-------|-------|-------|-------|
| 72.7%    | 73.6% | 1.1%  | 55.7% | 100%  | 56.7% |

## Aiming for Future Growth

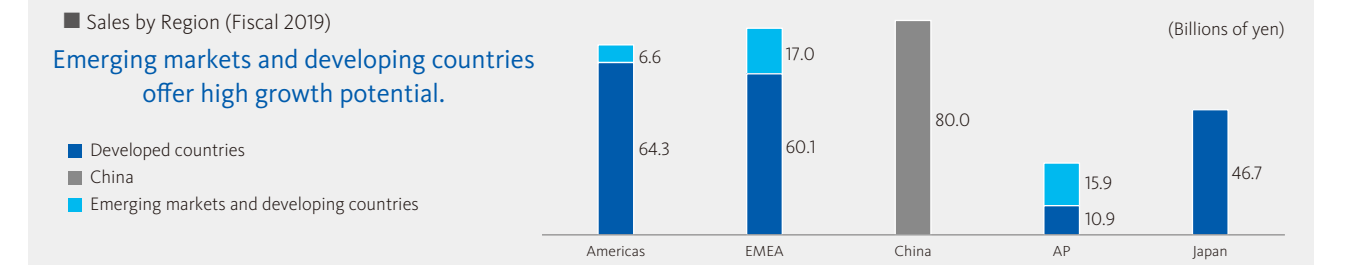
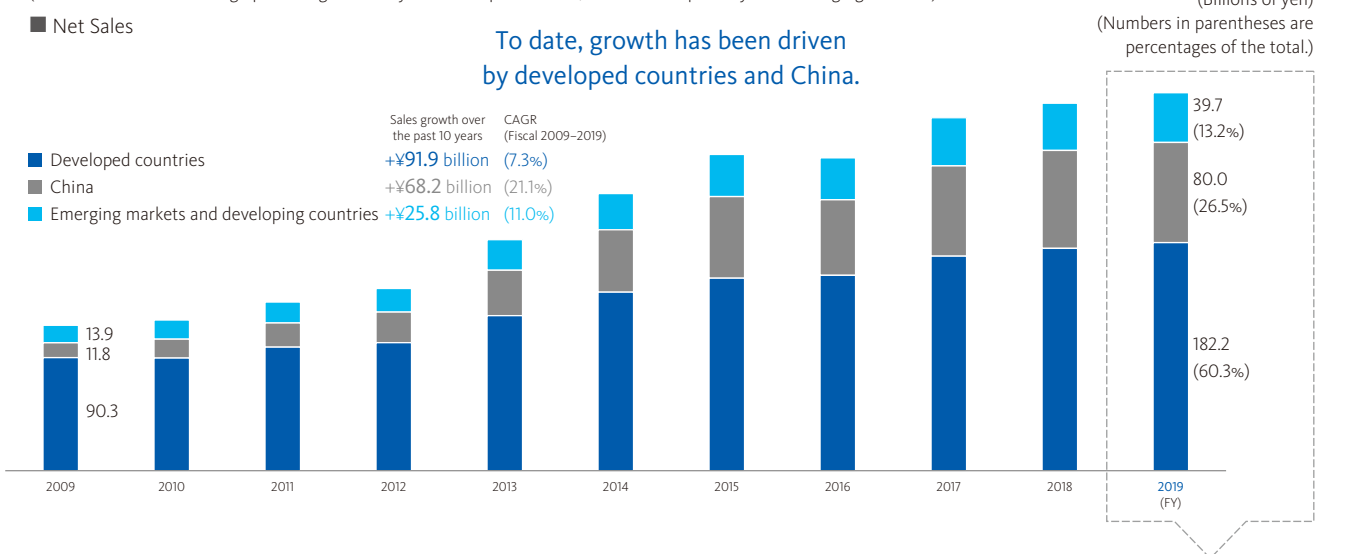
We believe demand for testing will increase in individual regions, driven by demographic change and technological innovation.

In developed countries, ongoing aging of the population and technological innovation will lead to new testing demand.

Meanwhile, we expect demand to grow in emerging markets and developing countries due to population growth and investment to put medical infrastructure in place.

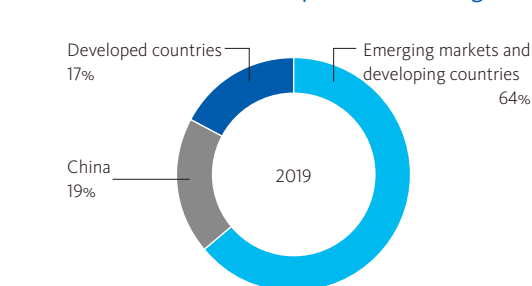
Sysmex will take advantage of these opportunities to provide high-value-added products and services and further reinforce its sales and service structures.

(As China accounts for a high percentage of the Sysmex Group's net sales, it is shown separately from emerging markets.)



### ■ Demographics of the Global Population (2019)<sup>1</sup>

These demographics are forecast to change as emerging-market populations increase and developed countries age.



Note: Adjusted to correspond to Sysmex's performance categories  
<sup>1</sup> Source: GLOBAL NOTE (calculated from UN statistics)

Developed countries China Emerging markets and developing countries

# Initiatives in Developed Countries



- **Market characteristics**
  - Accelerated aging of the population
  - Growing need to balance higher healthcare quality with curtailed medical expenditure
  - Regulatory systems going into place and becoming more stringent
- **Sysmex's main initiatives**
  - Building direct sales structures to respond more swiftly to market needs  
[»Global Sales and Service Structure P52](#)
  - Creating direct service structures to enhance customer satisfaction  
[»Global Sales and Service Structure P53](#)
  - Generating added value by leveraging new technologies  
[»R&D Capabilities P49](#)

## Initiatives Targeting Further Growth

### Expand the Business Portfolio and Achieve Practical Realization of Technological Innovation

#### 1 Establish an undisputed No. 1 position in the hematology field

We aim to reinforce our position in the hematology field by launching new products and providing added value through our new Caresphere network solution. In addition, we will further enhance service and support by leveraging ICT.

#### 2 Expand our business portfolio

Portfolio expansion I  
Portfolio expansion II



FCM pretreatment system



FCM analyzer

We will utilize the robust sales and service structure we have cultivated in the hematology field to expand our business portfolio in such areas as urinalysis, hemostasis and FCM testing. By making flexible proposals tailored to the issues customers face, we intend to capture market share and become the leading company in the IVD industry.

#### 3 Practical realization of technological innovation

Portfolio expansion II

- Apply AI technologies in the hematology field
- Pursue joint development of blood-based diagnostics for Alzheimer's disease
- Work to realize cancer genomic medicine (Japan)

By applying new technological innovation to product development, we strive to create testing that enhances the quality of healthcare and reduces the burden on patients. For example, we are applying AI technologies to image analysis in the hematology field and developing diagnostic technologies for Alzheimer's disease using liquid biopsy. Through cancer gene analysis, we are also working to promote the spread of cancer genomic medicine.

[»Realizing Personalized Medicine through Liquid Biopsy P85](#)  
[»System for Use in Cancer Gene Profiling P86](#)

# Initiatives in China



- **Market characteristics**
  - Market growing in scale as medical infrastructure is put in place
  - Growing need to balance higher healthcare quality with curtailed medical expenditure
  - Introducing own policies and regulations
- **Sysmex's main initiatives**
  - Creating a robust distributor network covering the entire country
  - Building the Sysmex brand by providing high-quality products and extensive scientific support
  - Expanding the product portfolio  
[»Primary Products and Services P87](#)

## Initiatives Targeting Further Growth

### Reinforcing Our Competitive Advantage

#### 1 Target second-tier and lower hospitals in the hematology field



Hematology analyzer using the knockdown production method

To make itself even more competitive in the hematology market, for the first time Sysmex adopted the knockdown production method on analyzers for the Chinese market. In September 2018, we began selling these instruments, targeting second-tier and lower hospitals. Following on this example, we plan to undertake further initiatives to expand our lineup by providing products tailored to our customers' needs and market characteristics.

#### 2 Increase competitiveness in the urinalysis and hemostasis fields

Portfolio expansion I



Urinalysis analyzer (integrated)



Hemostasis analyzer

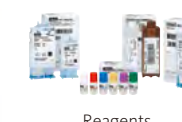
Sysmex has continued to increase its sales in the urinalysis and hemostasis fields. Nowadays, China is the region accounting for our largest sales in these two fields. Nevertheless, we plan to grow further by launching new products. We are proactively promoting sales of a product that integrates urine chemistry, sediment analysis and imaging, and new products in the hemostasis field launched in the fourth quarter of fiscal 2019.

#### 3 Boost market share in the immunochemistry field

Portfolio expansion I



Immunochemistry analyzer



Reagents

Fiscal 2014 marked our full-fledged entry into the immunochemistry field in China. Sysmex harnessed its strengths in instrument development technologies to launch an immunochemistry system that has earned high marks from customers. By fiscal 2019, our installed base had expanded to 1,000 units. Looking toward future growth, we will continue to develop new reagent parameters that meet market needs and seek to gain regulatory approval.



Initiatives in Emerging Markets and Developing Countries



- **Market characteristics**
  - Increasing populations
  - Spreading infectious diseases and tropical diseases
  - Growing needs in response to enhanced healthcare infrastructures  
(Enhanced health systems, training of medical professionals, expansion of insurance systems, etc.)
- **Sysmex's initiatives**
  - Building a sales and service structure spanning more than 190 countries and regions  
    >>Global Sales and Service Structure P52
  - Providing high-quality training to sales and service personnel
  - Offering scientific support to help increase testing quality

Initiatives Targeting Further Growth

Expanding the Sales and Service Structure

1 Enlarge our direct sales and service areas by establishing our own bases

Establish a sales structure



Employees at Sysmex Egypt

In countries that have large populations and where we expect markets to grow, we are establishing bases and developing our business through direct sales and services. We hire local staff who are well acquainted with their regions to help us to ascertain medical needs that differ from those of developed countries. In these ways, we are developing our business in a manner suited to regional conditions and building relationships with stakeholders.  
    >>Administration and Sales Management Attuned to Regional Characteristics P52  
Recent examples: In 2017, start of direct sales in Ghana  
                      In 2018, establishment of a local subsidiary and start of direct sales in Egypt  
                      In 2019, enhancement of our sales structure in India

2 Ensure a stable supply by boosting reagent production capacity



Reagent factory in Brazil

To ensure stable supplies in individual regions, we are expanding our reagent production bases and reviewing our export/import processes and distribution network. For example, we established a reagent factory in Brazil in 2000, in India in 2007, and Russia in 2019. In recent years, we have also expanded our factories in Europe and Southeast Asia. Through such efforts, we plan to continue augmenting our supply structure, along with efforts to lower transportation costs and create local employment.  
    >>Production System P51

3 Standardize malaria testing and contribute to early detection and treatment through better efficiency



Hematology analyzer with automatic measurement function for red blood cells infected by malaria parasites

We have developed a hematology analyzer with an automatic measurement function for red blood cells infected by malaria parasites that we expect to help standardize malaria testing and make it more efficient. We obtained CE certification in 2019. In 2020, we received regulatory approval in Japan and are preparing for market launch. Going forward, we plan to introduce this analyzer in the Asian and African markets, contributing to the eradication of malaria around the world.  
    >>Sustainability Data Book >Improvement in accessibility to medical services by means such as familiarizing products P13

Initiatives to Improve Access to Medical Services

Case Study 1 Initiatives to Enhance the Quality of Healthcare

Sysmex partners with government organizations and NPOs in its efforts to enhance the quality of healthcare in emerging markets and developing countries. As one example, to augment the knowledge and skills of medical professionals, we are collaborating with the Japan International Cooperation Agency (JICA) to provide training on instrument maintenance and management. Since joining this program in 1994, we have trained approximately 1,000 people.

Through JICA's Collaboration Program with the Private Sector for Disseminating Japanese Technology, we are working to improve the quality of laboratories in Namibia and Ghana.

By 2050, populations in emerging markets and developing countries are forecast to be around 50% higher than they are today. In these regions, where improved access to medical services is an issue, we will collaborate with government institutions, NPOs and medical professionals to help resolve medical issues. At the same time, we are adopting a long-term perspective toward market creation and enhancing our market presence.

- Main initiatives**
- Via JICA, hosting participants for subject-specific training (courses on medical equipment maintenance and management, hospital management, etc.)
  - Proposal for a laboratory quality control support project adopted under JICA's Collaboration Program with the Private Sector for Disseminating Japanese Technology (Namibia)
  - Conducting training for customers in various countries



Hosting trainees (course on medical equipment maintenance and management)

We have conducted training of around 1,000 medical professionals in developing countries (since 1994).

Case Study 2 Strengthening Our Sales and Service Structure in Africa

By 2050, Africa's population is forecast to reach more than 2 billion people—double the current figure. As health systems are put in place to provide appropriate access to medical services, we expect the healthcare market to grow substantially over the medium to long term.

To date, in Africa Sysmex has established subsidiaries and worked to reinforce its sales and service structure. We currently do business in 50 of Africa's 54 countries. By providing products and services through our own bases and engaging in scientific awareness activities, we are helping to provide high-quality testing in these countries. In the future, we will develop our business activities with the aims of enhancing customer satisfaction and expanding our business.

>>Sustainability Data Book >Improvement in Accessibility to Medical Services by Means such as Familiarizing Products P11

We are conducting business in 50 out of 54 African countries.

- Subsidiaries in Africa**
- Established subsidiary in South Africa (2006)
  - Welcomed Partec, which has bases in Nigeria and Burkina Faso, into the Sysmex Group (2013)
  - Established subsidiary in Ghana (2015)
  - Established subsidiary in Egypt (2018)

Environmental Considerations in Our Business Activities

We recognize that mitigating climate change and other issues related to the sustainability of the global environment are critical. At the same time Sysmex, which conducts business globally, recognizes that reducing the environmental impact of its business activities is an important priority.

To guide the Group's environmental management over the long term, we have formulated "Sysmex Eco-Vision 2025." We have defined "environmental consideration" as a

materiality item and are working to reduce CO<sub>2</sub> emissions in the product life cycle, the reduction of water consumption, and the pursuit of environmentally considerate green procurement, among other activities.

Furthermore, we disclose information as recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

For results in fiscal 2019, see page 81.

>>Sustainability Data Book >Environmental Management P45

Long-Term Environmental Objectives (Fiscal 2025) and Major Initiatives

Reduce CO<sub>2</sub> emissions

By 15% when using instruments

By 50% in business activities

By 15% when shipping

Reduce water consumption

By 15% when using instruments

By 15% in business activities

Promote resource circulation

Increase the recycle rate in business activities to 93% or higher

Protect biodiversity

Expand the line using alternatives to animal-derived substances

CO<sub>2</sub>

Water

Recycle

Biodiversity

(Base year: Fiscal 2016)

|  | Impact of Business Activities on the Environment  | Major Initiatives to Reduce Environmental Burden  |
|--|---|---|
| R&D                                      | Environmental burden through product use, including CO <sub>2</sub> emissions           | <ul style="list-style-type: none"><li>Develop environmentally friendly products<ul style="list-style-type: none"><li>Environmentally friendly instruments (such as hemostasis analyzers) <a href="#">Case Study 1</a></li><li>Development of concentrated reagents (hematology field) <a href="#">Case Study 2</a></li><li>Development of paper containers for reagents (hematology field) <a href="#">Case Study 2</a></li></ul></li><li>Development of alternatives to animal-derived substances (using silkworms) <a href="#">Case Study 3</a></li></ul> |
| Procurement                              | Environmental burden of procuring raw materials and parts                               | <ul style="list-style-type: none"><li>Formulate Green Procurement Standards and promote green procurement</li><li>Procurement of substances and parts that have a low environmental impact</li><li>Conducting CSR surveys (including survey items about environmental consideration)</li></ul>  |
| Production (Instruments, reagents, etc.) | CO <sub>2</sub> emissions and water consumption when producing instruments and reagents | <ul style="list-style-type: none"><li>Promote the use of renewable energy</li><li>Lower CO<sub>2</sub> emissions and water consumption through better production efficiency</li></ul>   |
| Distribution                             | CO <sub>2</sub> emissions associated with the shipment of products                      | <ul style="list-style-type: none"><li>Promote increased transportation efficiency (local production of reagents, shifting to concentrated reagents, etc.) <a href="#">Case Study 2</a></li><li>Encourage a switch from transportation by air to ship</li></ul>  |
| Sales, Service and Support               | CO <sub>2</sub> emissions due to sales, service and support activities                  | <ul style="list-style-type: none"><li>Reduce the amount of physical movement by leveraging online support</li><li>Reduce CO<sub>2</sub> emissions by introducing hybrid Company cars</li></ul>  |

Initiatives to Reduce the Environmental Burden through Our Business Activities

Enhanced Competitive Advantage

Environmental Consideration

Case Study 1 Hemostasis Analyzer

Reduced footprint

50%

Conventional model

1,280mm

1,030mm

Depth: 1,150mm

New model

1,350mm

720mm

Depth: 906mm

In 2018, we launched a hematology analyzer in Japan that, in addition to offering greater handling capacity than conventional products, required less space and consumed less electricity.

- Greater compactness led to a 12% decrease in CO<sub>2</sub> emissions during transport (approximately 50% smaller and 27% lighter)
- Electricity consumption reduced approximately 36%

Case Study 2 Concentrated Reagents (Hematology Field)

Reagent with 25 Times Concentration

Reagent volume (L)

100

50

0

20L

20L

20L

20L

20L

CELLPACK (II) conventional reagent

4L

CELLPACK DST concentrated reagent

- Reduce frequency of reagent changing
- Decrease storage space requirements
- Lower the environmental burden

In the hematology field, some of our analyzers use reagents that are concentrated to 25 times the conventional level. These concentrated reagents need to be changed less frequently in the laboratory and require less storage space than conventional reagents. In addition to enhanced usability, these reagents are more environmentally friendly.

- Greater compactness, requiring fewer container and packaging materials (conservation of resources)
- Reduced laboratory waste
- Smaller and more lightweight, reducing CO<sub>2</sub> emissions during transport
- Switch of packaging material from polyethylene to paper packs (conserve oil resources)

Case Study 3 Using Silkworms to Produce Raw Materials

Comparison of Method Using Silkworms and Conventional Method (Hemostasis Reagents)

CO<sub>2</sub> Emissions ((kg-CO<sub>2</sub>eq/Lot)×10<sup>3</sup>)

10

8

6

4

2

0

Conventional method (animal-derived)

Silkworm method

Water Resources ((m<sup>3</sup>/Lot)×10<sup>3</sup>)

10

8

6

4

2

0

Conventional method (animal-derived)

Silkworm method

Reagent production

Ingredient production

Breeding

Note: Comparison of in-house products (through joint research with Tokyo City University)

To reduce the use of natural resources, Sysmex has established a production method using recombinant silkworms as an alternative to animal-derived proteins in its reagents. As gene-recombinant silkworms can be cultivated in typical rooms, we anticipate a stable supply, as well as energy savings and waste reduction compared to conventional methods.

We use proteins produced by silkworms in a hemostasis reagent. This is the first such product to obtain regulatory certification for production in Japan. We have also begun utilizing this technology in our contract manufacturing services.





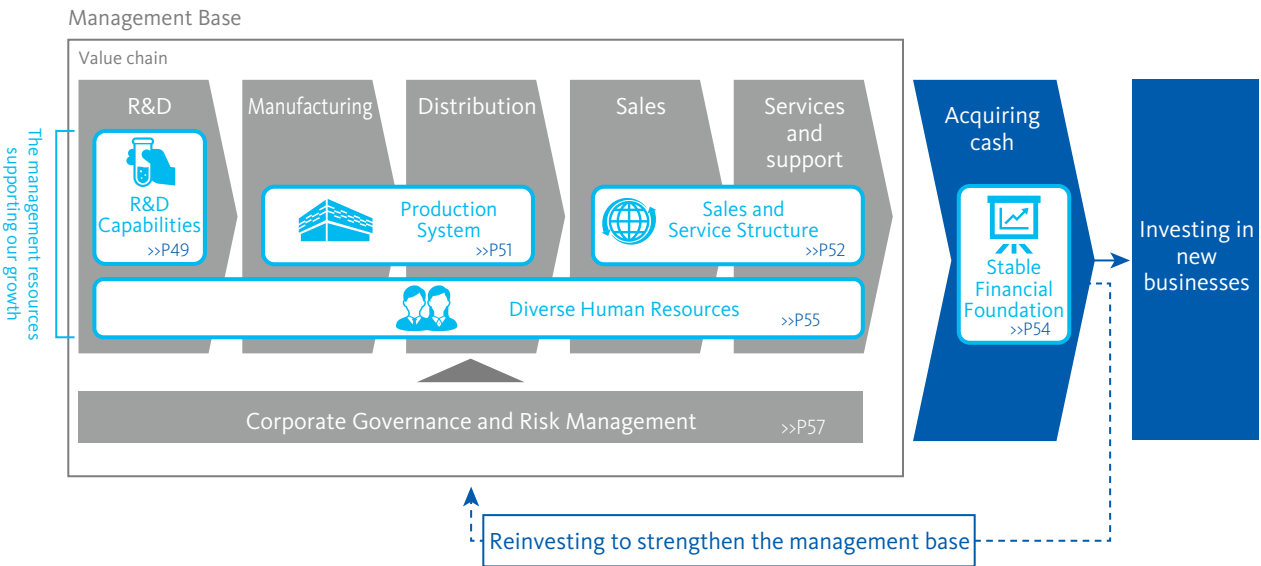
# Management Base to Support Sustainable Growth

We aim to grow further by making use of the management resources we have cultivated to date. At the same time, we will reinforce our management base in the interest of enhancing management quality.



## Management Base

Sysmex has built up a robust management base while leveraging our IVD business at its core. We intend to achieve further growth in our IVD business by using the management resources we have acquired. We will also invest in new businesses to establish drivers of future growth and reinforce our management base. Furthermore, we will strengthen corporate governance and strive to reduce business risk as we forge a more resilient corporate structure.



## R&D Capabilities to Create High-Value-Added Testing and Diagnostic Technologies

Through the technological expertise and technology platforms we have cultivated since establishment, as well as our R&D centers around the world, we will become more competitive in our existing businesses and create new testing and diagnostic technologies.

### Instrument, Reagent and IT Technologies to Provide High-Value-Added Products and Services

Since its establishment, Sysmex has acquired technologies related to instruments, reagents and software. By fusing these technologies, we work to ensure the provision of testing data that is accurate—a critical consideration in testing. These technologies also allow us to make improvements in response to customers' needs and to quickly determine the source of problems when errors occur. In addition to the creation of new testing and diagnostic technologies, one of Sysmex's fortes is the provision of high-value-added products and services that offer enhanced usability as well as reduced environmental impact. >>R&D Personnel P55

To raise testing productivity on the instrument front, we are increasing analyzer processing capacity, providing transport systems to enable the handling of more samples and

making instruments more compact.

We provide two types of reagents: chemical reagents and biological reagents, which are produced from biologically derived substances. Chemical reagents are used mainly in hematology and urinalysis. The concentrated reagents we have developed in the hematology field are gaining traction, mainly in developed countries, where they have earned high marks from customers and are helping to increase our market share. To strengthen our R&D and production capabilities for biological reagents, we established a bio-reagent base in April 2019. In the immunochemistry field and the life science business, we are developing new testing parameters to further enhance the quality of healthcare. >>Concentrated Reagents P46

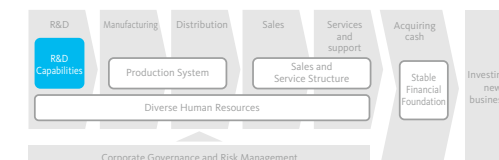
On the IT front, we have been quick to promote the use of networks in medical settings, developing our SNCS network in 1999. More recently, we began providing the Caresphere network solution in 2018. We are also developing new applications

#### Major R&D Initiatives and Value Provided

|             | Major Initiatives   | Value Provided to Stakeholders <sup>1</sup>   |
|-------------|---|---|
| Instruments | <ul style="list-style-type: none"> <li>Development of transport systems</li> <li>Higher processing capacity</li> <li>Greater compactness</li> <li>Environmental friendliness throughout the product life cycle</li> </ul>   | <ul style="list-style-type: none"> <li>Higher laboratory productivity leading to more efficient management</li> <li>Reduced patient wait times</li> <li>Effective use of laboratory space</li> <li>Curtailed medical expenses through more efficient testing</li> <li>Reduced environmental burden (Decreases in electricity consumption, waste and CO<sub>2</sub> emitted during distribution, etc.)</li> </ul>  |
| Reagents    | <p><b>Chemical reagents (Hematology, urinalysis)</b></p> <ul style="list-style-type: none"> <li>Development of new testing parameters</li> <li>Development of concentrated reagents (hematology field)</li> <li>Development of paper containers for reagents (hematology field)</li> </ul> <p><b>Biological reagents (Hemostasis, immunochemistry, life science business)</b></p> <ul style="list-style-type: none"> <li>Establishment of bio-reagent base (2019)</li> <li>Development of new testing parameters</li> <li>Creation of synergy within Group companies (HYPHEN BioMed, Oxford Gene Technology (OGT), etc.)</li> </ul> | <ul style="list-style-type: none"> <li>Enhancing the quality of healthcare through the creation of new testing parameters</li> <li>Decreasing reagent changing frequency and reducing storage space due to the use of concentrated reagents</li> <li>Reduced environmental impact (Reduced CO<sub>2</sub> emissions during transport, contribution to shift away from plastic, etc.)</li> <li>Employment creation at various reagent factories</li> </ul> |
| IT          | <ul style="list-style-type: none"> <li>Started offering the SNCS network service (1999)</li> <li>Provision of Caresphere network solution utilizing AI technologies and ICT</li> <li>Moving to online external quality control</li> <li>Introduction of virtual training (Sysmex America)</li> </ul>  | <ul style="list-style-type: none"> <li>Ensuring the stability of testing data</li> <li>Configuration of systems to prevent the interruption of testing (Breakdown prevention, swift recovery, etc.)</li> <li>More efficient laboratory operation (reduced travel time for product training, etc.)</li> <li>Reducing CO<sub>2</sub> emissions due to travel</li> </ul>   |

>>Environmental Consideration in Our Business Activities P45

1 ■ Value provided to customers (such as medical institutions) ■ Value provided to society



and services for Caresphere that will increase the efficiency and quality of testing. >>Service and Support Structure That Utilizes ICT P53

Our R&D facilities center on Technopark (Kobe), our hub for R&D, and include facilities in Europe, the United States, China and other countries. Having bases globally enables us to work more closely with external institutions in each region, access new technologies more quickly and provide support for clinical trials.

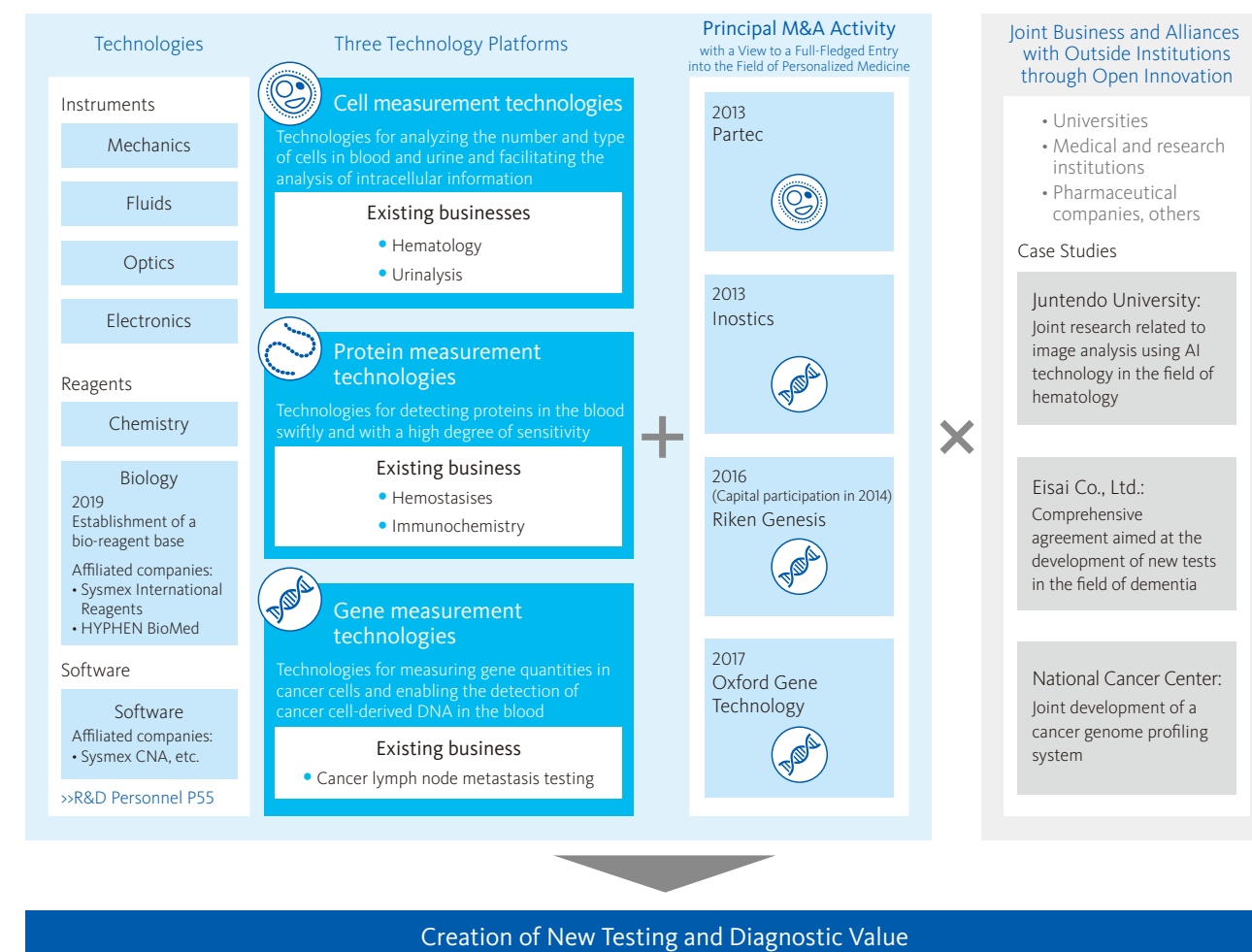
### Technology Platforms for Creating New Value

One of Sysmex's R&D strengths lies in its three technology platforms, for measuring cells, proteins and genes. In our cell measurement platform, we are developing technologies to analyze the number and type of cells in blood and urine and analyze intracellular information. In our protein measurement platform, we are developing technologies for the swift and

highly sensitive detection of proteins in the blood. Our gene measurement platform includes technologies for measuring the quantities of genes in cancer cells and detecting cancer-cell-derived DNA in the blood.

With the environment that surrounds the healthcare domain changing rapidly, we have been employing M&A and open innovation to develop technologies quickly and commercialize them. M&A enables us to reinforce our platforms. By combining newly acquired technologies with the technological capabilities we have cultivated through our existing businesses, we aim to create value distinctive to Sysmex. Through open innovation, we strive to integrate external technologies and knowledge from universities, medical institutions, research institutions and pharmaceutical companies with Sysmex's management resources. As a result, we aim to create new value swiftly and launch new products into the market in a timely manner.

#### Sysmex's Technologies for Creating New Value





## Production System Capable of Achieving High Quality and Stable Supply

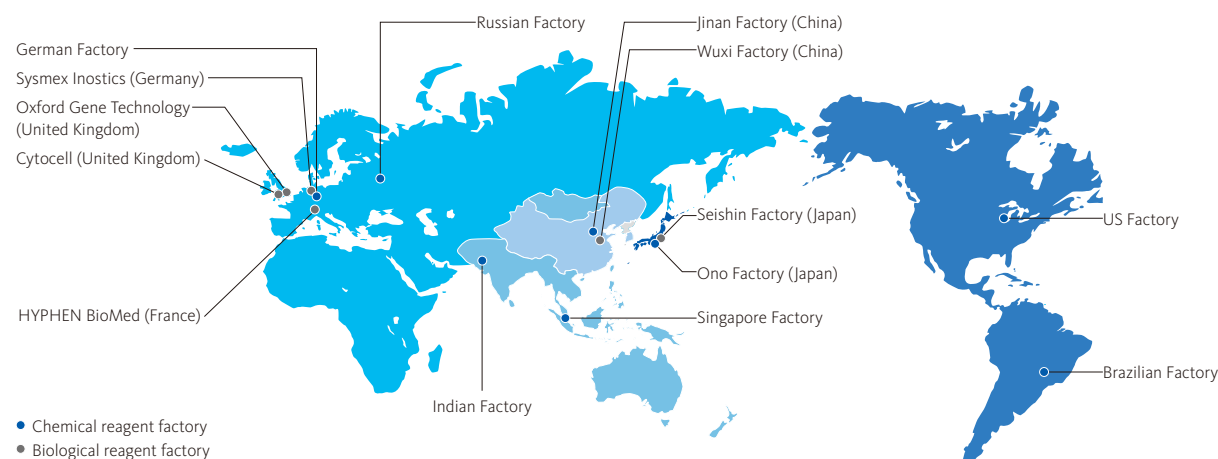
High quality and a stable supply are essential aspects of our products, which support healthcare activities. Sysmex exercises thorough quality control and has a global production system to deliver products in a timely manner.

### An Instrument Production System Capable of Achieving High Quality

Medical settings require accurate test results, so analyzers must be top-quality. For this reason, we have situated our factories in the Kobe area, which is also our hub for R&D and marketing. From here, we strengthen cooperation within the Company and manufacture small lots of highly varied, high-quality products.

Winning out in global price competition requires increased production efficiency. We are building a framework to support manufacturing staff by introducing leading-edge production technologies utilizing ICT.

#### Global Reagent Supply Structure



#### Major Production Initiatives and Value Provided

|                       | Major Initiatives  | Value Provided to Stakeholders <sup>1</sup>   |
|-----------------------|--|---|
| Instrument Production | <ul style="list-style-type: none"> <li>● An efficient production system that utilizes ICT</li> <li>● Start of knockdown production in China with measures giving preferential treatment to items manufactured in the country</li> <li>● Conformance to international standards and obtaining various types of qualification (quality, environment)</li> </ul>  | <ul style="list-style-type: none"> <li>■ High-quality instruments providing accurate testing data</li> <li>■ Environmental consideration (such as using solar power reduce electricity consumption)</li> </ul>  |
| Reagent Production    | <ul style="list-style-type: none"> <li>● Building a global production system</li> <li>● Starting operation of a bio-diagnostic reagent base (internalize production of substances, develop alternatives to animal-derived substances)</li> <li>● Consideration for the environment across the product life cycle (such as reducing packaging materials)</li> <li>● Conformance to international standards and obtaining various types of qualification (quality, environment)</li> </ul> | <ul style="list-style-type: none"> <li>■ Building a framework to prevent testing from being interrupted</li> <li>■ Environmental consideration (reducing waste, helping to conserve biodiversity by using alternatives to animal-derived substances in reagents, etc.)</li> </ul> |

<sup>1</sup> ■ Value provided to customers (such as medical institutions) ■ Value provided to society



### A Structure for the Stable Supply of Reagents

To perform tests, medical institutions require a stable supply of the reagents they use on an everyday basis. Sysmex is configuring production systems to ensure a stable supply of reagents to customers around the world.

We provide a stable supply of chemical reagents, which are used mainly in the hematology and urinalysis fields, from eight locations around the world. We have set up our system so that individual factories can supply each other as needed in the event of disaster.

In 2019, we established a bio-diagnostic reagent base to produce the biological reagents used in the immunochemistry and life science fields. We aim to provide a steady stream of high-quality, high-value-added products through an integrated structure from the development of reagent substances to their production and distribution.

## Sales and Service Structure to Realize Global Growth

Through our global sales and service network and by leveraging the strength in branding afforded by our No. 1 share of the hematology market (a testament to the trust we have earned with customers), we are working to capture an even greater market share.

### Sales and Service Network Covering More Than 190 Countries and Regions

The main reason for our global growth has been our ability to anticipate the needs of the times and quickly build business bases in individual regions. We began developing our business globally soon after our founding, and we now have affiliated companies in more than 40 countries.

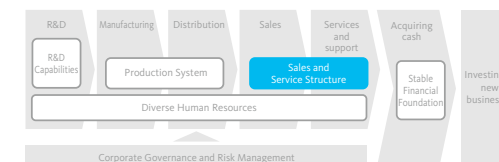
Notably, the direct sales and service structure we have built puts us on the front line and enables us to better ascertain customers' needs for new products and services. In recent years, we have established a local subsidiary in Egypt and revised our sales structures in India and Brazil. We are also expanding our sales network in response to regional characteristics by forming alliances with major global companies and collaborating with distributors to expand our sales network.

>>Global Business Development P39

We make use of these structures to provide high-value-added products and services and offer scientific information to help increase the level of healthcare in emerging markets and developing countries. Attesting to the customer trust such activities have earned us, in fiscal 2006 we gained the No. 1 share of the global market in hematology, our mainstay field of business. We have continued to build the Sysmex brand since then, leading to ongoing increases in market share. >>Customer Assessment P53

### Administration and Sales Management Attuned to Regional Characteristics

Sysmex divides its sales regions into five areas for management purposes. Rather than dispatching managers from Japan, we encourage local management, placing in charge people who



are familiar with those regions. This approach facilitates swift decision-making that is appropriate for local market conditions and is one reason for the rapid growth of our overseas business.

In individual regions, we also strive to manage our business in a way that respects the cultures and values of individual countries and regions. Building systems that are tailored to regional characteristics and creating friendly working environments helps to ensure high levels of performance and serves as a driving force for global business expansion.



Members of regional headquarters management

### Responding to Increasingly Stringent Regulatory Systems

In recent years, regulatory structures have been growing stringent in developed countries, and emerging markets have been introducing their own systems. Accordingly, the ability to navigate these systems is becoming increasingly essential to competing in these markets.

Sysmex tailors its sales activities to respond as necessary to individual countries' regulatory systems, conducting business in more than 190 countries and regions. To launch new products in a timely manner we are reinforcing our regulatory affairs and clinical development functions. We achieve business diversification and strengthen our response to regulatory trends by enhancing our structures for product evaluation on a global basis and recruiting and cultivating specialized human resources.

#### Major Initiatives and Value Provided in Sales and Service

|                                  | Major Initiatives  | Value Provided to Stakeholders <sup>1</sup>   |
|----------------------------------|--|---|
| Sales and Service Structure      | <ul style="list-style-type: none"> <li>● Developing direct sales by establishing local subsidiaries</li> <li>● Developing indirect sales by entering into agreements with distributors</li> <li>● Training sales and service personnel</li> <li>● Proposing solutions to address the issues customers face</li> </ul>                  | <ul style="list-style-type: none"> <li>■ Enhancing productivity to address problems laboratories face</li> <li>■ Curtailing medical costs through higher laboratory productivity</li> <li>■ Creating employment in various countries</li> </ul> |
| Responding to Regulatory Systems | <ul style="list-style-type: none"> <li>● Hiring regulatory professionals in individual countries, putting into place and enhancing the Regulatory Affairs Department</li> <li>● Swift response to changing regulatory systems</li> <li>● Support for regulatory registration in countries where we conduct sales indirectly</li> </ul> | <ul style="list-style-type: none"> <li>■ Higher quality of healthcare due to the introduction of Sysmex products</li> <li>■ Enhanced patient quality of life through the application of new test parameters</li> </ul>                          |

<sup>1</sup> ■ Value provided to customers (such as medical institutions) ■ Value provided to society



## Stable Financial Foundation

Sysmex has built a highly profitable business model in its existing IVD business. The stable profits we generate enables us to invest proactively with a view to medium- to long-term growth.



### Service and Support Structure That Utilizes ICT

In healthcare settings, diagnosis is largely based on results, so delivering test results that are accurate and preventing instrument malfunctions that result in downtime are of paramount importance. To achieve these aims, rather than repairing instruments when they break down, we have created systems to prevent their malfunction and respond swiftly in the event of a breakdown.

We launched Sysmex Network Communication Systems (SNCS), a network system, in 1999. By linking customers' instruments and Sysmex's customer support center over a network, this system facilitated the analysis of instrument operational logs for quality control of testing data and the prevention of breakdowns.

The quality control expertise we have cultivated in this way should provide a significant competitive advantage going forward as we commercialize new testing and diagnostic technologies to make a full-fledged entry into primary care and realizing personalized medicine.

### Services and Support Tailored to Regional Characteristics

Sysmex tailors its service and support to the characteristics of individual regions. For example, we have introduced virtual training in the United States, where medical institutions are spread across a large area. Customers can undergo training

in real time via a network, without having to visit Sysmex's training center in person. The ability to receive training in real time and at their own levels of experience and proficiency has proven to be a great time saver for customers in remote locations. In the United States, we also provide a service using tablet-based tools, and in China we offer a service linked to WeChat. We also train sales and support staff thoroughly, underpinning our ability to provide high-quality services through both direct and indirect sales channels.

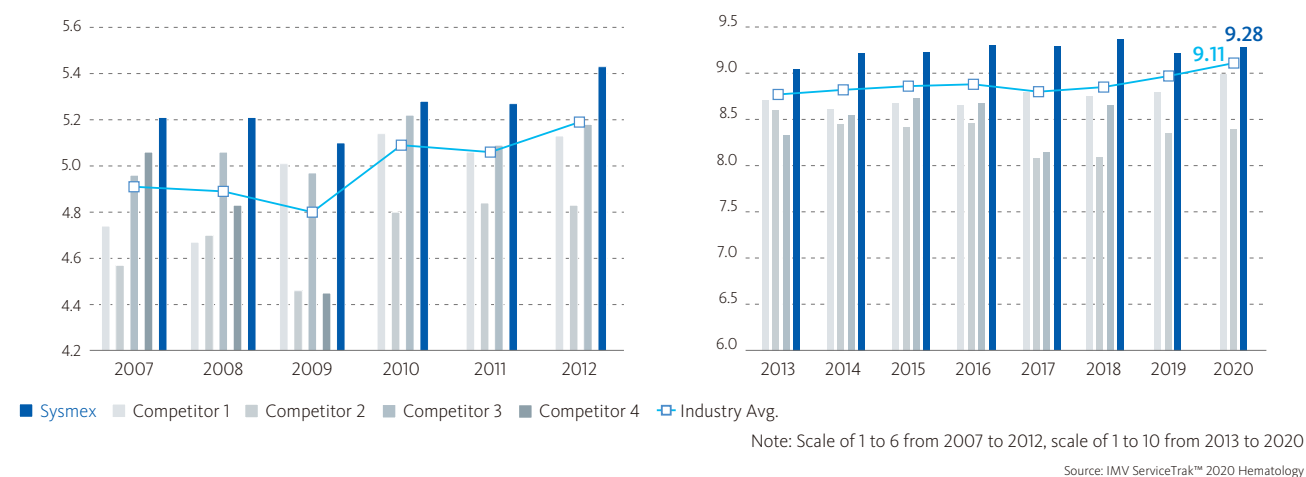
Due to service innovation initiatives such as these, Sysmex's products and service and support activities receive high marks in customer satisfaction surveys.



Case Study:  
The introduction of virtual training helped to reduce the amount of time required to travel for scientific support at the time of instrument delivery by 13 hours.

### Customer Assessment in the United States (Overall Service Performance)

Sysmex earns highest customer satisfaction rating for the past 14 years



### A Business Model for Achieving Steady Profitability

Testing demand is relatively unaffected by global circumstances and economic trends, resulting in stable profitability in our business.

Our existing IVD business represents a recurring-revenue business model. Even after customers buy our instruments, we continue to provide reagents and service and support. Reagents are needed each time an analyzer is used to measure a patient's blood or other samples. Service and support are essential to ensuring customers can continue to use our

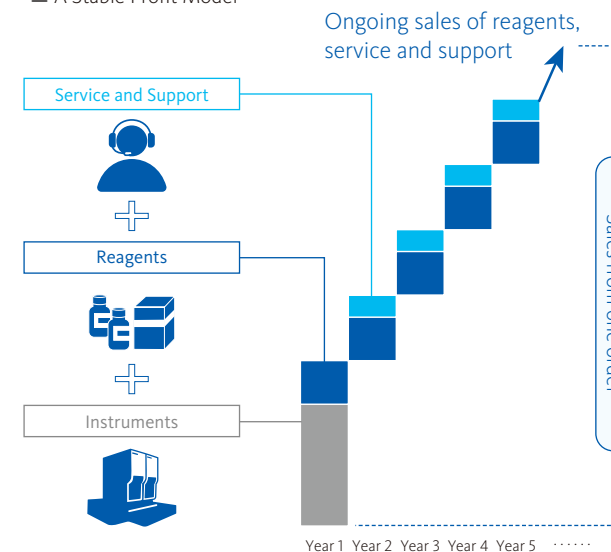
instruments with confidence.

The level of customer satisfaction for our products and services is high, so in addition to sales to new customers we often receive ongoing business from existing ones. This high repeatability is one reason we maintain high profitability.

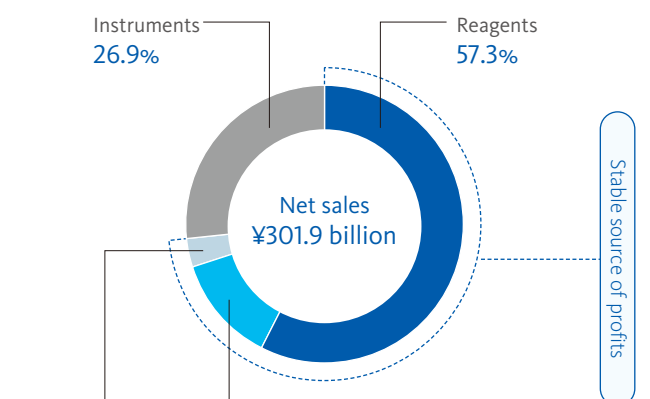
>>Customer Assessment P53

In fiscal 2019, reagents and, sales and services accounted for 73.1% of net sales. Reasons for this growth include the fact that our business comprises a rising share of large-scale institutions that use large quantities of reagents. Also, we are expanding our portfolio of products with high clinical significance.

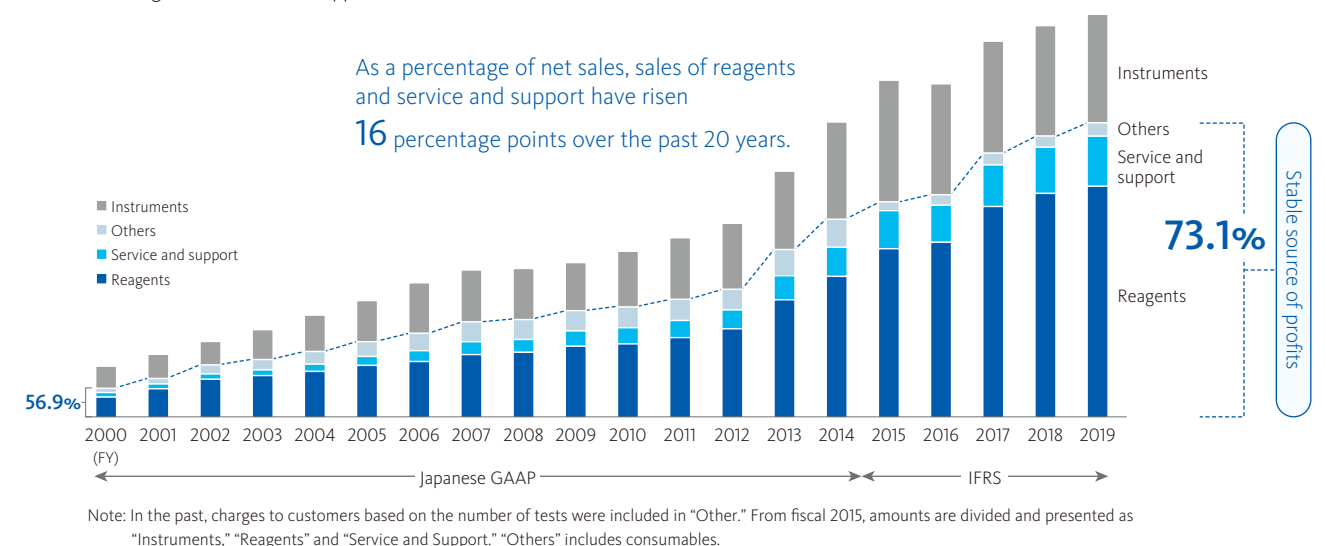
### A Stable Profit Model



### Composition of Sales (Fiscal 2019)



### Sales of Reagents, Service and Support





## Diverse Human Resources Supporting Sustainable Growth

Sysmex attracts people who are motivated by the desire to help resolve medical problems. Employees with a strong conviction and wide-ranging backgrounds are a key management resource supporting our sustainable growth and represent one of Sysmex's strengths.

### Employees helping to resolve medical issues

The "Sysmex Way," the corporate philosophy for the Sysmex Group, defines the Group's mission as "shaping the advancement of healthcare." In keeping with this philosophy, our employees are committed to resolving medical issues on a global stage. Particularly among the millennial generation, in recent years employees have demonstrated an increasing desire to contribute to society through their work. At present, more than 9,000 employees throughout the Sysmex Group are putting the "Sysmex Way" into practice in order to extend healthy lifespans. The results of our global Corporate Culture Survey suggest that employees are highly motivated toward their work; in one indicator of social engagement, around 80% of employees responded "Yes" to the statement "I am proud to be a member of Sysmex."

### Diverse Group Employees Creating a Competitive Advantage

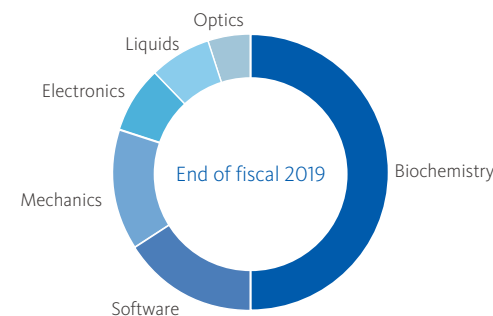
The diverse people who work at Sysmex are one of our management resources driving sustainable growth. For example, our R&D staff hail from diverse backgrounds, enabling us to develop instruments, reagents and software across different technology platforms (cell, protein and gene). Also, our global human resources are a major strength, supporting our business development across more than 190 countries and regions.

Notably, our overseas business is driven by seconded Japanese employees in fewer than 1% of cases. Rather, we concentrate on establishing local subsidiaries and hiring locally. Instead of directing business from corporate headquarters, we hire and delegate business to people who are familiar with

their local markets, enabling us to roll out measures swiftly and appropriately.

>>Administration and Sales Management Attuned to Regional Characteristics P52

■ Breakdown of Specializations among R&D Personnel

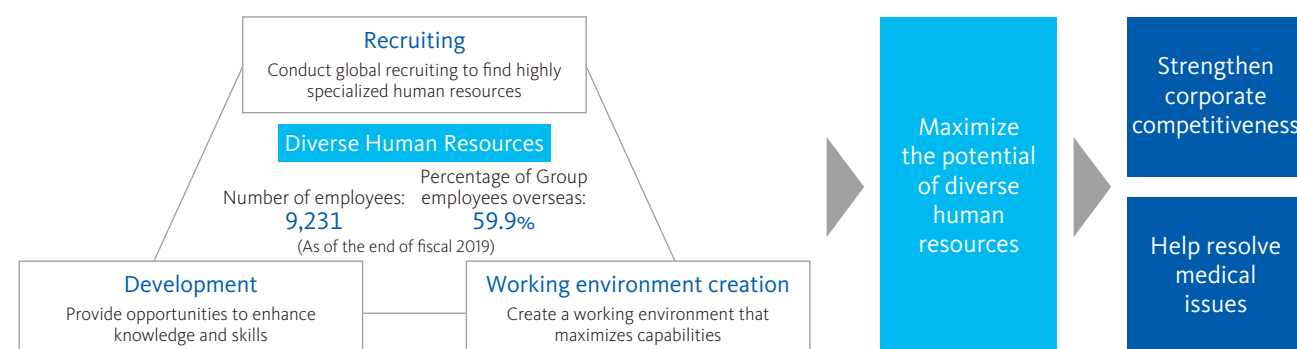


### Various Initiatives for Enhancing Diversity

Sysmex strives to be a company where employees from diverse backgrounds can contribute. We embrace diversity and inclusion, and we plan to make further improvements under this theme.

Goal 5 of the SDGs calls for us to "Achieve gender equality and empower all women and girls." To encourage the employment of women, we have set a higher percentage of female managers in the Group as one of our non-financial targets. In fiscal 2019, the figure rose by 0.3 percentage point year on year, to 15.5%. In Japan, where the percentage of female managers is lower than in other regions, we have created an environment that strives to foster work-life balance for both women and men, such as by setting up a work-at-home system and an in-house daycare center. As a result, the percentage of female managers at Sysmex Corporation has risen by 2.1 percentage

■ HR Initiatives to Bolster Corporate Competitiveness



points since fiscal 2013, to 7.8%. Furthermore, women make up 21.5% of next-generation managers, up 12.8 percentage points from fiscal 2013, indicating that we are making steady progress.

>>Percentage of female managers / Percentage of next-generation female managers P30

>>Sustainability Data Book >Promotion of diversity P30

### Providing Employees with Opportunities for Growth and Cultivating Next-Generation Managers

Sysmex is proactive about human resource training, as it believes in the importance of providing employees with growth opportunities.

In addition to on-the-job training and business skill development in individual regions and divisions, we are working to cultivate people as next-generation managers at an early stage. To this end, we introduced the Sysmex Academy in 2009. The CEO and other members of the management team serve directly as lecturers, passing on the corporate DNA of our founder and communicating the mindset managers require. The academy also provides programs to build necessary management skills and hone interpersonal skills. The academy has trained numerous management personnel in the 10 fiscal years since it began. Many members of the Managing Board and executive offers are graduates of the academy, and are now taking charge of Sysmex's management.

As part these initiatives, we have set employee training hours as one of the non-financial targets we monitor. We plan

to enhance these activities going forward.

>>Sustainability Data Book >Development of human resources P32

### Creating a Comfortable Working Environment

To help employees perform at their best, we provide a comfortable working environment and make health maintenance a top priority. We have introduced systems to support an appropriate work-life balance that are tailored to the needs and characteristics of each region and we encourage proactive health management. In April 2020, we formulated the "Sysmex Declaration of a Healthy Company." This declaration marks an acceleration of our efforts to provide an attractive workplace by promoting health and safety activities, enhancing health, and ensuring balance.

We have earned external accolades and awards for these efforts in various regions. For example, Sysmex America has been selected for the "Companies That Care Honor Roll" for 11 consecutive years for its excellence in promoting work-life balance and a comfortable working environment.

When COVID-19 infections began to spread, we put top priority on employee safety. We responded swiftly by proactively setting up a teleworking environment.

Building this sort of working environment enables us to recruit and retain excellent human resources. At the same time, we are contributing to the third SDG, to "Ensure healthy lives and promote well-being at all ages."

>>Our Response to the COVID-19 Pandemic P19  
>>Sustainability Data Book >Provision of a comfortable working environment P25

### Introduction of a New Job-Based HR Management System to Foster the Development of Next-Generation Management Resources

Sysmex promotes the development and enhancement of specialized human resources that can help its business grow. Sysmex Corporation, which employs job rotation, is particularly sensitive to the need to develop specialized human resources from a medium- to long-term perspective. For this reason, and to facilitate the ability to respond rapidly to changes in society, in April 2020 we introduced a new HR management system to cultivate our personnel and drive sustainable growth.

Key changes include a shift away from a function-oriented HR system that grades individual capabilities to a job-based system, where evaluations are tied to roles and job content. By setting compensation at levels that make us competitive with other organizations, we aim to attract leaders who can shine on a global stage, as well as highly specialized human resources. Through planned successor training and independent employee career development, we aim to enhance employee engagement.

As a first stage, we plan to target managers in Japan, helping them to broaden their targeted regions and horizons on a global scale. By making our HR management system globally consistent, we aim to reinforce our basis for developing diverse human resources through a single platform.

Corporate Governance

By reinforcing corporate governance, we aim to enhance management soundness and transparency, and maximize corporate value throughout the Group.

Basic Policy on Corporate Governance

Sysmex recognizes that reinforcing corporate governance is an important management issue. Based on the “Sysmex Way,” the corporate philosophy of the Sysmex Group, we are working to maximize the corporate value of the overall Group by enhancing management soundness and transparency and raising management speed and efficiency.

In our efforts to shore up corporate governance over the years, we have established an Audit and Supervisory Committee, enhanced the Managing Board’s supervisory function through the introduction of outside members and evaluated the Managing Board’s effectiveness. We also established a Compliance Committee and an internal reporting system, augmented a Groupwide risk management function and engaged in other initiatives to strengthen our base with a view to sustainable growth.

Management Organization

Sysmex has adopted a system of a company with an Audit and Supervisory Committee. Managing Board members who are also members of the Audit and Supervisory Committee have voting rights. This arrangement reinforces the Managing Board’s audit and supervisory functions, as well as heightening management transparency and objectivity. In addition, we have appointed outside members of the Managing Board, thereby strengthening the board’s supervisory function.

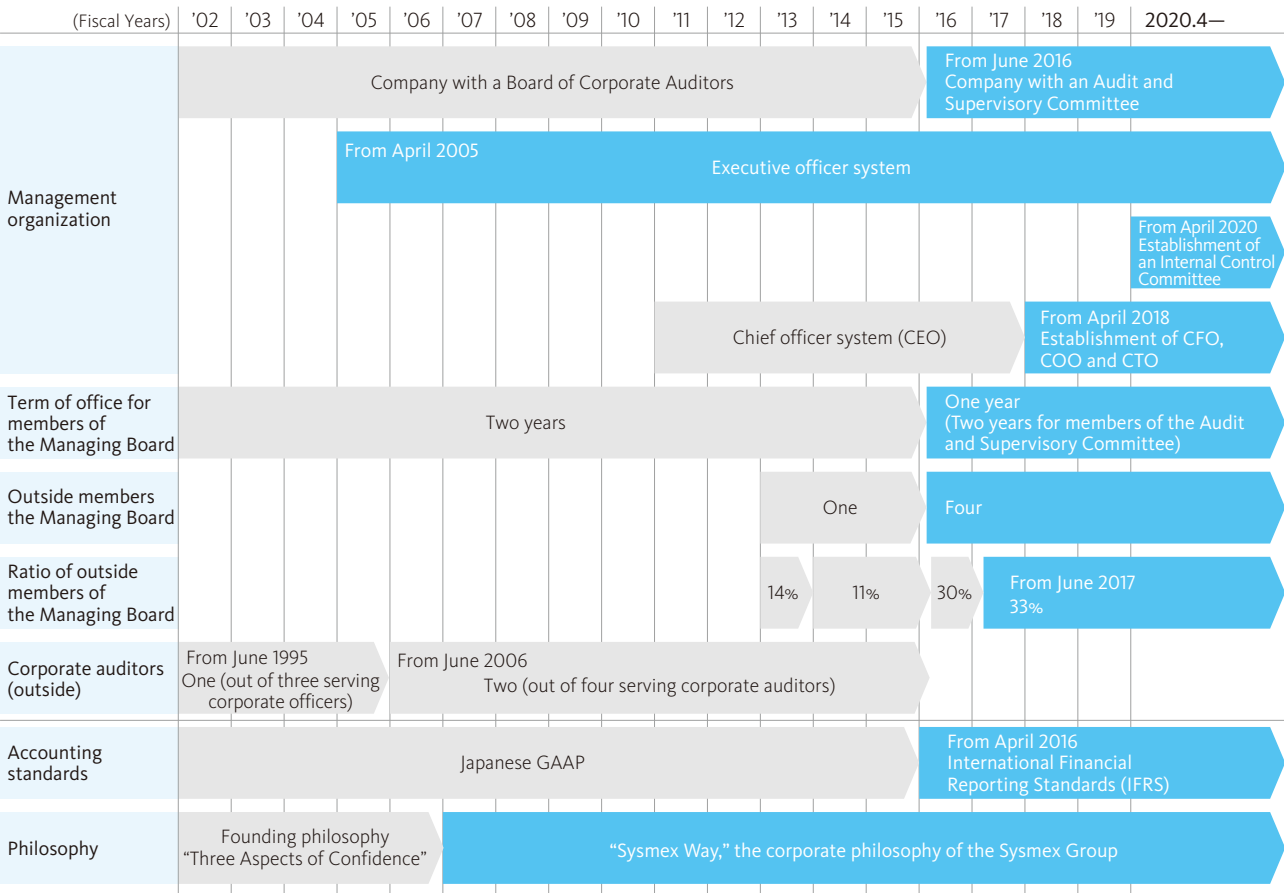
Furthermore, we have introduced an executive officer system to accelerate decision-making on business execution and respond swiftly to changes in the business environment. In fiscal 2018, we expanded our chief officer system, establishing the posts of CFO, COO and CTO to clarify roles and responsibilities for finance, operations and technology, and increased the speed of strategic execution in those areas. In addition, in fiscal 2020 we established an Internal Control Committee tasked with overall internal control and risk management to ensure sustainable growth and enhance corporate value over the medium to long term. This arrangement will promote the systematic preparation, operation and monitoring of internal controls while taking a bird’s-eye view of the overall Group.

The Company currently has 12 members of the Managing Board (of whom four are outside members). Also, three board members are members of the Audit and Supervisory Committee. (Two members of the Audit and Supervisory Committee are outside members of the Managing Board.) The Company also has 17 executive officers (of whom six concurrently serve as members of the Managing Board).

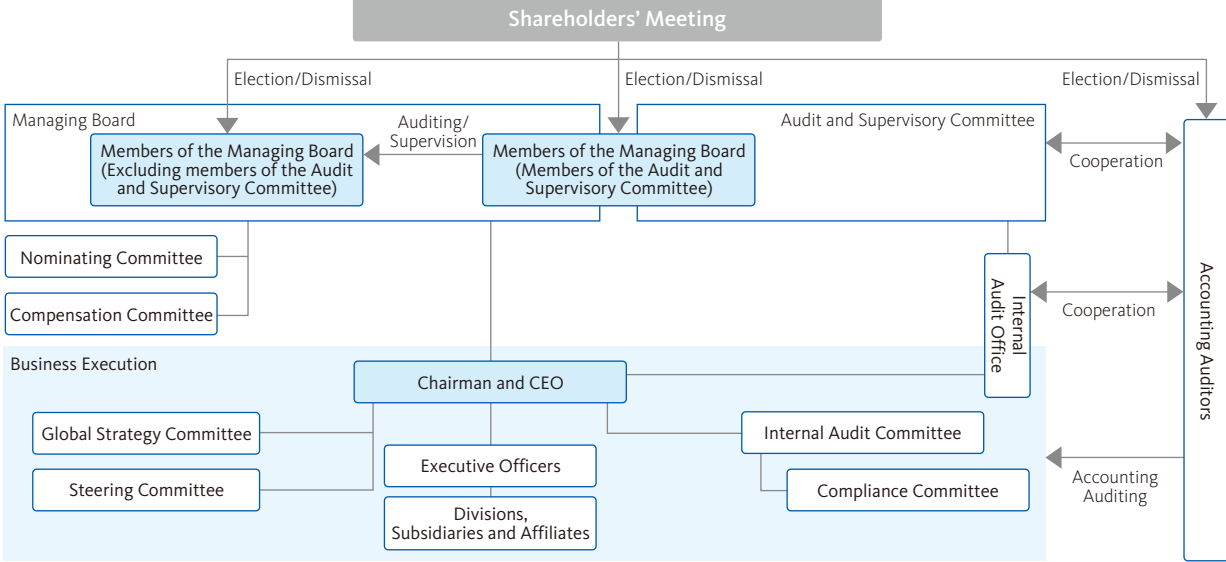
Compliance with Japan's Corporate Governance Code

Sysmex complies with each of the principles of Japan’s Corporate Governance Code, introduced by the Tokyo Stock Exchange. Please see our website for details.  
[»Website »About Sysmex »Corporate Governance](#)

Advances in Corporate Governance



Corporate Governance Structure



| Organization                    | Function and Content   | Composition   | Meetings Held in Fiscal 2019 |
|---------------------------------|--|---|------------------------------|
| Managing Board                  | Deliberate on important matters related to management  | Members of the Managing Board   | 15                           |
| Nominating Committee            | A Managing Board advisory body involved in executive appointments  | Chairman and CEO, members of the Managing Board (2), outside member of the Managing Board (1)               | 2                            |
| Compensation Committee          | A Managing Board advisory body involved with decisions on executive compensation   | Chairman and CEO, members of the Managing Board (2), outside member of the Managing Board (1)               | 4                            |
| Audit and Supervisory Committee | Independent institution for auditing the execution of operations, mainly by members of the Managing Board                                  | Members of the Audit and Supervisory Committee  | 21                           |
| Global Strategy Committee       | Deliberate on and discuss medium- to long-term Group management directions, important strategies and issues                                | Chairman and CEO, senior executive officers, member of the Audit and Supervisory Committee <sup>1</sup> (1) | 12                           |
| Steering Committee              | Discuss, deliberate on and report on projects that are important from the perspective of making progress on the Group's fiscal yearly plan | Chairman and CEO <sup>1</sup> , executive officers, member of the Audit and Supervisory Committee (1)       | 16                           |

1 Participating as an observer

Members of Major Boards (As of June 19, 2020)

|          |                               | Career | Rate of Attendance at Meetings of the Managing Board | Rate of Attendance at Meetings of the Nominating Committee | Rate of Attendance at Meetings of the Compensation Committee | Rate of Attendance at Meetings of the Audit and Supervisory Committee |
|----------|-------------------------------|--------|--|--|--|---|
| Internal | Name                          |        |  |  |  |   |
|          | Hisashi Ietsugu               |        | 100%   | 100%   | 100%   | —   |
|          | Yukio Nakajima                |        | 100%   | 100%   | 100%   | —   |
|          | Kaoru Asano                   |        | 100%   | 100%   | 100%   | —   |
|          | Kenji Tachibana               |        | 100%   | —  | —  | —   |
|          | Junzo Yamamoto                |        | 100%   | —  | —  | —   |
|          | Iwane Matsui                  |        | 100%   | —  | —  | —   |
| External | Hiroshi Kanda                 |        | 100%   | —  | —  | —   |
|          | Yukitoshi Kamao               |        | 100%   | —  | —  | 100%  |
|          | Masayo Takahashi              |        | 100%   | —  | —  | —   |
|          | Kazuo Ota                     |        | 100%   | —  | —  | —   |
|          | Kazumasa Hashimoto            |        | — <sup>1</sup>                                       | —  | —  | — <sup>1</sup>  |
|          | Michihide Iawasa              |        | — <sup>1</sup>                                       | — <sup>1</sup>   | — <sup>1</sup>   | — <sup>1</sup>  |
|          | Koichi Onishi <sup>2</sup>    |        | 100%   | 100%   | 100%   | 95.2%   |
|          | Kazuhiro Kajiura <sup>2</sup> |        | 100%   | —  | —  | 100%  |

Note: Attendance rates are for fiscal 2019. 1 Member from June 2020 2 Stepped down in June 2020



Effectiveness of the Managing Board

The Managing Board is composed of members having diverse knowledge, experience and expertise. We strive to ensure appropriate diversity and scale, taking into account the overall balance of the Managing Board.

To enhance the functions of the Managing Board, the Company conducts a document-based questionnaire survey of all members of the Managing Board (including members of the Audit and Supervisory Committee). The Board's effectiveness is determined on the basis of deliberation by the Managing Board of the aggregate results. In fiscal 2019, the Board was evaluated highly on many items, indicating that it is functioning effectively and filling its role appropriately. Meanwhile, the Company recognizes the need to persevere in initiatives to further increase the Board's effectiveness. We will continue to regularly evaluate the Managing Board in the aim of maintaining and increasing its effectiveness and continuing to enhance our corporate value.

■ Overview of Evaluation of Effectiveness (Composition)

The scale of the Managing Board and ratio of independent outside members of the Managing Board are generally appropriate, both in nature and diversity.

(Operation)

The provision of information necessary to fully discuss the Managing Board's agenda is generally appropriate. To further improve effectiveness, the Company is continually working to improve the Managing Board's operation by providing advance explanations to outside members of the Managing Board, organizing points at issue and providing related information necessary to understand the background. We hold opinion exchange meetings attended solely by outside members of the Managing Board as we seek to promote understanding of key issues. We also engage in other initiatives to invigorate deliberations. Nevertheless, room for improvement remains with respect to improving the timing when materials for deliberation are provided; initiatives to provide these materials earlier are still needed.

(Status of Agenda and Deliberation)

The time for addressing and deliberating the Managing Board's agenda is appropriate, and we strive to provide individual

members of the Managing Board with an understanding of agenda items and information prior to meetings, as well as to leverage their knowledge and experience to engage in deliberation. Matters of management importance are put on the agenda in a timely manner, and decision-making is appropriate, with outside members of the Managing Board interjecting objective and rational opinions. Going forward, further efforts are needed to encourage even more frank and free exchange of opinions and realize advanced decision-making through more vigorous deliberation by the Managing Board.

■ Major Managing Board Agenda Items (Fiscal 2019)

- Appointments and dismissals of members of the Managing Board, compensation-related matters
- Reports on the status of business execution by members of the Managing Board
- Evaluation of the Managing Board's effectiveness
- Audit policy, audit plan and audit implementation report (members of the Audit and Supervisory Committee)
- Progress on Group management plan
- Business expansion strategies and initiatives
- Group operating performance; quarterly, semiannual and annual results
- Introduction of a new HR management structure targeting managers

Effectiveness of the Audit and Supervisory Committee

Members of the Audit and Supervisory Committee attend important meetings, such as meetings of the Managing Board; browse approval documents; audit subsidiaries and conduct other activities to confirm the status of business execution by members of the Managing Board.

The Audit and Supervisory Committee also audits the working of the Company's internal control system. The committee works closely with the accounting auditors to confirm the accounting audit plans and results, exchanging information and opinions.

Principal matters considered by the Audit and Supervisory Committee in fiscal 2019 included the appropriateness of audit policies and plans, preparation and state of operation of the internal control system, and methods and results of audits by the accounting auditors.

■ Skill Matrix for Members of the Managing Board (As of June 19, 2020)

|          | Name               | Gender | Year | Initial appointment | Independent | Area of experience |        |                     |                 |                 |                        |                 |
|----------|--------------------|--------|------|---------------------|-------------|--------------------|--------|---------------------|-----------------|-----------------|------------------------|-----------------|
|          |                    |        |      |                     |             | General management | Global | Sales and marketing | Technology, R&D | Production, SCM | Finance and accounting | Human resources |
| Internal | Hisashi Ietsugu    | M      | 1949 | 1986                |             | ○                  |        | ○                   |                 |                 | ○                      | ○               |
|          | Yukio Nakajima     | M      | 1950 | 1999                |             | ○                  |        | ○                   |                 |                 | ○                      | ○               |
|          | Kaoru Asano        | M      | 1958 | 2014                |             | ○                  |        |                     | ○               |                 |                        |                 |
|          | Kenji Tachibana    | M      | 1957 | 2014                |             | ○                  | ○      | ○                   |                 |                 |                        |                 |
|          | Junzo Yamamoto     | M      | 1955 | 2017                |             | ○                  |        |                     | ○               | ○               |                        |                 |
|          | Iwane Matsui       | M      | 1961 | 2019                |             | ○                  | ○      | ○                   |                 |                 |                        |                 |
|          | Hiroshi Kanda      | M      | 1957 | 2019                |             | ○                  | ○      | ○                   | ○               |                 |                        |                 |
|          | Yukitoshi Kamao    | M      | 1956 | 2016                |             | ○                  |        |                     |                 |                 | ○                      |                 |
| External | Masayo Takahashi   | F      | 1961 | 2016                |             | ○                  | ○      |                     | ○               |                 |                        |                 |
|          | Kazuo Ota          | M      | 1955 | 2019                | ○           | ○                  | ○      |                     |                 |                 |                        | ○               |
|          | Kazumasa Hashimoto | M      | 1953 | 2020                | ○           | ○                  |        | ○                   |                 |                 | ○                      |                 |
|          | Michihide Iawasa   | M      | 1956 | 2020                | ○           | ○                  |        |                     |                 |                 |                        |                 |

Note: "Global" indicates experience at an overseas post.

Executive Compensation

Compensation for members of the Managing Board makes a clear link between operating performance and responsibility for achievements. Compensation for members of the Managing Board, excluding members of the Audit and Supervisory Committee and outside members of the Managing Board divides broadly into fixed and performance-linked portions. Fixed compensation is determined based on a member's position, while performance-linked compensation is allocated on the basis of results. Profit attributable to owners of the parent is used as the indicator for performance-linked compensation. This indicator refers to net earnings for the consolidated fiscal year (sales net of expenses and profit or loss), so is considered by the Company to be an appropriate indicator for performance-linked compensation. Remuneration for members of the Managing Board (members of the Audit and Supervisory Committee) and outside members of the Managing Board consists of fixed remuneration only.

Remuneration amounts for members of the Managing Board (excluding members of the Audit and Supervisory Committee) are discussed and determined by the Managing Board following deliberation by the Compensation Committee. The Audit and Supervisory Committee deliberates and decides on remuneration of Audit and Supervisory Committee members.

A certain portion of fixed compensation for members of the Managing Board and executive officers is applied toward the purchase of the Company's stock in the aim of bolstering shareholder value by motivating management to pursue

■ Breakdown of Executive Compensation

Compensation for members of the Managing Board (excluding members of the Audit and Supervisory Committee and outside members of the Managing Board)

Fixed compensation: Approximately 41%      Performance-linked compensation: Approximately 59%

Members of the Audit and Supervisory Committee and outside members of the Managing Board

Fixed compensation: 100%

Fixed compensation: Fixed compensation is determined based on a member's position. A certain portion is applied toward the purchase of the Company's stock  
Performance-linked compensation: Performance-linked compensation amounts are multiplied by a variable compensation factor within 3% of profit attributable to owners of the parent to determine the total amount of variable compensation. From this amount, position-specific factors (related to the scale and responsibility of members of the Managing Board, as well as the degree of their impact on Group management) and individual evaluation factors are used to determine individual disbursements.

■ Actual Executive Compensation (Fiscal 2019)

(Millions of yen)

| Executive category  | Total compensation paid | Amount of compensation by type |                                 |               | Number of executives receiving compensation |
|---|-------------------------|--------------------------------|---------------------------------|---------------|---|
|   |                         | Fixed compensation             | Performance-linked compensation | Stock options |   |
| Members of the Managing Board (excluding members of the Audit and Supervisory Committee and outside members of the Managing Board) <sup>1</sup> | 597                     | 245                            | 245                             | 107           | 9   |
| Members of the Audit and Supervisory Committee (excluding outside members of the Managing Board)  | 24                      | 24                             | —                               | —             | 1   |
| Outside members of the Managing Board   | 28                      | 28                             | —                               | —             | 5   |

<sup>1</sup> Includes members of the Managing Board who stepped down in fiscal 2019

Executives Receiving Total Compensation of ¥100 Million or More

(Millions of yen)

| Name            | Executive Category           | Company Category   | Total Compensation | Amount of compensation by type |                                 |               |
|-----------------|------------------------------|--------------------|--------------------|--------------------------------|---------------------------------|---------------|
|                 |                              |                    |                    | Fixed Compensation             | Performance-Linked Compensation | Stock Options |
| Hisashi Ietsugu | Member of the Managing Board | Submitting company | 155                | 59                             | 73                              | 23            |

Our Perspective on Operating Risks

Sysmex is responsible for providing customers in more than 190 countries and regions around the world with products that ensure uninterrupted testing, which is an essential element of medical care. For that reason, we have formulated countermeasures from a short- to long-term perspective to ensure that operations continue under any circumstances. In addition to natural disasters and country risks, we consider increasingly stringent healthcare restrictions in individual countries, the emergence of product quality issues and information leaks to be important risks. Risk management also supports our ongoing growth. By responding swiftly in a rapidly changing operating environment, we strive to earn the support of our stakeholders and to maintain or increase our position in the market.

Risk Management Structure

In fiscal 2020, Sysmex established an Internal Control Committee as a follow-on from the Risk Management Committee that had been in place until fiscal 2019. The Internal Control Committee is tasked with addressing strategic risks and promoting management activities spanning risk in general. The president and CEO chairs the Internal Control Committee, whose members include senior executive officers and members of the Audit and Supervisory Committee (excluding outside members of the Managing Board), with outside members of the Managing Board serving as observers. The committee regularly evaluates risks in such categories as compliance (including fair dealing, corruption and business ethics), human resources, occupational health and safety, the

environment, and finance and accounting (including taxation) and takes measures to counter risks the committee defines as having a significant impact on the Group's business. The committee also drafts plans for each fiscal year, with activity themes for each region and division, and reports regularly. We have formulated a business continuity plan (BCP) to fulfill our social responsibility by providing a stable supply of products and services to medical institutions when disasters or other risks materialize. To ensure that Sysmex products continue to operate stably at medical institutions even when risks materialize, the BCP identifies important products to be given supply priority. We have augmented our regulations and manuals related to disaster response and have put in place a structure to ensure we can respond swiftly to emergencies. The COVID-19 pandemic, which began to spread in the

fourth quarter of fiscal 2019, called for us to quickly ascertain the impact on our business activities and respond accordingly. At the start of the pandemic we launched countermeasures to determine the status of the overall Group. We also took steps to ensure an ongoing supply of products and the safety of employees and disclosed our forecasts on the pandemic's impact outside the Company. As a result, even in this emergency we were able to continue operating instrument and reagent factories at locations around the world and maintain a stable supply of products, services and support to our customers. >>Sustainability Data Book > Risk management P68

Principal Operating Risks

| Risks   | Major Content   | Key Environmental Factors |  | Main Impacts if Risks Materialize  | Principal Responses  |
|---|---|---------------------------|--|--|--|
| The spread of infectious disease or emergence of other risks that could substantially affect business activities  | ● The impact on operations of global pandemics of COVID-19 and other unknown infectious diseases to which humans are not immune   | External                  |  | ● Halt of business operations due to enormous damage to Group facilities and infrastructure or damage to people<br>● Deterioration of operating performance and cash flow due to a halt in medical institutions' operations and decreasing testing demand<br>● Substantial downturn in productivity due to difficulty in continuing or maintaining human resources and the working environment | ● We have configured a global risk management structure (such as by reinforcing our BCP) aimed at reducing damage and facilitating an early recovery of business activities.<br>● We have built an infrastructure capable of responding flexibly to emergencies (such as by introducing remote working).   |
| Disaster, severe accident or other occurrences that disrupt product supply  | ● Damage to manufacturing facilities and the stoppage of production activities due to severe accidents, such as natural disasters and fires<br>● Obstacles to the procurement of substances if suppliers suspend operations | External                  |  | Suspension of product supply leading to a decline in sales and an inability to fulfill our supply responsibilities, leading to a decline in corporate value  | ● We have introduced seismically isolated structures at instrument factories, diversified our reagent production function globally and created a system of mutual supply.<br>● We procure materials and parts from multiple companies and maintain stockpiles. We also conduct CSR surveys of our business partners.   |
| Exchange rate fluctuations  | ● Overseas business accounting for more than 80% of total Group sales<br>● Growth in sales in emerging markets leading to a higher proportion of sales taking place in currencies that are not key currencies               | External                  |  | Worsening of the Group's consolidated operating performance  | ● Finance divisions and local subsidiaries hedge risks through forward exchange contracts.<br>● We have globally diversified our reagent production functions.   |
| Increasingly stringent measures to curtail healthcare expenditure   | ● Worsening market prices due to budget reductions by countries and medical institutions  | External                  |  | Longer replacement cycles and growing downward pressure on prices  | ● We provide highly productive products and services that help make healthcare management more efficient.  |
| Growing difficulty of obtaining regulatory approval due to increasingly stringent healthcare laws and restrictions, as well as to the introduction of independent regulations | ● Delayed new product launches due to longer approval periods   | External                  |  | Lost ability to capture market opportunities and increasing cost of response   | ● The regulatory affairs division and local subsidiaries remain abreast of new laws and regulations and configure optimal systems.   |
| Revisions to our the business model due to changes in the market environment  | ● Hematology field accounting for a high percentage of sales and profits  | Internal                  |  | Worsening of the Group's consolidated operating performance  | ● We are expanding our business portfolio outside of hematology and into such fields as hemostasis and urinalysis.<br>● We are accelerating development speed by establishing drives of growth.  |
| Emergence of quality problems related to products or services   | ● Major impact on test results  | Internal                  |  | Increasing cost of response and declines in corporate creditworthiness and brand power   | ● We comply with individual countries' laws and regulations, as well as international restrictions, and we have created structures for maintaining and enhancing quality.<br>● We have enhanced our operational and design quality, bolstered mass-production quality and reinforced our systems for checking quality prior to market launch.<br>● We hold supplier presentations aimed at increasing the quality of the materials and parts we procure. |
| Information security risks  | ● Impact on operations due to information leaks (such as cyber threats) and network breakdowns  | Internal                  |  | Halt of business activities and a decrease in corporate creditworthiness   | ● We are making thorough efforts to enact security response measures and conduct employee education by putting in place, alternative network routes, implementing routine system administration procedures and establishing virus gateways.  |
| M&A-related risks   | ● Impact on strategies and operating performance if the results of M&A fall below expected levels   | Internal                  |  | Worsening of the Group's consolidated operating performance and review of business strategies  | ● We conduct thorough prior audits, both of the market environment and from a financial perspective.<br>● We configure administrative structures for management and finance.   |
| Compliance infringements  | ● Compliance infractions, such as related laws and regulations  | Internal                  |  | Halt of business activities and a decrease in corporate creditworthiness   | ● We provide comprehensive employee education and have put in place and are operating a global internal reporting system.  |



Members of the Managing Board (As of June 19, 2020)



Iwane Matsui

Member of the Managing Board and Senior Executive Officer  
Managing Director  
Global Business

Kenji Tachibana

Member of the Managing Board and Senior Executive Officer  
Senior Managing Director  
COO IVD Business Unit

Yukio Nakajima

Member of the Managing Board and Senior Executive Officer  
Senior Managing Director  
CFO  
Corporate Business Planning and Administration

Hisashi Ietsugu

Chairman and CEO

Kaoru Asano

Member of the Managing Board and Senior Executive Officer  
Senior Managing Director  
COO LS Business Unit and CTO  
Corporate R&D

Junzo Yamamoto

Member of the Managing Board and Senior Executive Officer  
Managing Director  
Manufacturing and SCM

Hiroshi Kanda

Member of the Managing Board and Senior Executive Officer  
Managing Director  
IVD Business Unit  
IVD Business Development

Kazumasa Hashimoto

Member of the Managing Board (Outside)  
(Member of the Audit and Supervisory Committee)  
Independent Director

Kazuo Ota

Member of the Managing Board (Outside)  
Independent Director

Masayo Takahashi

Member of the Managing Board (Outside)

Yukitoshi Kamao

Member of the Managing Board (Member of the Audit and Supervisory Committee)

Michihide Iwasa

Member of the Managing Board (Outside)  
(Member of the Audit and Supervisory Committee)  
Independent Director

Members of the Managing Board (As of June 19, 2020)

**Hisashi Ietsugu** (born 1949)  
Chairman and CEO  
Number of Company shares held: 611,700

Sep. 1986 Joined the Company, Member of the Managing Board  
Mar. 1990 Member of the Managing Board and Senior Executive Officer, Managing Director  
Feb. 1996 Member of the Managing Board and Senior Executive Officer, Managing Director (Representative Director)  
Apr. 1996 Member of the Managing Board and Senior Executive Officer, Senior Managing Director (Representative Director)  
Jun. 1996 President and CEO  
Apr. 2013 Chairman and CEO (current)  
  
(Important concurrent position) Chairman of the Kobe Chamber of Commerce and Industry

Reasons for Appointing

Holding the positions of Chairman and CEO of the Company, he has managed all of Sysmex and provided strong leadership for many years. He was appointed because he will be essential for increasing the corporate value with his sense of balance, enabling appropriate supervision and decision-making of the entire management based on his insight and abundant experience and achievements as a corporate manager.

**Kenji Tachibana** (born 1957)  
Member of the Managing Board and Senior Executive Officer, Senior Managing Director, COO IVD Business Unit  
Number of Company shares held: 31,800

Mar. 1980 Joined the Company  
Apr. 1998 President of Sysmex Singapore Pte Ltd. (presently Sysmex Asia Pacific Pte Ltd.)  
Apr. 2011 Executive Officer, Executive Vice President of IVD Business Development  
Apr. 2013 Senior Executive Officer  
Jun. 2014 Member of the Managing Board and Senior Executive Officer  
Apr. 2015 Member of the Managing Board and Senior Executive Officer, Managing Director  
Apr. 2017 Member of the Managing Board and Senior Executive Officer, Senior Managing Director  
Apr. 2018 Member of the Managing Board and Senior Executive Officer, Senior Managing Director, COO IVD Business Unit (current)

Reasons for Appointing

He has been involved in business strategy development and international businesses and has contributed to strategic and global business development. He was appointed because he will be essential for increasing corporate value through the growth of businesses.

**Yukio Nakajima** (born 1950)  
Member of the Managing Board and Senior Executive Officer  
Senior Managing Director, CFO  
Corporate Business Planning and Administration  
Number of Company shares held: 95,200

Apr. 1973 Joined the Company  
Jun. 1999 Member of the Managing Board, Executive Vice President of Corporate Business Planning  
Apr. 2005 Member of the Managing Board and Executive Officer, Vice President of Corporate Business Planning  
Apr. 2009 Member of the Managing Board and Senior Executive Officer, Managing Director  
Apr. 2013 Member of the Managing Board and Senior Executive Officer, Senior Managing Director  
Apr. 2018 Member of the Managing Board and Senior Executive Officer, Senior Managing Director, CFO (current)

Reasons for Appointing

He has been involved in planning and administration departments, including Corporate Business Planning, Corporate Business Administration, IR, HR and General Affairs for many years and has contributed to the strengthening of the Company’s management base. He was appointed because his abundant experience and wide-ranging insight will be essential for increasing corporate value.

**Junzo Yamamoto** (born 1955)  
Member of the Managing Board and Senior Executive Officer  
Managing Director  
Manufacturing and SCM  
Number of Company shares held: 29,900

Mar. 1980 Joined the Company  
Apr. 2011 Executive Officer, Executive Vice President of Instrument Production  
Apr. 2015 Senior Executive Officer  
Apr. 2017 Senior Executive Officer, Managing Director  
Jun. 2017 Member of the Managing Board and Senior Executive Officer, Managing Director (current)

Reasons for Appointing

He has been involved in instrument production and supply chains for many years and has contributed to strengthening the production system. He was appointed because his experience and insight will be essential for increasing corporate value.

**Kaoru Asano** (born 1958)  
Member of the Managing Board and Senior Executive Officer, Senior Managing Director, COO LS Business Unit and CTO  
Corporate R&D  
Number of Company shares held: 54,400

Aug. 1987 Joined the Company  
Apr. 2009 Executive Officer, Manager of Central Research Laboratories  
Apr. 2011 Executive Officer, Executive Vice President of R&D Strategic Planning  
Apr. 2013 Senior Executive Officer  
Jun. 2014 Member of the Managing Board and Senior Executive Officer  
Apr. 2015 Member of the Managing Board and Senior Executive Officer, Managing Director  
Apr. 2017 Member of the Managing Board and Senior Executive Officer, Senior Managing Director  
Apr. 2018 Member of the Managing Board and Senior Executive Officer, Senior Managing Director, COO LS Business Unit and CTO (current)

Reasons for Appointing

He has been involved in research and technology development for many years and has contributed to business development. He was appointed because leveraging his experience and insight in new R&D will be essential for increasing corporate value.

**Iwane Matsui** (born 1961)  
Member of the Managing Board and Senior Executive Officer  
Managing Director  
Global Business  
Number of Company shares held: 1,500

Apr. 1985 Joined the Company  
Jul. 2001 President of Sysmex Europe GmbH  
Apr. 2011 Executive Officer, Executive Vice President of Corporate Business Planning  
Apr. 2013 Executive Officer, Executive Vice President of International Business Management  
Apr. 2017 Senior Executive Officer  
Apr. 2019 Senior Executive Officer, Managing Director  
Jun. 2019 Member of the Managing Board and Senior Executive Officer, Managing Director (current)

Reasons for Appointing

He has been involved in promoting businesses such as domestic and international sales and marketing serving as a sales manager for domestic sales and as a representative of overseas regional headquarters of the Group for many years, and has contributed to global business development. He was appointed because his abundant experience and wide-ranging insight will be essential for increasing the corporate value of the Group.

**Hiroshi Kanda** (born 1957)  
Member of the Managing Board and Senior Executive Officer  
Managing Director  
IVD Business Unit IVD Business Development  
Number of Company shares held: 54,500

Mar. 1980 Joined the Company  
Apr. 2004 Chairman of Sysmex Shanghai Ltd.  
Apr. 2013 Executive Officer, ICH Business Unit and Executive Vice President of Hemostasis Product Engineering Development  
Apr. 2017 Senior Executive Officer  
Apr. 2019 Senior Executive Officer, Managing Director  
Jun. 2019 Member of the Managing Board and Senior Executive Officer, Managing Director (current)

Reasons for Appointing

He has been involved in promoting businesses such as product planning and market development of the Group for many years and has contributed to global business development. He was appointed because his abundant experience and wide-ranging insight will be essential for increasing the corporate value of the Group.

**Yukitoshi Kamao** (born 1956)  
Member of the Managing Board (Member of the Audit and Supervisory Committee)  
Number of Company shares held: 46,700

Mar. 1978 Joined the Company  
Apr. 2013 Executive Officer, Executive Vice President of Business Administration  
Jun. 2016 Member of the Managing Board (Member of the Audit and Supervisory Committee) (current)

Reasons for Appointing

He was appointed to utilize his experience and specialized expertise related to corporate management, which is necessary to increase the audit and supervisory functions.

**Masayo Takahashi** (born 1961)  
Member of the Managing Board (Outside)  
Number of Company shares held: N/A

Oct. 1992 Ph.D. of Medicine and Assistant professor of Ophthalmology, Kyoto University Hospital  
Apr. 2006 Team Leader, Laboratory for Retinal Regeneration Research, RIKEN Center for Developmental Biology, Japan  
Apr. 2012 Project Leader, Laboratory for Retinal Regeneration Research, RIKEN Center for Developmental Biology, Japan (presently RIKEN Center for Biosystems Dynamics Research, Japan)  
Jun. 2016 Joined the Company, Member of the Managing Board (current)  
Dec. 2017 Director of Research Center, Kobe City Eye Hospital (current)  
Aug. 2019 President of Vision Care Inc. (current)  
Aug. 2019 Senior Visiting Scientist, Laboratory for Retinal Regeneration Research, RIKEN Center for Biosystems Dynamics Research, Japan (current)

Reasons for Appointing

She was appointed to utilize her abundant experience and deep insight relating to advanced medical research, medical ethics and other fields as a clinician and researcher for management of the Company.

**Kazumasa Hashimoto** (born 1953)  
Member of the Managing Board (Outside) (Member of the Audit and Supervisory Committee), Independent Director  
Number of Company shares held: N/A

Apr. 1976 Joined Sumitomo Bank (presently Sumitomo Mitsui Banking Corporation)  
Apr. 2004 Executive Officer of Sumitomo Mitsui Banking Corporation  
Apr. 2007 Managing Executive Officer of Sumitomo Mitsui Banking Corporation  
Jun. 2010 President and Representative Director of Ginsen Co., Ltd.  
Jun. 2014 President and Representative Director, and Chief Operating Officer of Kansai Urban Banking Corporation (presently Kansai Mirai Bank, Limited)  
Jun. 2016 Chairman of the Board, President and Representative Director of Kansai Urban Banking Corporation  
Apr. 2018 Representative Director and President of Kansai Mirai Financial Group, Inc.  
Apr. 2019 Chairman of Kansai Mirai Bank, Limited. (current)  
Jun. 2019 Outside Corporate Auditor of THE ROYAL HOTEL, LIMITED (current)  
Jun. 2020 Joined the Company, Member of the Managing Board (Outside) (Member of the Audit and Supervisory Committee) (current)

Reasons for Appointing

He was appointed to utilize his abundant experience and deep insight into corporate management as a corporate manager of a financial institution.

**Kazuo Ota** (born 1955)  
Member of the Managing Board (Outside)  
Independent Director  
Number of Company shares held: N/A

Apr. 1978 Joined Kawasaki Heavy Industries, Ltd.  
Apr. 2013 Executive Officer, General Manager of Planning & Control Division, Aerospace Company of Kawasaki Heavy Industries, Ltd.  
Apr. 2015 Managing Executive Officer, General Manager of Corporate Planning Division, In Charge of Finance & Human Resources (Corporate) of Kawasaki Heavy Industries, Ltd.  
Jun. 2015 Senior Vice President, General Manager of Corporate Planning Division, In Charge of Finance & Human Resources (Corporate) of Kawasaki Heavy Industries, Ltd.  
Apr. 2018 Director, Managing Executive Officer, President of Motorcycle & Engine Company of Kawasaki Heavy Industries, Ltd.  
Jun. 2019 Advisor of Kawasaki Heavy Industries, Ltd.  
Jun. 2019 Joined the Company, Member of the Managing Board (current)

Reasons for Appointing

He was appointed to utilize his abundant experience and deep insight in corporate management for management of the Company.

**Michihide Iwasa** (born 1956)  
Member of the Managing Board (Outside) (Member of the Audit and Supervisory Committee), Independent Director  
Number of Company shares held: N/A

Apr. 1979 Joined Kobe Steel, Ltd.  
Apr. 2009 Trustee of Kobe Steel, Ltd.  
Apr. 2010 Officer of Kobe Steel, Ltd.  
Apr. 2012 Senior Managing Officer of Kobe Steel, Ltd.  
Jun. 2014 Representative Director and President of Kobelco Logistics, Ltd.  
Jun. 2020 Senior Advisor of Kobelco Logistics, Ltd. (current)  
Jun. 2020 Joined the Company, Member of the Managing Board (Outside) (Member of the Audit and Supervisory Committee) (current)

Reasons for Appointing

He was appointed to utilize his abundant experience and deep insight into corporate management for audits of the Company.



# Interview with an Outside Member of the Managing Board



**Kazuo Ota**  
Outside Member of the Managing Board,  
Independent Director

**Q1** In your activities as a member of Sysmex's Managing Board over the past year, what have you recognized as management issues?

I believe the operating environment is favorable. In the health-care market, demand is relatively unaffected by the sort of economic crisis we are currently facing, and the global market is expected to expand further. To continue growing in this environment, Sysmex needs to capture the growth of existing businesses. At the same time, it is important to focus on commercializing its new portfolios in areas with growth potential, such as the life science business. To achieve this, Sysmex is investing proactively in R&D and digitalization, so profitability is down slightly from the past. I think Sysmex needs to describe its long-term outlook for recovering investment and its investment results more quantitatively.

**Q2** How are those management issues being deliberated by the Managing Board?

The Managing Board is discussing management strategy, one important element of which is investing in new businesses. Personally, when discussing business investments I always have at the back of my mind the questions of how Sysmex will generate a return on these investments—not over the short term, but over the next five or 10 years—as well as how these investments will augment and expand Sysmex's future corporate value. When envisioning the future, it is important to think about where Sysmex's strengths lie and how to position Sysmex to win out in competition. I believe that making these judgments is a key Managing Board responsibility, and I will continue working to enhance deliberations to ensure appropriate analysis and decisions.

**Q3** In fiscal 2020, Sysmex introduced a globally consistent job-based HR management system. How would you assess Sysmex's current HR management?

I am firmly in favor of introducing this system. To demonstrate our presence in the healthcare industry, which is rife with global competitors, we must view our HR system from a global perspective. That said, HR systems connect directly to employee motivation, and hurriedly introducing a system different from the one used in the past could cause consternation. For this reason, my advice has been to proceed carefully and steadily when rolling out the new system, while sharing our ultimate vision for it. I also believe it is important to run the system in a Sysmex-specific manner, rather than to simply deploy a generic job-based system. [»Job-Based HR Management System P56](#)

# Executive Officers (As of June 19, 2020)



**Yukio Hamaguchi**  
Senior Executive Officer  
Executive Vice President of  
Reagent Production  
President and CEO,  
Sysmex International Reagents Co., Ltd.



**Ikuo Otani**  
Senior Executive Officer  
IVD Business Unit  
IVD Product Development



**Mamoru Kubota**  
Senior Executive Officer  
LS Business Unit



**Tomokazu Yoshida**  
Senior Executive Officer  
Executive Vice President of Central  
Research Laboratories  
MR Business Development



**Kensuke Iizuka**  
Senior Executive Officer  
Deputy in charge of Corporate Staff



**Keiji Fujimoto**  
Executive Officer  
Regulatory Affairs & Quality Assurance



**Zuohui Peng**  
Executive Officer  
President and CEO, Sysmex Shanghai Ltd.



**Frank Buescher**  
Executive Officer  
CEO, Sysmex Asia Pacific Pte Ltd.  
Executive Vice President of  
Caresphere Innovation



**Takashi Ono**  
Executive Officer  
Executive Vice President of SCM



**Mitsuhsa Kanagawa**  
Executive Officer  
IVD Business Unit  
Executive Vice President of  
Business Strategy Development



**Alain Baverel**  
Executive Officer  
President and CEO, Sysmex Europe GmbH

## Operating Environment

In fiscal 2019, net sales rose year on year, thanks to increased sales in all regions, despite yen appreciation and the impact of COVID-19 in some regions. By field, reagent sales rose in the hematology and immunochemistry fields due to expansion of the installed instrument base. Instrument sales in the hemostasis field also contributed. As a result, net sales were up ¥8.4 billion (2.9%) year on year, to ¥301.9 billion. Overseas sales accounted for 84.5% of the total (down 0.5 percentage point). Foreign exchange rates lowered net sales ¥11.8 billion from one year earlier.

Cost of sales grew ¥10.2 billion (7.8%) year on year, to ¥142.1 billion, affected by such factors as higher third-party instrument purchases and a reclassification of service consignment expenses in China. The cost of sales ratio was 47.1% (up 2.2 percentage points).

Selling, general and administrative (SG&A) expenses expanded ¥2.3 billion (2.9%) year on year, to ¥83.5 billion. These expenses were up as the result of spending to reinforce sales structures in individual regions to boost sales and expenses related to a bio-diagnostic reagent base that the Company established in April 2019. SG&A expenses as a percentage of net sales were flat year on year, at 27.7%.

R&D expenses grew ¥2.1 billion (11.1%) year on year, to ¥21.7 billion, as we developed new products to enhance our product portfolio and pursued R&D, centering on the life science business. R&D expenses also rose in relation to our

bio-reagent base. R&D expenses as a percentage of net sale were 7.2%, up 0.5 percentage point year on year.

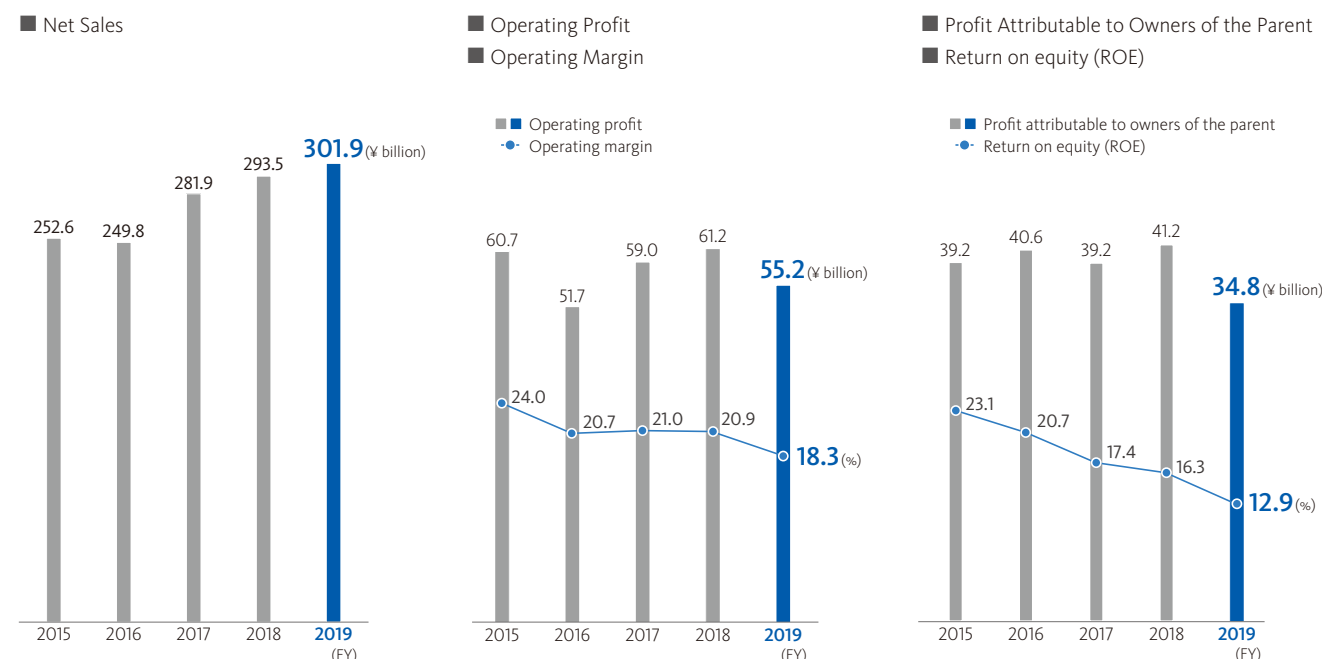
Although higher net sales pushed up gross profit, a deteriorating cost of sales ratio and increased SG&A and R&D expenses led to a ¥5.9 billion (9.8%) decline in operating profit, to ¥55.2 billion. The operating margin was 18.3% (down 2.6 percentage point year on year). Foreign exchange had a ¥5.2 billion negative effect, compared with exchange rates one year earlier.

Profit before tax decreased ¥8.5 billion (14.7%) year on year, to ¥49.4 billion, as the result of a lower operating profit, a ¥0.6 billion higher share of loss on equity method than in fiscal 2018 and a ¥1.4 billion year on year increase in foreign exchange loss.

Profit attributable to owners of the parent was ¥34.8 billion, down ¥6.3 billion (15.4%) year on year, after income taxes of ¥14.6 billion, which were ¥2.1 billion (12.9%) lower than in the previous fiscal year. Return on equity (ROE) was 12.9% (down 3.4 percentage points year on year).

For details on the operating environment, please see the Message from the CEO on page 14.

| ■ Exchange Rates (Yen) |       |       |       |       |       |
|------------------------|-------|-------|-------|-------|-------|
| (FY)                   | 2015  | 2016  | 2017  | 2018  | 2019  |
| 1USD                   | 120.1 | 108.4 | 110.9 | 110.9 | 108.7 |
| 1EUR                   | 132.6 | 118.8 | 129.7 | 128.4 | 120.8 |
| 1CNY                   | 18.9  | 16.1  | 16.8  | 16.5  | 15.6  |



## Impact of the COVID-19 Pandemic

The hematology and hemostasis testing Sysmex facilitates plays a major role in diagnosing and treating COVID-19. As a result, Sysmex's products have been introduced at specialized COVID-19 hospitals in China, Indonesia and other countries.

In terms of sales, although we did experience a temporary rise in instrument sales in China, COVID-19 caused reagent sales to decrease. Lockdowns and limits on movement due to the pandemic in various parts of the world caused people to delay undergoing health checks, and the testing of patients for diseases other than for COVID-19 decreased, leading to lower test numbers. We are beginning to see a resurgence in testing numbers as countries ease their restrictions on movement.

Going forward, we will need to continue monitoring the situation, notably in emerging markets, where sluggish economic activity means that market recovery may take some time. Over the medium to long term, however, we anticipate growth as the need to expand healthcare systems to curtail further infections becomes apparent.

## Progress on the Mid-Term Management Plan and Outlook for Fiscal 2020

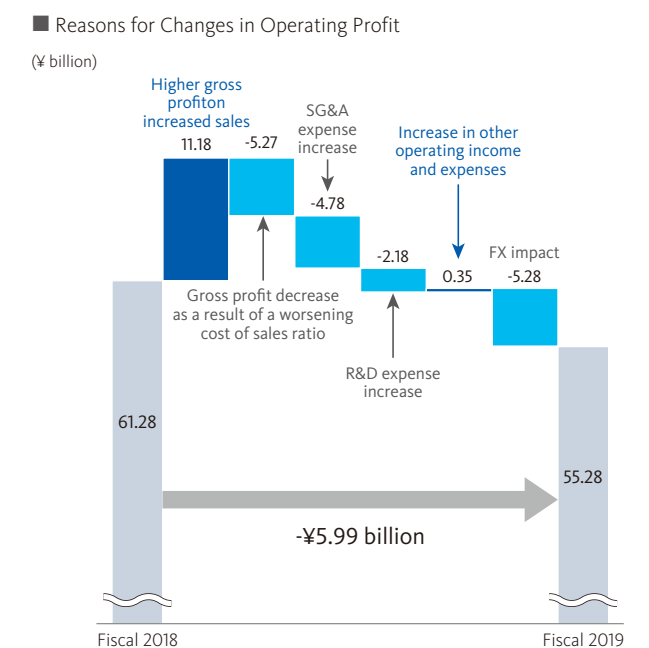
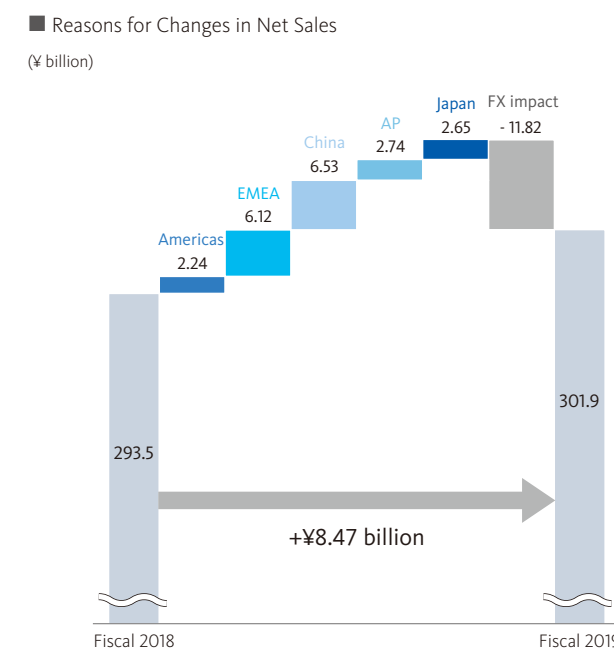
In May 2019, Sysmex introduced a mid-term management plan concluding in fiscal 2021 that set targets for fiscal 2021 of ¥380.0 billion in net sales and ¥78.0 billion in operating profit. Our numerical targets for fiscal 2019 were net sales of ¥310.0 billion and operating profit of ¥60.0 billion (announced in November 2019).

In fiscal 2019, net sales fell below this target due to the impacts of exchange rates and COVID-19, although we did achieve sales growth in all regions. Operating profit also fell below our target, despite higher gross profit from higher sales, due to deterioration in the cost of sales ratio and higher R&D expenses, mainly associated with new product development.

Our consolidated forecast for fiscal 2020 is undermined, as the increasing number of COVID-19 infections and its prolonged impact make rationally calculating a financial forecast problematic at present. We are carefully monitoring these impacts on trends in market demand, and we will promptly disclose our financial forecast once rational calculation becomes possible.

| ■ Numerical Targets of the Mid-Term Management Plan (Fiscal 2021)<br>(Announced May 2019) |  |
|---|--|
| Net sales   | ¥380.0 billion                             |
| Operating profit  | ¥78.0 billion<br>(Operating margin: 20.5%) |
| ROE   | 18.0%                                      |
| Free cash flow  | ¥40.0 billion                              |
| Operating cash flow   | ¥75.0 billion                              |

Notes: Exchange rates for the mid-term management plan are 1USD=110.0, 1EUR=125JPY, 1CNY=16.5JPY.  
A new mid-term management plan is slated for announcement in May 2021.





## Overview of Operating Performance by Destination

### Americas

In the Americas, Sysmex has obtained the No. 1 position in the hematology field by leveraging outstanding customer service, such as services and support that make use of online tools. In fiscal 2019, North American sales of hemostasis and urinalysis instruments were down, but sales of hematology reagents rose, driving up sales. Sales in Central and South America decreased, owing to lower sales of instruments to distributors. As a result, sales in the Americas came to ¥71.0 billion (up 0.7% year on year). On a local currency basis, sales were up 2.8% year on year.

### EMEA

In the EMEA region, Sysmex's business covers more than 100 countries, including developed countries and emerging markets, and we are creating sales and service and support structures tailored to regional characteristics. We are working to accelerate the launch of new products in the urinalysis field, as well as in our mainstay field of hematology. We are also leveraging an alliance with Siemens Healthineers to strengthen business in the hemostasis field. In fiscal 2019, sales amounted to ¥77.2 billion (up 2.1% year on year), due to higher reagent sales in the hematology field and a rise in sales in the urinalysis field in the United Kingdom and France. On a local currency basis, sales were up 8.4% year on year.

### China

Sysmex recognized the growth potential of the Chinese market early on, and we took the lead over competitors in developing local business structures in the country. We have built a robust infrastructure in China, working with more

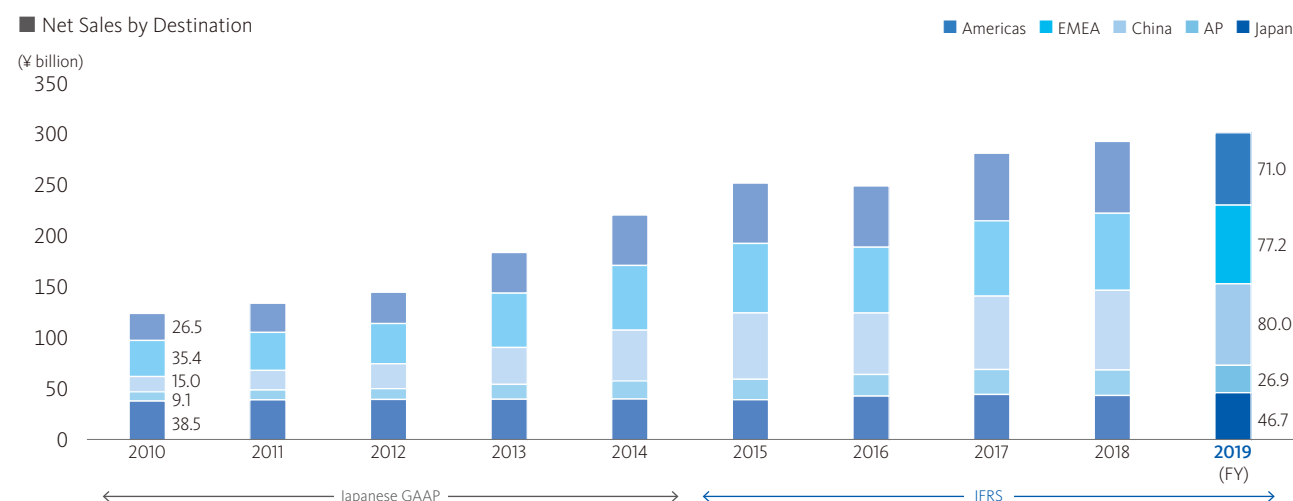
than 400 sales distributors to provide products and services throughout the country. We have created a structure to supply instruments using a knockdown production method, applying a product supply scheme to meet market characteristics. In fiscal 2019, sales amounted to ¥80.0 billion (up 2.3% year on year), due to higher instrument sales, although reagent sales declined in the fourth quarter due to the COVID-19 pandemic. On a local currency basis, sales were up 8.4% year on year.

### Asia Pacific

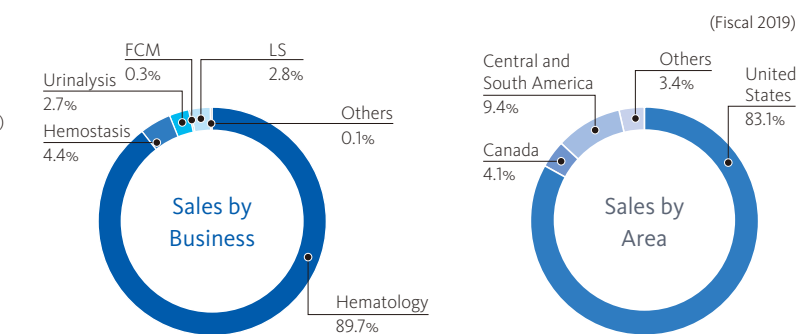
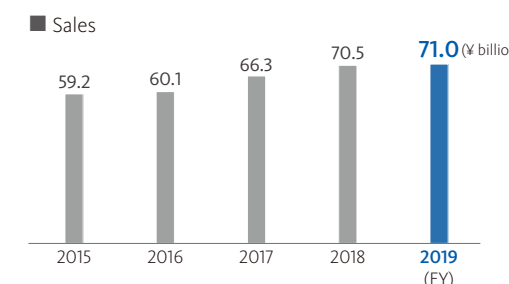
The Asia Pacific region has a large population, and the market is expected to expand going forward. This market is diverse, with economic levels, languages and healthcare systems differing by country. Nevertheless, we are reinforcing our position by providing solutions from a customer viewpoint and meeting local needs. In fiscal 2019, sales were ¥26.9 billion (up 7.6% year on year). Key factors included lower instrument sales in Indonesia, higher sales in India as a result of revisions to the sales structure, and increased reagent sales in the hematology field, centered on Southeast Asia.

### Japan

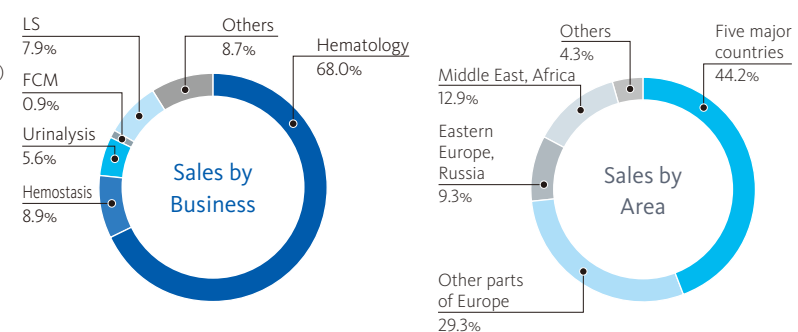
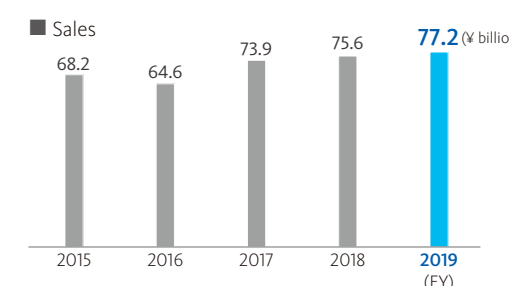
Aiming to establish a No. 1 position in the IVD market in Japan, Sysmex differentiates itself from competitors in the hematology, hemostasis, urinalysis and immunochemistry fields. We are also working to capture new markets by promoting developments in such areas as cancer genomic medicine. In fiscal 2019, sales came to ¥46.7 billion (up 6.0% year on year). Instrument sales were up in the hematology and hemostasis fields, and reagent sales increased due to expansion in the installed instrument base.



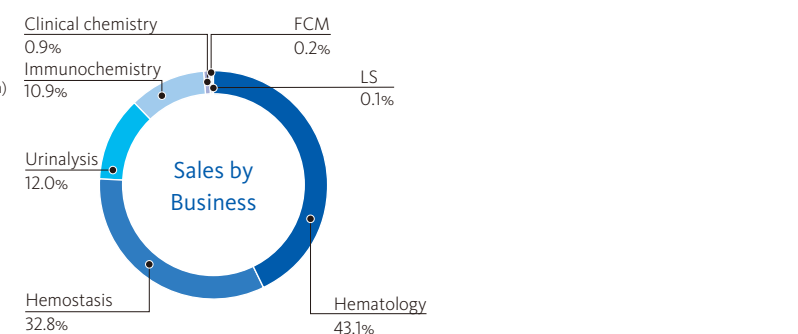
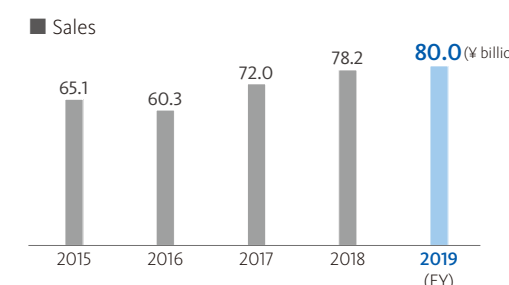
### Americas



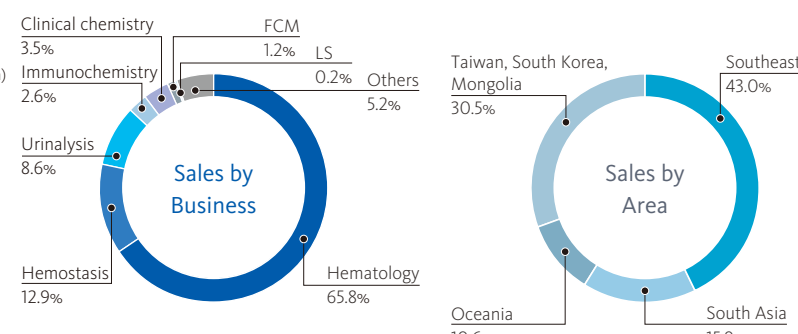
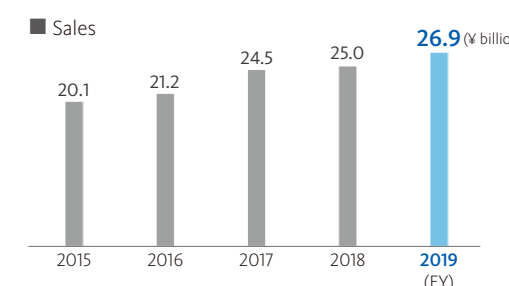
### EMEA



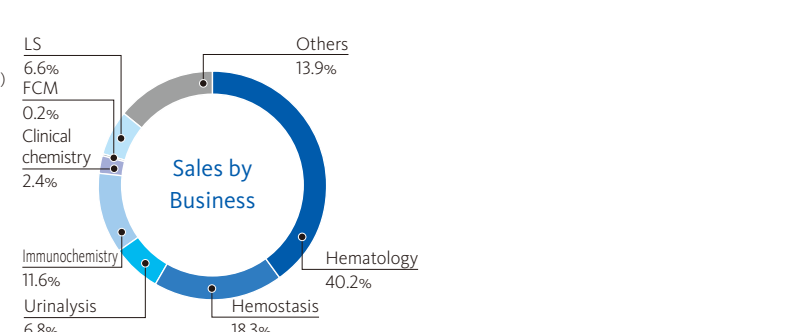
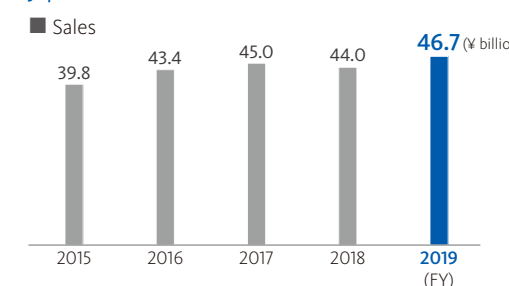
### China



### Asia Pacific



### Japan



## Fund Procurement and Liquidity Management

Sysmex raises working capital as necessary through short-term bank loans and other means. Consolidated subsidiaries obtain bank loans as needed to secure working capital, but in October 2003, the Company introduced a cash management system (CMS) to increase efficiency by unifying financing and capital management at affiliates in Japan.

We currently hold an issuer rating of AA- from Rating & Investment Information, Inc. (R&I), with the rating updated based on an annual review. To maintain and increase our rating going forward, we will take the balance between sales, profit, assets, liabilities and capital into consideration.

For long-term capital requirements such as capital investment, the Company decides the funding method after considering the investment recovery period and risk. In the fiscal year ended March 31, 2019, the Company mainly funded its capital expenditure and R&D activities out of cash generated through operating activities.

## Assets, Liabilities and Equity

As of the end of fiscal 2019, total assets amounted to ¥389.2 billion, up ¥42.5 billion from one year earlier. As principal

factors, other short-term financial assets fell by ¥7.2 billion due to such factors as a decrease in time deposits at Sysmex Inostics. At the same time, property, plant and equipment amounted to ¥20.5 billion, up due to the adoption of IFRS16.

Total liabilities, meanwhile, were up ¥29.3 billion, to ¥110.9 billion. This increase was mainly because of adopting IFRS16, which led to a ¥16.9 billion increase in lease liabilities (non-current) and a ¥5.7 billion rise in lease liabilities (current). Accordingly, interest-bearing liabilities were ¥22.3 billion higher than at the end of fiscal 2018.

Total equity came to ¥278.3 billion, up ¥13.1 billion from the end of fiscal 2018. Among principal reasons, retained earnings rose ¥19.8 billion, while other components of equity declined ¥7.4 billion. Equity attributable to owners of the parent to total assets fell 5.0 percentage points, from 76.3% to 71.3%.

## Cash Flows

At the end of fiscal 2019, cash and cash equivalents amounted to ¥56.5 billion, up ¥5.5 billion from one year earlier.

### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥53.1 billion, up ¥8.4 billion from the preceding fiscal year. As principal factors, profit before tax was lower and inventories were higher than in

the previous fiscal year. However, depreciation and amortization provided an additional ¥6.0 billion compared to the previous fiscal year, to the recording of lease assets stemming from the adoption of IFRS 16.

### Cash Flows from Investing Activities

Net cash used in investing activities was ¥25.9 billion, down ¥14.2 billion. Notably, purchase of property, plant and equipment—such as for investment related to our bio-diagnostic reagent base—was down ¥5.0 billion.

### Cash Flows from Financing Activities

Net cash used in financing activities was ¥20.5 billion, up ¥6.5 billion. This was mainly due to repayments of lease liabilities, which rose by ¥5.9 billion, in line with the adoption of IFRS16. Also, dividend payments amounted to ¥15.0 billion, up ¥0.4 billion.

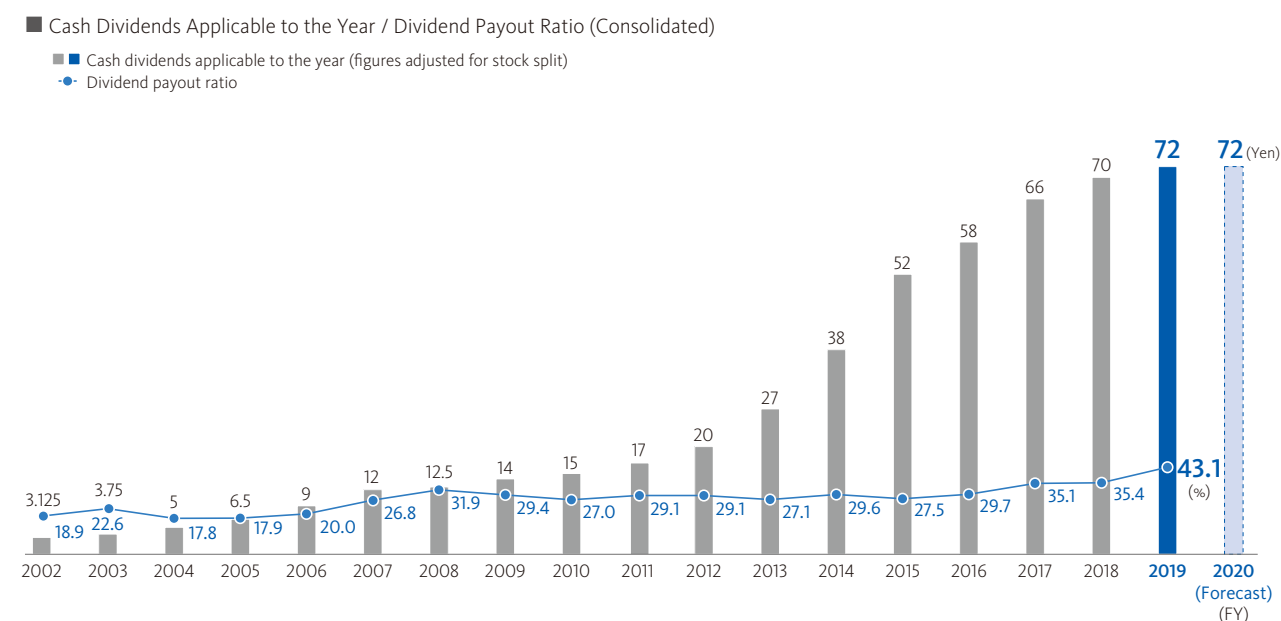
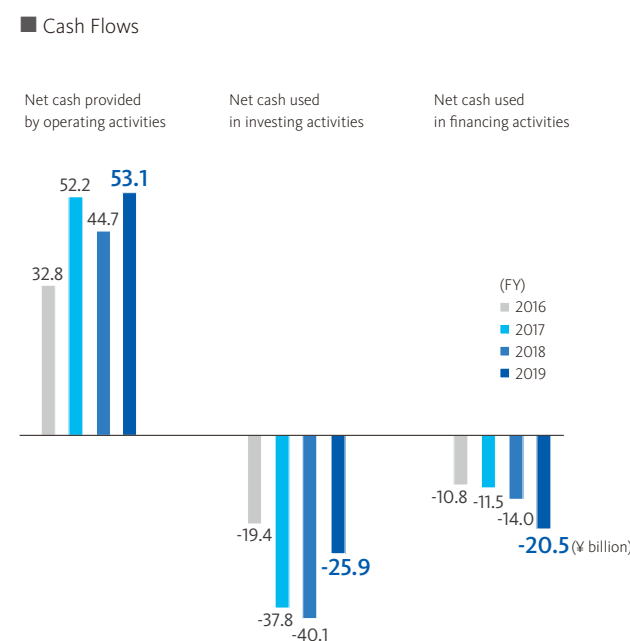
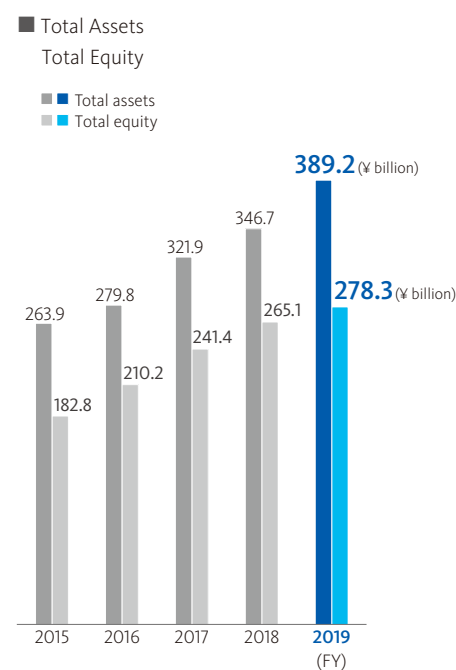
## Returns to Shareholders

Sysmex aims to maintain an appropriate balance between shareholder returns as profitability increases and internal reserves to invest in research and development, and capital expenditures to maintain high rates of stable growth. 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.

As a basic policy, Sysmex pays twice-yearly dividends from retained earnings, an interim dividend and a year-end dividend. The year-end dividend is decided upon approval of the annual shareholders' meeting, and the interim dividend upon approval by the members of the Managing Board. In accordance with this policy and considering business performance during fiscal 2019, we announced dividends for the year of ¥72 per share, which includes an interim dividend of ¥36. As a result, the dividend payout ratio came to 43.1%. We propose the same dividend level for fiscal 2020.

Going forward, Sysmex will continue to effectively invest its internal reserves in the implementation of highly competitive product development and global business strategies, aiming to respond to anticipated changes in the business environment.



Note: Two-for-one stock splits conducted on November 18, 2005, April 1, 2011 and April 1, 2014.



# Consolidated Financial Data (10 Years)

| Japanese GAAP  |                    |        |         |                    |        | (¥ billion)       |
|--|--------------------|--------|---------|--------------------|--------|-------------------|
| Fiscal years   | 2010               | 2011   | 2012    | 2013               | 2014   | 2015              |
| For the year:  |                    |        |         |                    |        |                   |
| Net sales  | 124.6              | 134.7  | 145.5   | 184.5              | 221.3  | 253.1             |
| Operating income   | 18.2               | 19.2   | 21.8    | 32.8               | 44.4   | 56.9              |
| Net income attributable to owners of the parent                  | 11.4               | 12.0   | 14.1    | 20.5               | 26.6   | 36.2 <sup>1</sup> |
| Capital expenditure  | 5.8                | 7.9    | 8.9     | 13.3               | 13.9   | 13.8              |
| Depreciation   | 6.8                | 7.0    | 7.9     | 9.9                | 11.2   | 12.2              |
| R&D expenses   | 12.3               | 11.9   | 12.1    | 13.2               | 14.6   | 17.7              |
| Net cash provided by (used in) operating activities              | 18.1               | 17.0   | 25.8    | 36.5               | 38.6   | 39.5              |
| Net cash provided by (used in) investing activities              | (8.9)              | (10.3) | (12.5)  | (33.9)             | (19.5) | (21.6)            |
| Net cash provided by (used in) financing activities              | (3.4)              | (3.8)  | (3.1)   | (2.8)              | (7.5)  | (8.7)             |
| At year-end:   |                    |        |         |                    |        |                   |
| Total assets   | 130.0              | 142.2  | 173.0   | 210.7              | 247.9  | 267.6             |
| Cash and cash equivalents, end of year                           | 18.9               | 21.8   | 34.3    | 36.5               | 50.2   | 56.4              |
| Total equity   | 94.2               | 102.5  | 119.1   | 146.2              | 169.5  | 188.0             |
| Interest-bearing liabilities                                     | 1.9                | 1.0    | 0.7     | 1.9                | 0.7    | 1.3               |
| Per share data:  |                    |        |         |                    |        |                   |
| Equity (yen)   | 910.6 <sup>3</sup> | 990.5  | 1,151.3 | 703.7 <sup>3</sup> | 812.3  | 899.5             |
| Net income (basic) (yen)   | 111.1 <sup>3</sup> | 116.8  | 137.5   | 99.4 <sup>3</sup>  | 128.4  | 174.4             |
| Net income (diluted) (yen)                                       | 110.9 <sup>3</sup> | 116.6  | 137.0   | 99.1 <sup>3</sup>  | 128.0  | 173.7             |
| Cash dividends applicable to the year <sup>2</sup> (yen)         | 15.00 <sup>3</sup> | 17.00  | 20.00   | 27.00 <sup>3</sup> | 38.00  | 52.00             |
| Dividend payout ratio (%)  | 27.0               | 29.1   | 29.1    | 27.1               | 29.6   | 29.8              |
| Other data:  |                    |        |         |                    |        |                   |
| Operating margin (%)   | 14.7               | 14.3   | 15.0    | 17.8               | 20.1   | 22.5              |
| Overseas sales ratio (%)   | 69.1               | 70.5   | 72.4    | 78.2               | 81.7   | 84.3              |
| Equity ratio (%)   | 71.9               | 71.6   | 68.7    | 69.2               | 68.0   | 69.9              |
| Return on equity (ROE) (%)                                       | 12.7               | 12.3   | 12.8    | 15.6               | 17.0   | 20.4              |
| Return on assets (ROA) <sup>4</sup> (%)                          | 9.1                | 8.8    | 9.0     | 10.7               | 11.6   | 14.1              |
| Number of employees<br>(Including part-time and other employees) |                    |        |         |                    |        |                   |
|  | 4,957              | 5,521  | 5,594   | 6,211              | 6,742  | 7,446             |
| Exchange rates:  |                    |        |         |                    |        |                   |
| US dollars (yen)   | 85.7               | 79.1   | 83.1    | 100.2              | 109.9  | 120.1             |
| Euros (yen)  | 113.1              | 109.0  | 107.2   | 134.4              | 138.8  | 132.6             |
| Chinese Yuan (yen)   | 12.8               | 12.4   | 13.2    | 16.3               | 17.8   | 18.9              |

<sup>1</sup> Figures shown for fiscal 2015 is "net income."

<sup>2</sup> Dividend (actual) converted to post-split basis.

<sup>3</sup> Two-for-one stock split

<sup>4</sup> ROA = Net income attributable to owners of the parent/total assets (yearly average)×100

| IFRS   |        |          |          |          |                     | (¥ billion) |
|--|--------|----------|----------|----------|---------------------|-------------|
| Fiscal years   | 2015   | 2016     | 2017     | 2018     | 2019                |             |
| For the year:  |        |          |          |          |                     |             |
| Net sales  | 252.6  | 249.8    | 281.9    | 293.5    | 301.9               |             |
| Operating income   | 60.7   | 51.7     | 59.0     | 61.2     | 55.2                |             |
| Profit attributable to owners of the parent                      | 39.2   | 40.6     | 39.2     | 41.2     | 34.8                |             |
| Capital expenditure  | 13.0   | 11.8     | 15.8     | 20.0     | 12.4                |             |
| Depreciation and amortization                                    | 12.1   | 12.3     | 14.6     | 15.8     | 23.9                |             |
| R&D expenses   | 15.4   | 15.5     | 16.7     | 19.5     | 21.7                |             |
| Net cash provided by (used in) operating activities              | 41.7   | 32.8     | 52.2     | 44.7     | 53.1 <sup>6</sup>   |             |
| Net cash provided by (used in) investing activities              | (23.8) | (19.4)   | (37.8)   | (40.1)   | (25.9)              |             |
| Net cash provided by (used in) financing activities              | (8.7)  | (10.8)   | (11.5)   | (14.0)   | (20.5) <sup>6</sup> |             |
| At year-end:   |        |          |          |          |                     |             |
| Total assets   | 263.9  | 279.8    | 321.9    | 346.7    | 389.2 <sup>6</sup>  |             |
| Cash and cash equivalents, end of year                           | 56.4   | 57.9     | 61.4     | 51.0     | 56.5                |             |
| Total equity   | 182.8  | 210.2    | 241.4    | 265.1    | 278.3               |             |
| Interest-bearing liabilities                                     | 1.3    | 1.1      | 0.9      | 0.8      | 23.1 <sup>6</sup>   |             |
| Per share data:  |        |          |          |          |                     |             |
| Equity attributable to owners of the parent (yen)                | 879.32 | 1,005.86 | 1,154.57 | 1,267.07 | 1,329.78            |             |
| Profit attributable to owners of the parent (basic) (yen)        | 189.08 | 195.31   | 188.29   | 197.60   | 167.10              |             |
| Profit attributable to owners of the parent (diluted) (yen)      | 188.30 | 194.74   | 187.84   | 197.29   | 166.93              |             |
| Cash dividends applicable to the year (yen)                      | 52.00  | 58.00    | 66.00    | 70.00    | 72.00               |             |
| Dividend payout ratio (%)  | 27.5   | 29.7     | 35.1     | 35.4     | 43.1                |             |
| Other data:  |        |          |          |          |                     |             |
| Operating margin (%)   | 24.0   | 20.7     | 21.0     | 20.9     | 18.3                |             |
| Overseas sales ratio (%)   | 84.2   | 82.6     | 84.0     | 85.0     | 84.5                |             |
| Equity ratio (%)   | 69.3   | 74.8     | 74.8     | 76.3     | 71.3                |             |
| Return on equity (ROE) (%)                                       | 23.1   | 20.7     | 17.4     | 16.3     | 12.9                |             |
| Return on assets (ROA) <sup>5</sup> (%)                          | 15.7   | 14.9     | 13.0     | 12.3     | 9.5                 |             |
| Number of employees<br>(Including part-time and other employees) |        |          |          |          |                     |             |
|  | 7,446  | 7,930    | 8,445    | 8,715    | 9,231               |             |
| Exchange rates:  |        |          |          |          |                     |             |
| US dollars (yen)   | 120.1  | 108.4    | 110.9    | 110.9    | 108.7               |             |
| Euros (yen)  | 132.6  | 118.8    | 129.7    | 128.4    | 120.8               |             |
| Chinese Yuan (yen)   | 18.9   | 16.1     | 16.8     | 16.5     | 15.6                |             |

<sup>5</sup> ROA = Profit attributable to owners of the parent/total assets (yearly average)×100

<sup>6</sup> Adopted IFRS 16

# Consolidated Statement of Financial Position

Sysmex Corporation and Its Subsidiaries  
As of March 31, 2020

|  | Millions of Yen |                 | Thousands of<br>U.S. Dollars |
|--|-----------------|-----------------|------------------------------|
|  | 2020            | 2019            | 2020                         |
| <b>Assets</b>  |                 |                 |                              |
| <b>Current assets</b>                                    |                 |                 |                              |
| Cash and cash equivalents                                | ¥ 56,592        | ¥ 51,062        | \$ 519,193                   |
| Trade and other receivables                              | 85,650          | 84,247          | 785,780                      |
| Inventories  | 48,303          | 40,231          | 443,147                      |
| Other short-term financial assets                        | 421             | 7,644           | 3,862                        |
| Income taxes receivable                                  | 546             | 412             | 5,009                        |
| Other current assets                                     | 14,191          | 11,824          | 130,193                      |
| <b>Total current assets</b>                              | <b>205,704</b>  | <b>195,423</b>  | <b>1,887,193</b>             |
| <b>Non-current assets</b>                                |                 |                 |                              |
| Property, plant and equipment                            | 96,839          | 76,312          | 888,431                      |
| Goodwill   | 11,271          | 11,917          | 103,404                      |
| Intangible assets  | 39,543          | 33,037          | 362,780                      |
| Investments accounted for using the equity method        | 2,945           | 634             | 27,018                       |
| Trade and other receivables                              | 12,845          | 12,202          | 117,844                      |
| Other long-term financial assets                         | 6,192           | 7,050           | 56,807                       |
| Asset for retirement benefits                            | 897             | 917             | 8,229                        |
| Other non-current assets                                 | 5,810           | 3,456           | 53,303                       |
| Deferred tax assets                                      | 7,240           | 5,823           | 66,422                       |
| <b>Total non-current assets</b>                          | <b>183,586</b>  | <b>151,352</b>  | <b>1,684,275</b>             |
| <b>Total assets</b>                                      | <b>¥389,291</b> | <b>¥346,775</b> | <b>\$3,571,477</b>           |
| <b>Liabilities and equity</b>                            |                 |                 |                              |
| <b>Liabilities</b>                                       |                 |                 |                              |
| <b>Current liabilities</b>                               |                 |                 |                              |
| Trade and other payables                                 | ¥ 33,917        | ¥ 29,778        | \$ 311,165                   |
| Lease liabilities  | 5,701           | —               | 52,303                       |
| Other short-term financial liabilities                   | 552             | 806             | 5,064                        |
| Income taxes payable                                     | 5,673           | 6,947           | 52,046                       |
| Provisions   | 751             | 693             | 6,890                        |
| Contract liabilities                                     | 12,001          | 9,303           | 110,101                      |
| Accrued expenses   | 12,508          | 10,791          | 114,752                      |
| Accrued bonuses  | 7,591           | 7,670           | 69,642                       |
| Other current liabilities                                | 5,448           | 5,257           | 49,982                       |
| <b>Total current liabilities</b>                         | <b>84,145</b>   | <b>71,247</b>   | <b>771,972</b>               |
| <b>Non-current liabilities</b>                           |                 |                 |                              |
| Lease liabilities  | 16,935          | —               | 155,367                      |
| Other long-term financial liabilities                    | 269             | 415             | 2,468                        |
| Liability for retirement benefits                        | 925             | 857             | 8,486                        |
| Provisions   | 255             | 226             | 2,339                        |
| Other non-current liabilities                            | 2,061           | 3,203           | 18,908                       |
| Deferred tax liabilities                                 | 6,351           | 5,642           | 58,266                       |
| <b>Total non-current liabilities</b>                     | <b>26,798</b>   | <b>10,345</b>   | <b>245,853</b>               |
| <b>Total liabilities</b>                                 | <b>110,944</b>  | <b>81,592</b>   | <b>1,017,835</b>             |
| <b>Equity</b>  |                 |                 |                              |
| Equity attributable to owners of the parent              |                 |                 |                              |
| Capital stock  | 12,877          | 12,654          | 118,138                      |
| Capital surplus  | 18,487          | 17,876          | 169,606                      |
| Retained earnings  | 261,321         | 241,445         | 2,397,440                    |
| Treasury stock   | (306)           | (302)           | (2,807)                      |
| Other components of equity                               | (14,697)        | (7,225)         | (134,835)                    |
| <b>Total equity attributable to owners of the parent</b> | <b>277,683</b>  | <b>264,448</b>  | <b>2,547,550</b>             |
| Non-controlling interests                                | 663             | 733             | 6,083                        |
| <b>Total equity</b>                                      | <b>278,347</b>  | <b>265,182</b>  | <b>2,553,642</b>             |
| <b>Total liabilities and equity</b>                      | <b>¥389,291</b> | <b>¥346,775</b> | <b>\$3,571,477</b>           |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109 to \$1, the approximate rate of exchange at March 31, 2020.

# Consolidated Statement of Income

Sysmex Corporation and Its Subsidiaries  
For the Year Ended March 31, 2020

|  | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|--|-----------------|----------|------------------------------|
|  | 2020            | 2019     | 2020                         |
| Net sales                                    | ¥301,980        | ¥293,506 | \$2,770,459                  |
| Cost of sales                                | 142,173         | 131,899  | 1,304,339                    |
| Gross profit                                 | 159,807         | 161,606  | 1,466,119                    |
| Selling, general and administrative expenses | 83,545          | 81,230   | 766,468                      |
| Research and development expenses            | 21,761          | 19,578   | 199,642                      |
| Other operating income                       | 1,486           | 1,610    | 13,633                       |
| Other operating expenses                     | 702             | 1,126    | 6,440                        |
| Operating profit                             | 55,284          | 61,282   | 507,193                      |
| Financial income                             | 595             | 442      | 5,459                        |
| Financial expenses                           | 1,031           | 390      | 9,459                        |
| Share of loss on equity method               | (2,398)         | (1,793)  | (22,000)                     |
| Foreign exchange loss                        | (3,017)         | (1,585)  | (27,679)                     |
| Profit before tax                            | 49,433          | 57,955   | 453,514                      |
| Income tax expenses                          | 14,619          | 16,789   | 134,119                      |
| Profit                                       | ¥ 34,813        | ¥41,166  | \$ 319,385                   |
| Profit attributable to                       |                 |          |                              |
| Owners of the parent                         | ¥ 34,883        | ¥41,224  | \$ 320,028                   |
| Non-controlling interests                    | (69)            | (58)     | (633)                        |
| Profit                                       | ¥ 34,813        | ¥41,166  | \$ 319,385                   |
| Earnings per share                           | Yen             |          | U.S. Dollars                 |
| Basic  | ¥167.10         | ¥197.60  | \$1.53                       |
| Diluted                                      | 166.93          | 197.29   | 1.53                         |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109 to \$1, the approximate rate of exchange at March 31, 2020.

# Consolidated Statement of Comprehensive Income

Sysmex Corporation and Its Subsidiaries  
For the Year Ended March 31, 2020

|   | Millions of Yen |                | Thousands of<br>U.S. Dollars |
|---|-----------------|----------------|------------------------------|
|   | 2020            | 2019           | 2020                         |
| Profit  | ¥34,813         | ¥41,166        | \$319,385                    |
| Other comprehensive income (loss)   |                 |                |                              |
| Items that will not be reclassified subsequently to profit or loss                              |                 |                |                              |
| Net (loss) gain on financial assets measured at fair value                                      | (588)           | (379)          | (5,394)                      |
| through other comprehensive income  | 21              | 113            | 193                          |
| Remeasurements of defined benefit plans   | (567)           | (266)          | (5,202)                      |
| Total   | (6,882)         | (3,000)        | (63,138)                     |
| Items that may be reclassified subsequently to profit or loss                                   |                 |                |                              |
| Exchange differences on translation of foreign operations                                       | (0)             | 2              | (0)                          |
| Share of other comprehensive income (loss) of investments accounted for using the equity method | (6,883)         | (2,998)        | (63,147)                     |
| Total   | (7,450)         | (3,264)        | (68,349)                     |
| <b>Comprehensive income</b>   | <b>¥27,363</b>  | <b>¥37,901</b> | <b>\$251,037</b>             |
| Comprehensive income attributable to  |                 |                |                              |
| Owners of the parent  | ¥27,433         | ¥37,959        | \$251,679                    |
| Non-controlling interests   | (69)            | (58)           | (633)                        |
| <b>Comprehensive income</b>   | <b>¥27,363</b>  | <b>¥37,901</b> | <b>\$251,037</b>             |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109 to \$1, the approximate rate of exchange at March 31, 2020.



# Consolidated Statement of Changes in Equity

Sysmex Corporation and Its Subsidiaries  
For the Year Ended March 31, 2020

|  | Millions of Yen                             |                 |                   |                |                            |          |      | Non-controlling interests | Total equity |
|--|---|-----------------|-------------------|----------------|----------------------------|----------|------|---------------------------|--------------|
|  | Equity attributable to owners of the parent |                 |                   |                |                            |          |      |                           |              |
|  | Capital stock                               | Capital surplus | Retained earnings | Treasury stock | Other components of equity | Total    |      |                           |              |
| As of April 1, 2018  | ¥12,276                                     | ¥17,664         | ¥214,952          | ¥(295)         | ¥ (3,847)                  | ¥240,749 | ¥693 | ¥241,443                  |              |
| Cumulative effect of accounting change                     | —   | —               | (244)             | —              | —                          | (244)    | —    | (244)                     |              |
| Restated balance   | 12,276                                      | 17,664          | 214,707           | (295)          | (3,847)                    | 240,504  | 693  | 241,198                   |              |
| Profit   | —   | —               | 41,224            | —              | —                          | 41,224   | (58) | 41,166                    |              |
| Other comprehensive income (loss)                          | —   | —               | —                 | —              | (3,264)                    | (3,264)  | (0)  | (3,264)                   |              |
| Comprehensive income (loss)                                | —   | —               | 41,224            | —              | (3,264)                    | 37,959   | (58) | 37,901                    |              |
| Exercise of warrants                                       | 378   | 212             | —                 | —              | —                          | 590      | —    | 590                       |              |
| Stock-based compensation                                   | —   | —               | —                 | —              | —                          | —        | —    | —                         |              |
| Cash dividends   | —   | —               | (14,600)          | —              | —                          | (14,600) | —    | (14,600)                  |              |
| Purchase of treasury stock                                 | —   | —               | —                 | (6)            | —                          | (6)      | —    | (6)                       |              |
| Transfer to retained earnings                              | —   | —               | 113               | —              | (113)                      | —        | —    | —                         |              |
| Establishment of subsidiary with non-controlling interests | —   | —               | —                 | —              | —                          | —        | 98   | 98                        |              |
| Total transactions with the owners                         | 378   | 212             | (14,486)          | (6)            | (113)                      | (14,015) | 98   | (13,917)                  |              |
| As of March 31, 2019                                       | 12,654                                      | 17,876          | 241,445           | (302)          | (7,225)                    | 264,448  | 733  | 265,182                   |              |
| Cumulative effect of accounting change                     | —   | —               | —                 | —              | —                          | —        | —    | —                         |              |
| Restated balance   | 12,654                                      | 17,876          | 241,445           | (302)          | (7,225)                    | 264,448  | 733  | 265,182                   |              |
| Profit   | —   | —               | 34,883            | —              | —                          | 34,883   | (69) | 34,813                    |              |
| Other comprehensive income (loss)                          | —   | —               | —                 | —              | (7,450)                    | (7,450)  | 0    | (7,450)                   |              |
| Comprehensive income (loss)                                | —   | —               | 34,883            | —              | (7,450)                    | 27,433   | (69) | 27,363                    |              |
| Exercise of warrants                                       | 223   | 125             | —                 | —              | —                          | 348      | —    | 348                       |              |
| Stock-based compensation                                   | —   | 485             | —                 | —              | —                          | 485      | —    | 485                       |              |
| Cash dividends   | —   | —               | (15,028)          | —              | —                          | (15,028) | —    | (15,028)                  |              |
| Purchase of treasury stock                                 | —   | —               | —                 | (3)            | —                          | (3)      | —    | (3)                       |              |
| Transfer to retained earnings                              | —   | —               | 21                | —              | (21)                       | —        | —    | —                         |              |
| Establishment of subsidiary with non-controlling interests | —   | —               | —                 | —              | —                          | —        | —    | —                         |              |
| Total transactions with the owners                         | 223   | 610             | (15,006)          | (3)            | (21)                       | (14,198) | —    | (14,198)                  |              |
| As of March 31, 2020                                       | ¥12,877                                     | ¥18,487         | ¥261,321          | ¥(306)         | ¥(14,697)                  | ¥277,683 | ¥663 | ¥278,347                  |              |

|  | Thousands of U.S. Dollars                   |                 |                   |                |                            |             |                           |              |
|--|---|-----------------|-------------------|----------------|----------------------------|-------------|---------------------------|--------------|
|  | Equity attributable to owners of the parent |                 |                   |                |                            |             | Non-controlling interests | Total equity |
|  | Capital stock                               | Capital surplus | Retained earnings | Treasury stock | Other components of equity | Total       |                           |              |
| As of March 31, 2019                                       | \$116,092                                   | \$164,000       | \$2,215,092       | \$(2,771)      | \$ (66,284)                | \$2,426,128 | \$6,725                   | \$2,432,862  |
| Cumulative effect of accounting change                     | —   | —               | —                 | —              | —                          | —           | —                         | —            |
| Restated balance   | 116,092                                     | 164,000         | 2,215,092         | (2,771)        | (66,284)                   | 2,426,128   | 6,725                     | 2,432,862    |
| Profit   | —   | —               | 320,028           | —              | —                          | 320,028     | (633)                     | 319,385      |
| Other comprehensive income (loss)                          | —   | —               | —                 | —              | (68,349)                   | (68,349)    | 0                         | (68,349)     |
| Comprehensive income (loss)                                | —   | —               | 320,028           | —              | (68,349)                   | 251,679     | (633)                     | 251,037      |
| Exercise of warrants                                       | 2,046                                       | 1,147           | —                 | —              | —                          | 3,193       | —                         | 3,193        |
| Stock-based compensation                                   | —   | 4,450           | —                 | —              | —                          | 4,450       | —                         | 4,450        |
| Cash dividends   | —   | —               | (137,872)         | —              | —                          | (137,872)   | —                         | (137,872)    |
| Purchase of treasury stock                                 | —   | —               | —                 | (28)           | —                          | (28)        | —                         | (28)         |
| Transfer to retained earnings                              | —   | —               | 193               | —              | (193)                      | —           | —                         | —            |
| Establishment of subsidiary with non-controlling interests | —   | —               | —                 | —              | —                          | —           | —                         | —            |
| Total transactions with the owners                         | 2,046                                       | 5,596           | (137,670)         | (28)           | (193)                      | (130,257)   | —                         | (130,257)    |
| As of March 31, 2020                                       | \$118,138                                   | \$169,606       | \$2,397,440       | \$(2,807)      | \$(134,835)                | \$2,547,550 | \$6,083                   | \$2,553,642  |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109 to \$1, the approximate rate of exchange at March 31, 2020.

# Consolidated Statement of Cash Flows

Sysmex Corporation and Its Subsidiaries  
For the Year Ended March 31, 2020

|   | Millions of Yen |                 | Thousands of U.S. Dollars |
|---|-----------------|-----------------|---------------------------|
|   | 2020            | 2019            | 2020                      |
| <b>Operating activities</b>   |                 |                 |                           |
| Profit before tax   | ¥ 49,433        | ¥ 57,955        | \$ 453,514                |
| Depreciation and amortization   | 23,955          | 15,842          | 219,771                   |
| Interest and dividend income  | (343)           | (331)           | (3,147)                   |
| Interest expenses   | 911             | 70              | 8,358                     |
| Share of loss on equity method  | 2,398           | 1,793           | 22,000                    |
| (Increase) in trade receivables                                       | (4,423)         | (11,988)        | (40,578)                  |
| Decrease (increase) in inventories                                    | (9,807)         | 471             | (89,972)                  |
| Increase in trade payables  | 2,762           | 269             | 25,339                    |
| Increase in accrued expenses  | 2,212           | 186             | 20,294                    |
| Decrease/increase in consumption taxes receivable/payable             | (1,134)         | (1,679)         | (10,404)                  |
| Decrease in asset for retirement benefits                             | 50              | 47              | 459                       |
| Increase (decrease) in contract liabilities                           | 3,292           | (703)           | 30,202                    |
| Increase in accrued bonuses   | 102             | 201             | 936                       |
| Other – net   | 505             | (296)           | 4,633                     |
| <b>Subtotal</b>   | <b>69,914</b>   | <b>61,839</b>   | <b>641,413</b>            |
| Interest and dividend received  | 280             | 269             | 2,569                     |
| Interest paid   | (804)           | (60)            | (7,376)                   |
| Income taxes paid   | (16,208)        | (17,305)        | (148,697)                 |
| <b>Net cash provided by operating activities</b>                      | <b>53,182</b>   | <b>44,743</b>   | <b>487,908</b>            |
| <b>Investing activities</b>   |                 |                 |                           |
| Purchase of property, plant and equipment                             | (13,629)        | (18,726)        | (125,037)                 |
| Proceeds from sales of property, plant and equipment                  | 325             | 491             | 2,982                     |
| Purchase of intangible assets   | (12,843)        | (10,252)        | (117,826)                 |
| Increase in long-term prepaid expenses                                | (2,487)         | (1,441)         | (22,817)                  |
| Purchase of investments in equity instruments                         | (4,554)         | (2,315)         | (41,780)                  |
| Acquisitions of subsidiaries or other businesses                      | —               | (20)            | —                         |
| Payments into time deposits   | (231)           | (7,737)         | (2,119)                   |
| Refund of time deposits   | 7,327           | 94              | 67,220                    |
| Other – net   | 185             | (220)           | 1,697                     |
| <b>Net cash used in investing activities</b>                          | <b>(25,906)</b> | <b>(40,128)</b> | <b>(237,670)</b>          |
| <b>Financing activities</b>   |                 |                 |                           |
| Exercise of warrants  | 348             | 590             | 3,193                     |
| Dividends paid  | (15,028)        | (14,600)        | (137,872)                 |
| Repayment of lease liabilities  | (5,913)         | —               | (54,248)                  |
| Other – net   | (3)             | (81)            | (28)                      |
| <b>Net cash used in financing activities</b>                          | <b>(20,597)</b> | <b>(14,090)</b> | <b>(188,963)</b>          |
| Foreign currency translation adjustments on cash and cash equivalents | (1,147)         | (907)           | (10,523)                  |
| <b>Net (decrease) increase in cash and cash equivalents</b>           | <b>5,530</b>    | <b>(10,382)</b> | <b>50,734</b>             |
| Cash and cash equivalents, beginning of year                          | 51,062          | 61,444          | 468,459                   |
| Cash and cash equivalents, end of year                                | ¥ 56,592        | ¥ 51,062        | \$ 519,193                |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥109 to \$1, the approximate rate of exchange at March 31, 2020.

Non-Financial Targets and Results

| Materiality  |  | KPI  |  | Target                                       |                             | Results                                 |   |   |  |
|--|--|--|--|--|-----------------------------|---|---|---|--|
|  |  |  |  | Fiscal 2021<br>(Mid-Term<br>Management Plan) | Fiscal 2025<br>(Eco-Vision) | Fiscal 2017                             | Fiscal 2018                             | Fiscal 2019                             | Progress   |
| Resolution of Medical Issues through Products and Services | Resolution of medical issues through business activities                                 | Hematology market share                                      | Within the hematology field, consolidated sales as a percentage of the market for instruments, reagents and services                                   | 3  |                             | 52.7%                                   | 53.8%                                   | 54.7%                                   | Reagent sales increased in line with expansion of the installed instrument base in each region, pushing up our share of the hematology market. In addition, to help resolve medical issues, in fiscal 2019 we launched a product for cancer gene panel testing. In China, we introduced new parameters in the immunochemistry field and moved forward with initiatives for the development and practical realization of antigen/antibody tests for COVID-19.<br>We also recorded steady progress in the number of new patents and the number of scientific papers.<br>»Initiatives in Developed Countries P41 »Our Response to the COVID-19 Pandemic P19<br>»Sustainability Data Book »Resolution of Medical Issues through Business Activities P9   |
|  |  | Number of patents  | Total number of patents, utility model rights and design rights held   | 3  |                             | 2,709                                   | 2,987                                   | 3,143                                   |  |
|  |  | Number of new patents  | Total number of applications filed for patents, utility model rights and design rights   | 3  |                             | 301                                     | 346                                     | 306                                     |  |
|  |  | Number of scientific papers                                  | Number of scientific papers presented by users of the Company's products   | 3  |                             | 155                                     | 166                                     | 176                                     |  |
|  | Improvement in accessibility to medical services by means such as familiarizing products | Percentage of sales in emerging markets                      | Sales in emerging markets as a percentage of consolidated sales  | 3  |                             | 39.2%                                   | 39.5%                                   | 39.7%                                   | Sales in China and other emerging markets are growing; over the past 10 years, our sales in emerging markets have increased by approximately ¥90.0 billion. In addition, we are working with the WHO, JICA and other international institutions to help enhance the quality of healthcare.<br>»Initiatives in China and Other Emerging Markets and Developing Countries P42, 43<br>»Sustainability Data Book »Improvement in Accessibility to Medical Services by Means such as Familiarizing Products P11   |
|  |  |  |  |  |                             |   |   |   |  |
| Responsible Provision of Products and Services             | Securing of product quality and safety   | CSR survey response rate                                     | Percentage of primary raw materials suppliers that responded to CSR surveys (figures in parentheses show such percentages only for Japanese suppliers) | 3  | —                           | 80.7%<br>(99.6%)                        | 84.0%<br>(99.6%)                        | 84.8%<br>(99.2%)                        | We conducted CSR surveys of around 240 existing business partners and one new business partner. In addition, we interviewed the management of new business partners, made follow-up visits to some business partners, confirmed the status of management at secondary suppliers and enhanced supply chain management.<br>Furthermore, to maintain and enhance high quality levels, we continue to put in place systems to ensure compliance with international laws and regulations.<br>»Sustainability Data Book »Assessment and Management of the Supply Chain P19   |
|  | Appropriate disclosure of information regarding products and services                    |  |  |  |                             |   |   |   |  |
|  | Assessment and management of the supply chain  |  |  |  |                             |   |   |   |  |
| Realization of an Attractive Workplace                     | Provision of a comfortable working environment   | Engagement score   | Corporate Culture Survey results   | 75%  |                             | 72%                                     | —                                       | —                                       | Every two years, Sysmex conducts a Corporate Culture Survey aimed at enhancing employee satisfaction. This survey was not conducted in fiscal 2019, as we wished to check the status of our organization following the launch of the new HR system introduced in April 2020 and the development of measures in line with its implementation. We plan to conduct a Groupwide survey in fiscal 2020.<br>Our turnover ratio remains low in comparison with the manufacturing industry average of around 9% <sup>4</sup> , indicating a high retention rate. To reduce the lost-time injuries frequency rate, we are adopting such measures as stepping up danger and prediction training and bringing in outside instructors to conduct education and training. In fiscal 2019, the rate was 0.86, due to such factors as factory closures due to injury.<br>»Sustainability Data Book »Provision of a Comfortable Working Environment P26, Promoting Health and Productivity Management P34  |
|  |  | Turnover ratio <sup>1, 2</sup>                               | Turnover percentage of regular employees, excluding people who have reached the mandatory retirement age   | 3  |                             | 3.22%                                   | 3.78%                                   | 3.09%                                   |  |
|  |  | Lost-time injuries frequency rate <sup>1</sup>               | Number of employee deaths or injuries resulting from work-related accidents per million hours actually worked  | Less than 0.35                               |                             | 0.35                                    | 0.89                                    | 0.86                                    |  |
|  |  | Lost work day rate <sup>1</sup>                              | Number of days absent from work due to work-related injuries per 1,000 hours actually worked   | Less than 0.05                               |                             | 0.05                                    | 0.06                                    | 0.08                                    |  |
|  | Promotion of diversity   | Female managers ratio  | Percentage of women at director level or above   | 16.0%  |                             | 15.2%                                   | 15.2%                                   | 15.5%                                   | The figure rose 0.3 percentage point year on year, due to efforts at Group companies to promote diverse working styles, advocate management styles and provide opportunities for employees to think about their careers.<br>»Sustainability Data Book »Promotion of Diversity P31<br>In fiscal 2019, we enhanced employee career development and promoted self-learning as part of the introduction of a new HR system. We also aggressively promoted online learning. Some training was postponed, owing to COVID-19, but training time per employee came to 17.0 hours, rising to 27.7 hours if online learning is included.<br>»Diverse Human Resources P55 »Sustainability Data Book »Development of Human Resources P32   |
|  | Development of human resources   | Training time per employee <sup>2</sup>                      | Average hours of training per employee provided by the Human Resources Division (figures in parentheses include online training hours)                 | 25.0 hours                                   |                             | 15.7 hours <sup>1</sup><br>(24.9 hours) | 15.8 hours <sup>1</sup><br>(28.9 hours) | 17.0 hours <sup>1</sup><br>(27.7 hours) |  |
|  |  |  |  |  |                             |   |   |   |  |
| Environmental Consideration<br>(Base Year: Fiscal 2016)    | Environmental consideration through the product lifecycle                                | Reduction of CO <sub>2</sub> emissions (instruments)         | Percentage reduction in CO <sub>2</sub> emissions per instrument   | Cut 10%                                      | Cut 15%                     | Cut 1%                                  | Cut 3%                                  | Cut 4%                                  | CO <sub>2</sub> emissions rose 4% due to expansion of the installed base of large instruments, which consume substantial amounts of electricity. Conversely, water consumption was down 3% due to higher sales of products that consume fewer reagents. Going forward, we aim to promote further reductions by developing and selling new products that consume less electricity and water.<br>»Sustainability Data Book »Environmental Consideration through the Product Lifecycle P49<br>We achieved a 17% reduction by shifting the mode of transport from air to ship on some products bound for the Americas and Asia. This exceeds our fiscal 2025 target of a 15% reduction.<br>»Sustainability Data Book »Environmental Consideration through the Product Lifecycle P51  |
|  |  | Reduction of water consumption (instruments) <sup>2</sup>    | Percentage reduction in water volume per instrument  | Cut 10%                                      | Cut 15%                     | Cut 1%                                  | Cut 1%                                  | Cut 3%                                  |  |
|  |  | Reduction of CO <sub>2</sub> emissions (shipping)            | Percentage reduction in CO <sub>2</sub> emissions during shipping and distribution per unit of parent-only sales                                       | Cut 10%                                      | Cut 15%                     | Cut 17%                                 | Cut 1%                                  | Cut 17%                                 |  |
|  | Reduction in environmental burden through activities at business offices                 | Reduction of CO <sub>2</sub> emissions (business activities) | Percentage reduction in CO <sub>2</sub> emissions during business activities per unit of consolidated sales  | Cut 10%                                      | Cut 50%                     | Cut 17%                                 | Cut 21%                                 | Cut 17%                                 | Energy consumption rose due to the operation of a bio-diagnostic reagent base that opened in April 2019. However, we substantially curtailed this increase by introducing high-efficiency electrical and air conditioning systems. We are also promoting initiatives to lower CO <sub>2</sub> emissions in individual regions, such as shifting toward the use of renewable energy in the United States.<br>»Sustainability Data Book »Reduction in Environmental Burden through Activities at Business Offices P53<br>This figure increased due to the commencement of reagent production at our bio-diagnostic reagent base, which opened in April 2019. Going forward, we expect to reduce water consumption through further production efficiencies once we have completed the transfer of manufacturing.<br>»Sustainability Data Book »Reduction in Environmental Burden through Activities at Business Offices P54<br>The recycling rate worsened, as we were unable to boost this rate in the Americas and other overseas locations. In response, we plan to move forward with initiatives targeting individual regions.<br>»Sustainability Data Book »Reduction in Environmental Burden through Activities at Business Offices P56 |
|  |  | Reduction of water consumption (business activities)         | Percentage reduction in water use during business activities per unit of consolidated sales  | Cut 10%                                      | Cut 15%                     | Cut 8%                                  | Cut 7%                                  | Cut 6%                                  |  |
|  |  | Recycle rate   | Recycling volume divided by total waste volume   | 88% or higher                                | 93% or higher               | 89%                                     | 76%                                     | 67%                                     |  |
|  |  |  |  |  |                             |   |   |   |  |
| Enhanced Governance  | Corporate governance   | Number of internal reporting                                 | Number of internal reporting incidences  | 3  |                             | 32                                      | 14                                      | 11                                      | We promoted early-stage detection by setting up consultation and reporting lines capable of responding in individual countries' languages. We conducted inquiries for consultations and dealt with each of them appropriately.<br>»Sustainability Data Book »Compliance P63  |
|  | Compliance   | Number of unethical incidents                                | In the event of violations of law or the Global Compliance Code, number of incidents involving disciplinary action                                     | 3  | —                           | —                                       | 9                                       | 7                                       |  |
|  | Risk management  |  |  |  |                             |   |   |   |  |

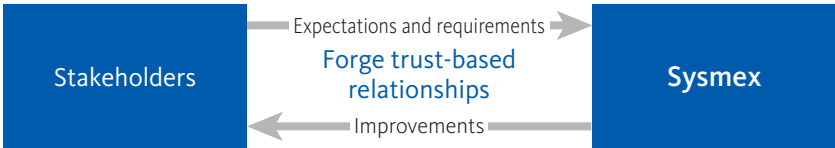
1 Target: Sysmex Corporation on a non-consolidated basis 2 Some figures have been revised from those previously disclosed 3 Set as a monitoring index; no target value has been set  
4 Source: "Overview of Results of Fiscal 2018 Survey on Employment Trends"  
»Materiality P27 »Sustainability Data Book »CSR management P4



# Stakeholder Engagement

Through proactive dialogue with stakeholders, we strive to forge better relations. In addition, by incorporating their expectations and requirements into our business activities we will enhance the effectiveness of our strategy and strive to realize a sustainable society.

■ Stakeholder Engagement



■ Main Dialogue Achievements (Fiscal 2019)

>>Sysmex's Principal Stakeholders P12 >>Non-Financial Targets and Results P81

| Customers  |  |
|--|--|
| <p>In addition to instilling confidence in the customers who use our products and services, we engage in ongoing communications with the aim of providing added value that exceeds their expectations. As a result, we earn high marks in customer satisfaction surveys.</p> <ul style="list-style-type: none"><li>Established a 24/7 customer support center (separate contract required)</li><li>Gathered feedback through VOC (Voice of the Customer), utilization in product development and quality improvements</li><li>Held scientific seminars</li><li>Convened user meetings to communicate accurate product knowledge</li><li>Conducted customer satisfaction surveys</li></ul> <p>&gt;&gt;Customer Assessment P53<br/>&gt;&gt;Sustainability Data Book &gt;Customer Relations P21</p>   | <p><b>Customer Support Center</b><br/>Customer center contacts<br/>(non-consolidated basis)</p> <p><b>Approx. 86,700 per year</b></p> <p>Number of VOC contacts<br/>(non-consolidated basis)</p> <p><b>Approx. 18,000 per year</b></p> |
| Business Partners (Suppliers, Distributors and Collaborative R&D Partners)   |  |
| <p>We maintain ongoing communications to foster an understanding among business partners of Sysmex's business directions and policies, as well as to build trust-based relationships. We pursue supply chain management with our suppliers in accordance with our procurement policies.</p> <ul style="list-style-type: none"><li>Conducted CSR surveys</li><li>Held meetings for distributors</li></ul> <p>&gt;&gt;Sustainability Data Book &gt;Assessment and Management of the Supply Chain P19</p>   | <p><b>CSR survey results</b><br/>Response rate (primary suppliers in Japan)</p> <p><b>99.2%</b></p>  |
| Employees  |  |
| <p>In its aim to achieve sustainable growth, Sysmex believes that diversity and inclusion are essential, as are efforts to create a workplace that is comfortable, appealing and conducive to work. We have set the score on our corporate culture survey, which indicates employee satisfaction, as one of our non-financial targets, and we are undertaking initiatives to achieve this target.</p> <ul style="list-style-type: none"><li>Instilled the corporate philosophy of the Sysmex Group, introduced an internal award system</li><li>Conducted corporate culture surveys (Human Resources Division provides individual divisions with advice on making improvements, based on the results of employee satisfaction)</li><li>Configuration of a global internal reporting system &gt;&gt;Compliance P60</li></ul> <p>&gt;&gt;Diverse Human Resources P55 &gt;&gt;Sustainability Data Book &gt;Provision of a Comfortable Working Environment P25</p> | <p><b>Corporate culture survey score</b></p> <p><b>72%</b></p> <p>Note: The score indicated here is for the survey conducted in fiscal 2017</p>  |

## Society

Based on our Policy on Corporate Citizenship Activities and Philanthropy, we carry out corporate citizenship activities to promote a healthy society and vibrant communities. We communicate with society through activities aimed at meeting the needs of communities around the world.

- Supported activities in various regions in relation to the spread of COVID-19  
>>Our Response to the COVID-19 Pandemic P19
- Engaged in Group corporate citizenship programs, including the Sysmex Gives Back Challenge (such as cooperation with blood donations) and Sysmex Gives Back Day (participation in charity runs/walks to help eradicate cancer and support cancer patients, support for pediatric patients and orphans, etc.)
- Participated in patient-oriented events (such as a planetarium in a pediatric ward)
- Interacted with the residents of regional communities through corporate citizenship activities
- Held event for local communication at Technopark (Japan), our R&D hub

>>Sustainability Data Book >Corporate Citizenship Activities P39

Employees participating in Group corporate citizenship programs

**More than 4,300 per year**

## Shareholders and Investors

Sysmex recognizes that IR activities are important for achieving sustainable growth and medium- to long-term increases in corporate value. We strive to disclose information appropriately and quickly share internally the evaluations and requests that we receive in the course of dialogue with shareholders and investors, and to reflect this information in our management and IR activities.

- Holding of the Ordinary General Meeting of Shareholders
  - Voting rights executed in writing or via the Internet
- Information disclosure
  - Proactively disclosed voluntary information such as operating performance by destination, type of business and product type
- Dialogue with institutional investors and analysts
  - Held business results briefings and conference calls
  - IR meetings: Management visited the Americas, Europe and Tokyo and engaged in dialogue related to our long-term management goals, mid-term management plan, business model, R&D, shareholder returns, ESG and other topics.
  - Holding of IR events: To foster a deeper understanding of our management strategy and business activities, we conducted facility tours and tours of offices in Japan and overseas. In fiscal 2019, we held a tour of Technopark East Site, our bio-diagnostic reagent base that commenced operation in April 2019. In addition, each year we hold a technology presentation, in which people in charge of R&D divisions provide explanations about R&D progress. (Simultaneous interpretation in English is provided at these events.)
- Dialogue with individual shareholders
  - Conducted briefings in combination with securities companies
  - Provided information through our shareholder newsletter and website
  - Conducted tours of business sites (suspended in fiscal 2019 due to COVID-19)

■ Major Awards Received for IR Activities (Fiscal 2019)

|   |   |
|---|---|
| WICI Japan                              | Nominated as one of the 10 finalists in the 7th WICI Japan Award for Excellence in Integrated Reporting   |
| IR Good Visual Award Steering Committee | 7th IR Good Visual Award  |
| Institutional Investor                  | Ranked within the top three in all five categories in Institutional Investor 2020 in the Japanese Medical Technologies and Services division, including "Best CEOs," "Best CFOs," "Best IR Professional," "Best IR Program" and "Best ESG." Accordingly, we were named a "Most Honored Company" in this sector. |

Meetings with institutional investors and analysts

**Approx. 400 per year**

■ Objectives of Sysmex's IR Activities

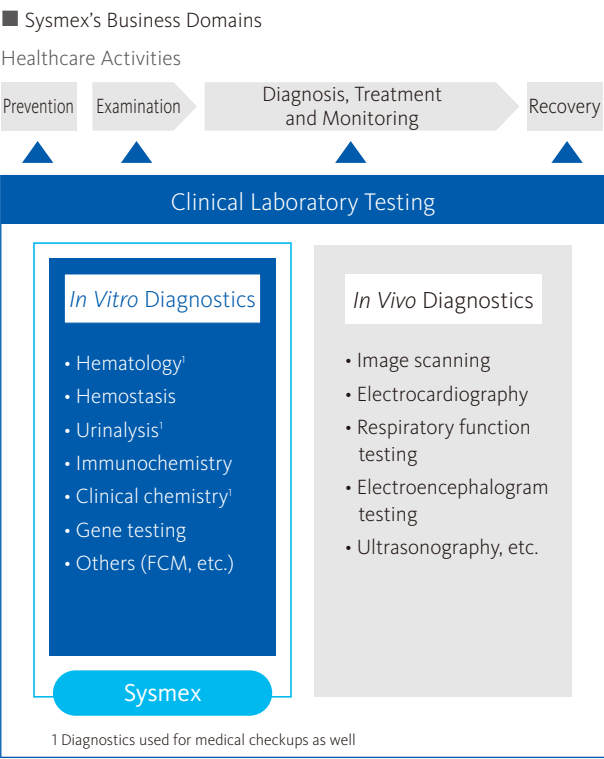
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graph TD; A((Obtain evaluations and requests from capital markets)) --> B((Enhance corporate value through dialogue)); B --> C((Reflect promptly in management and IR activities)); C --> D((Disseminate high-quality information in a timely manner)); D --> A;
```

Main Business Domains

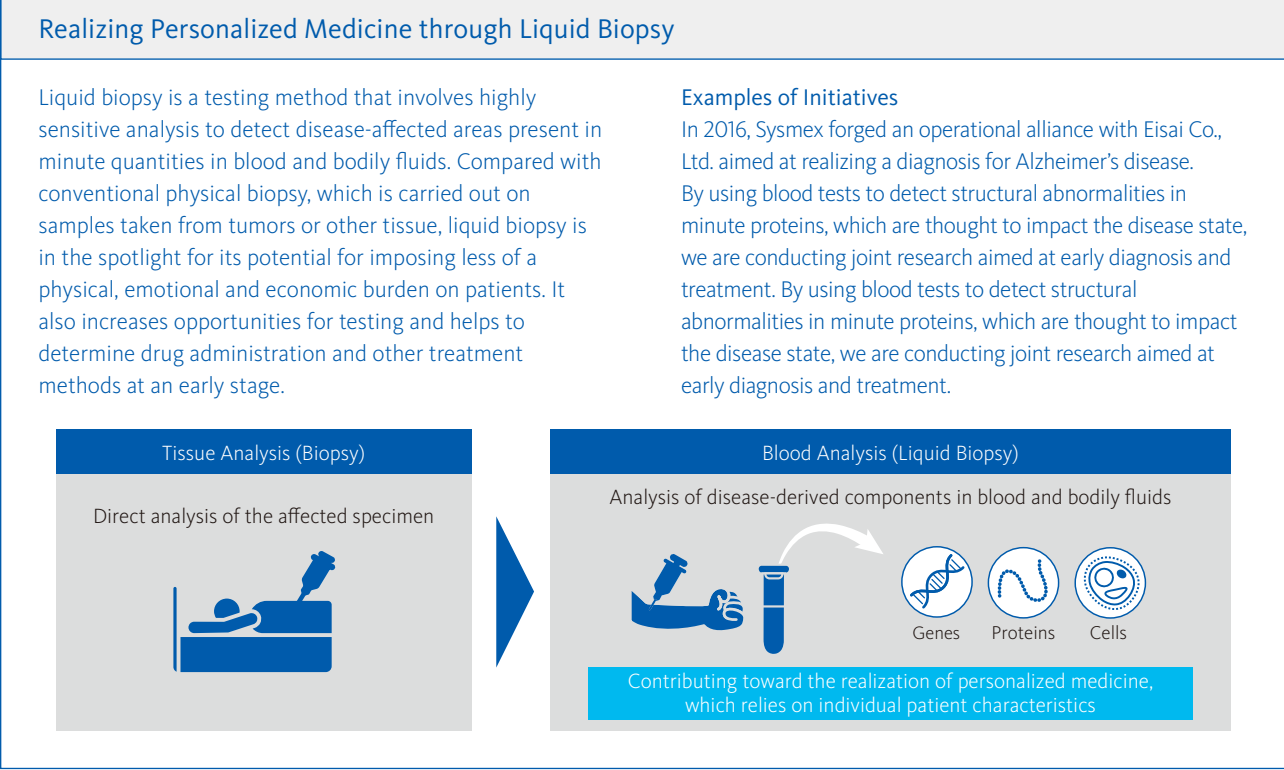
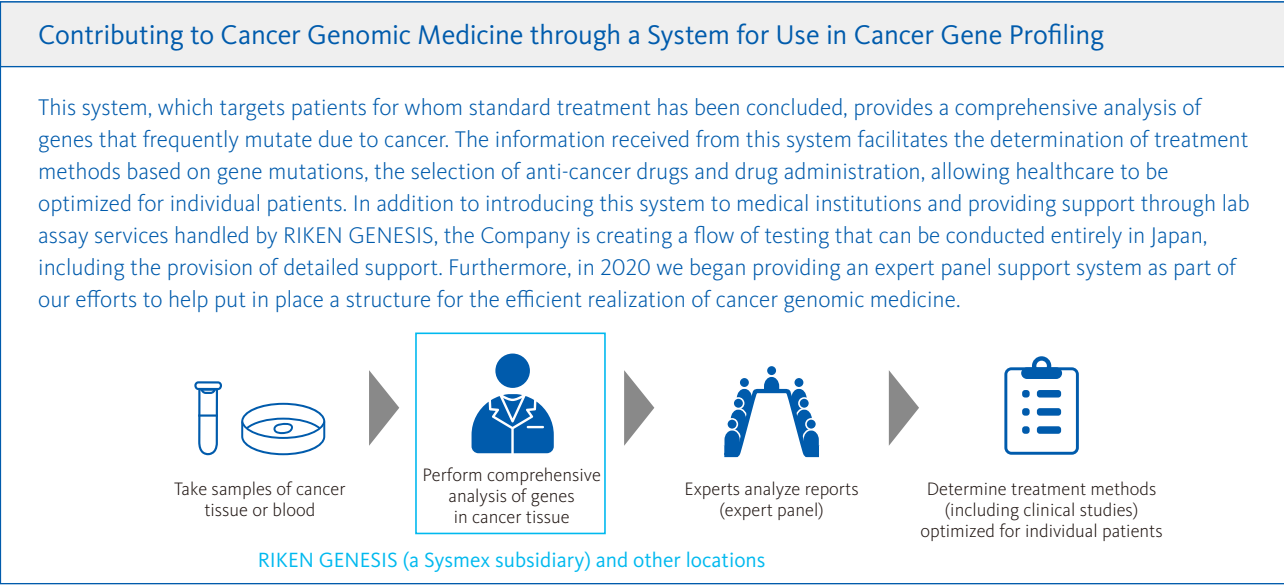
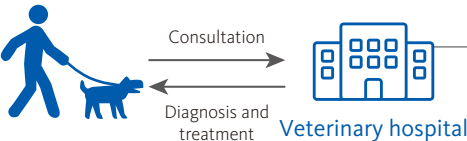
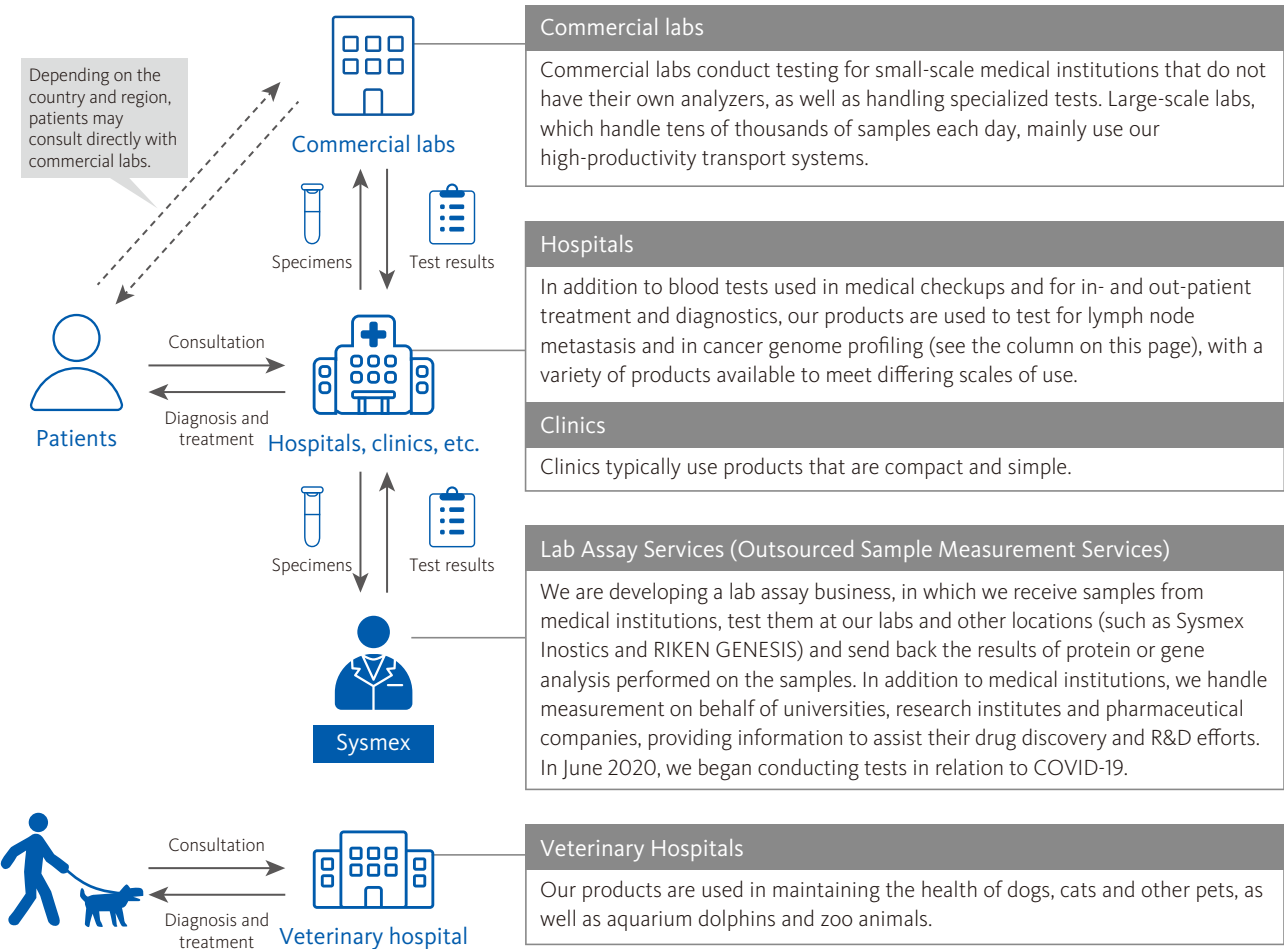
Clinical testing is essential to healthcare, where it is used in diagnosing and treating illness, measuring the results of drug administration and diagnosing health to aid prevention, among other applications. Clinical testing can be broadly divided into two categories: *in vitro* diagnostics (IVD) that involve the examination of blood, urine and other samples taken from the body and *in vivo* diagnostics that involve direct examination using X-rays or electrocardiograms. Sysmex's primary business is in the IVD domain, where we provide medical institutions and other customers with instruments, reagents and software on a global basis.

In response to technological innovation and its application to healthcare, personalized medicine has begun to gain traction in recent years. This type of medicine is aimed at conducting risk diagnosis and monitoring treatment results tailored to individual patients. In such areas, IVD is taking on an increasingly important role in healthcare.

>>Supporting Healthcare with *In Vitro* Diagnostics (IVD) P35



Sysmex's Products in Use





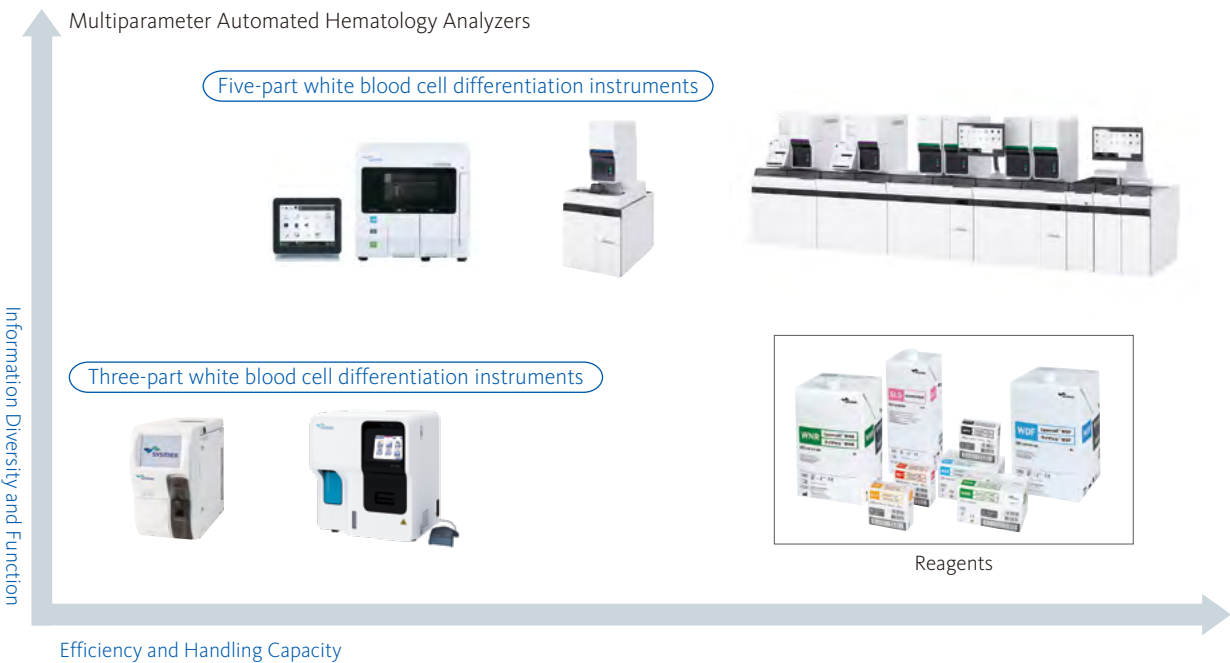
# Primary Products and Services

## Cell Measurement Technologies

### Hematology

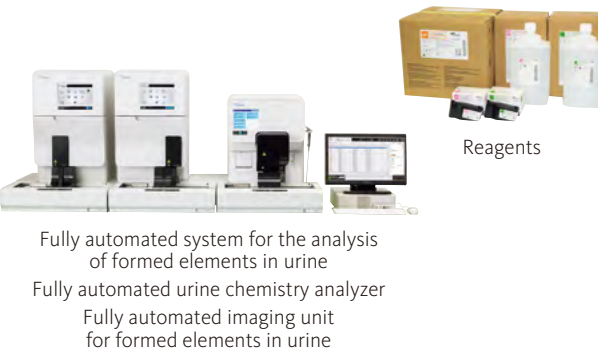
For small and medium-sized institutions, Sysmex offers three-part white blood cell differentiation models, used for determining basic parameters, as well as five-part white blood cell differentiation models. Numerous reagents are used with these models to deliver a high degree of clinical significance.

In addition, we offer a wide-ranging lineup, including transport systems that can be used for rapid, high-volume testing in large-scale labs. We are also rolling out products to help realize the early-stage detection and treatment of malaria. For example, in Europe in 2019 and Japan in 2020 we launched an analyzer that supports standardization and improved efficiency in malaria testing.



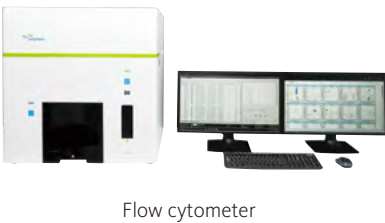
### Urinalysis

We developed the world's first urine formed sediment analysis system using the flow cytometry method. We are also adding to our portfolio of urinalysis products by making use of alliances as we work to expand our lineup in response to diverse urinalysis needs.



### Flow Cytometry (FCM)

We are developing products that utilize the flow cytometry method. Areas of business include clinical FCM (clinical testing to perform detailed analysis in diagnosing leukemia, malignant lymphoma and HIV/AIDS), industry FCM (used in the quality control of food) and research FCM (analyzing the function of cultured cells and other research applications). In 2020, we launched a product (for research) in North America, the world's largest market for FCM testing.



## Protein Measurement Technologies

### Hemostasis

Sysmex handles products offering a wide range of processing capacity to meet the needs of different-sized facilities. Demand for hemostasis testing has increased and grown more diverse due to a rise in thrombotic diseases stemming from lifestyle diseases, as well as to the development of new blood preparations. In 2018, we launched a new product offering enhanced productivity, reliability and operability, and we are working toward a global roll-out. In addition to an alliance with Siemens Healthineers in the area of reagents, we work with Group company HYPHEN BioMed, SAS to develop products offering high clinical value.



### Immunochemistry

We are working to develop our business in Asia, including Japan and China, through sales of a fully automated immunochemistry system, which performs highly sensitive, high-speed assays on minute sample quantities. In addition to reagents to test for infectious disease and tumor markers, we are developing proprietary markers to test for liver fibrosis progression and atopic dermatitis. Furthermore, we are working to develop and launch parameters to meet regional needs in China and other areas.



## Gene Measurement Technologies

### Testing of Cancer Lymph Node Metastasis

We apply the OSNA method, which we developed, in products we provide to automatically and easily detect information to help in diagnosing lymph node metastasis, among other items. We launched products in this category in China in 2020.



### Cancer Gene Profiling

We developed a system for use in cancer genome profiling in collaboration with the National Cancer Center. In June 2019, this became the first such system to be covered under Japanese health insurance.

>>System for Use in Cancer Gene Profiling P86

### Cytogenic Testing

Oxford Gene Technology (OGT), which became a subsidiary in 2017, conducts business in the area of cytogenic testing, which involves testing cells for chromosomal and genetic abnormalities. We have launched a Flow FISH testing system (for research) that utilizes imaging FCM technology to automate FISH testing.

### Other Lab Assays

We also offer assay services for research use to determine expression levels of breast cancer-related gene types, making use of BEAMing technology to detect to a high degree of sensitivity genes that are present in minute samples of blood.

>>Lab Assay Services P86

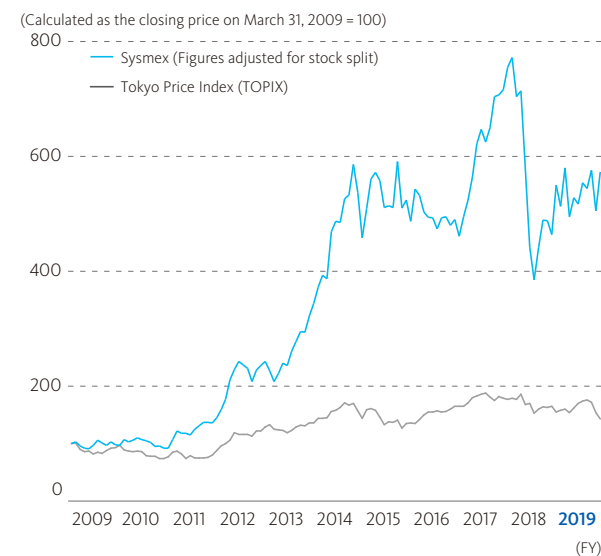
|  |   |
|--|---|
| Antibody test  | A test to measure for the presence of a protein (antibody) generated by the body's immune function, which endeavors to repel foreign exogenous matter that has entered the body. This test allows checking of disease history, as well as current infection.  |
| Antigen test   | A test to measure for the presence of an antigen, virus or other pathogen, that has entered the body. By detecting virus-specific proteins, these tests confirm whether a virus is present in the body at the time of testing.  |
| Application  | Corresponds to a test parameter in Sysmex's various technology platforms.   |
| BEAMing technology                                       | An acronym for "Bead, Emulsion, Amplification, and Magnetics," this gene analysis method combines digital PCR (ultrahigh-sensitivity PCR) and flow cytometry technologies for highly sensitive analysis of genetic mutations.   |
| Biological reagent (bio-diagnostic reagent)              | Testing reagent that applies the functions of proteins, genes, and other living organisms.  |
| Cancer genome profiling                                  | Analysis of information about genes significant to cancer diagnostics by looking at mutations, amplifications and fusion of multiple genes in cancer tissue.  |
| Caresphere   | Caresphere utilizes IoT and the cloud to establish a platform for the real-time linking and analysis of a variety of information managed using testing instruments and clinical laboratory information systems. It is a new network solution that provides support for increasing the operational efficiency of professionals involved in testing and healthcare, enhancing quality and raising patient satisfaction.                               |
| CE Marking   | A mark certifying European Conformity (CE), which is a mandatory conformity marking for certain products sold within the European Economic Area.  |
| Clinical FCM   | Refers to FCM used in a clinical testing setting for analysis in such areas as hemophilia, lymphoma, HIV and hematopoietic stem cells.  |
| Commercial lab   | A company that specializes in testing operations, performing IVD on behalf of medical institutions, research institutes and other facilities.   |
| Cytogenic testing  | Cytogenetics refers to the study of chromosomes, particularly research related to illnesses arising due to chromosomal abnormalities. Research and testing typically involves the use of white blood cells, amniotic fluid or tissues samples and karyotype testing using G-banding or the FISH method.   |
| Cytokine   | A general term for physiologically active substances that contribute to intercellular interaction, that can be determined by measuring proteins secreted by cells. As infection spreads, the inflammatory response increases. When inflammatory cytokines are discharged in large quantities, immune cells can trigger acute multiple organ failure. Results include respiratory failure, sepsis, coagulation disorders and other severe illnesses. |
| EMA  | Europe, the Middle East and Africa  |
| Expert panel   | A multidisciplinary investigative commission that meets to interpret gene panel testing results medically. Convened at core hospitals for cancer genomic medicine, expert panels recommend treatment methods optimized for individual patients on the basis of abnormal gene information. Members of such panels include oncologists, genome researchers, counselors, etc.  |
| Flow cytometry (FCM)                                     | Method involving the flow dispersion of minute particles and the use of laser light to optically analyze minute flows.  |
| Flow FISH testing  | Whereas FISH testing requires evaluation of slides under a microscope, flow FISH testing uses an imaging flow cytometer to capture images, enabling automated analysis.   |
| Fluorescence <i>in situ</i> hybridization (FISH) testing | Testing method using fluorescent material binding only specific genes to detect abnormalities within a chromosome.  |
| Genomic medicine   | Medicine that allows the prevention of disease or the effective treatment of individual patients by analyzing their genetic information.  |
| Hematology   | The field of <i>in vitro</i> diagnostics that determines whether precise testing is necessary by analyzing the number, type and size of red, white and other blood cells.   |
| Imaging FCM  | A proprietary Merck technology that combines FCM for processing large quantities of cells with the rapid capture of images of cell morphology, fluorescent imaging and automated digital image analysis.  |

|  |  |
|--|--|
| <i>In vitro</i> diagnostics (IVD)                          | In general, IVD refers to the testing of blood, urine and other samples to determine physical condition. IVD may also refer to the domain of laboratory testing in which IVD is performed.   |
| Knockdown production method                                | A production method in which the principal parts are exported from Japan for local assembly into finished products.  |
| Lab assay  | An outsourced specimen measurement service.  |
| Liquid biopsy  | This is a general name for technology using blood or body fluid samples for diagnosis and the prediction of treatment impacts rather than through the conventional practice of tissue biopsy, in which diagnosis is performed on diseased tissue that has been collected. Liquid biopsy is less invasive than tissue biopsy, but more highly sensitive detection technologies are required.  |
| Manufacturing and marketing approval (regulatory approval) | In Japan, the manufacturing and marketing of medical devices and reagents requires approval from the Ministry of Health, Labour and Welfare. Such approval necessitates confirmation of a product's function and safety. Other countries have their own obligatory procedures: approval from the Food and Drug Administration in the United States, obtaining the CE Marking in Europe, and in China, approval from the National Medical Products Administration (NMPA).   |
| OSNA method  | Abbreviation of One-Step Nucleic Acid Amplification method, developed by Sysmex, which enables detection of lymph node metastasis.   |
| Panel testing  | A test that allows multiple markers to be measured at once. Particularly in genomic medicine, cancer panels are used to analyze the mutation, proliferation and fusion of multiple genes having diagnostic significance.   |
| Personalized medicine                                      | Different from the conventional practice of providing selected predetermined or uniform treatment for a given disease, personalized medicine aims to select treatment methods optimized to individual patient characteristics, based on gene and other data.   |
| Polymerase chain reaction (PCR)                            | A gene amplification technology for copying small quantities of DNA to produce larger quantities.  |
| Precision management                                       | A management method used to guarantee the values measured by customers' testing equipment and to confirm that a customer's equipment is functioning correctly. External quality control is a method under which the same specimens (such as artificially produced blood) are distributed to multiple clinical laboratories, and the measurement results obtained are analyzed using statistical methods, thereby allowing the precision of individual laboratories' measurement results to be evaluated. The results are provided as feedback to these laboratories, helping to increase their quality of testing. |
| Primary care   | The initial care provided at clinics or other locations when a patient first falls ill.  |
| Quality of life (QOL)                                      | Refers to the maintenance of human dignity and improved wellbeing.   |
| Reagent  | A pharmaceutical product for medical use in laboratory testing, also called an <i>in vitro</i> diagnostic product. It is not used directly on the human body, but on samples of blood or other bodily fluids.  |
| Specimen   | Material necessary for testing. May include blood, cerebrospinal fluid, pus, punctured fluid, urine and feces.   |
| Sysmex Network Communication Systems (SNCS)                | An online support service that connects the Sysmex Customer Support Center and customers' instruments via an Internet connection to provide real-time external quality control and scientific information, and to monitor instrument conditions.   |
| Technology platforms                                       | Sysmex's three technology areas (gene measurement, cell measurement and protein measurement) and the measurement platforms that use them.  |
| Transport system   | A system that links multiple analyzers, allowing testing to be automated. In addition to making testing operations more efficient, automation helps reduce the risk of infection when samples are handled manually and prevents mishandling.   |
| Urine chemistry testing                                    | Testing conducted by using a test paper to analyze for the presence of sugar, protein or blood in urine.   |
| Urine sediment testing                                     | Testing performed to analyze formed elements in the urine, including blood and other cells.  |



# Stock Information (As of the End of Fiscal 2019)

## Stock Price Range



## Stock Price Movements

| Fiscal years | High (Yen) | Low (Yen) | Closing price (Yen) | Volatility (%) |
|--------------|------------|-----------|---------------------|----------------|
| 2009         | 5,660      | 2,760     | 5,480               | 30.0           |
| 2010         | 6,010      | 2,789     | 2,942               | 27.8           |
| 2011         | 3,340      | 2,387     | 3,340               | 23.6           |
| 2012         | 5,800      | 2,900     | 5,790               | 25.7           |
| 2013         | 7,180      | 3,130     | 3,290               | 37.5           |
| 2014         | 6,880      | 3,070     | 6,670               | 27.6           |
| 2015         | 8,640      | 5,430     | 7,040               | 39.2           |
| 2016         | 8,170      | 6,010     | 6,750               | 29.9           |
| 2017         | 9,730      | 6,080     | 9,640               | 24.7           |
| 2018         | 11,110     | 4,810     | 6,690               | 38.7           |
| 2019         | 8,420      | 5,814     | 7,846               | 38.4           |

Note: Volatility refers to the annualized standard deviation based on the daily closing price.

## Total Shareholder Return (TSR<sup>1</sup>) (Annualized Rate)

| Investment period            | Past 1 year            | Past 3 years |             | Past 5 years |             | Past 10 years |             |
|------------------------------|------------------------|--------------|-------------|--------------|-------------|---------------|-------------|
|                              | Cumulative/Annual rate | Cumulative   | Annual rate | Cumulative   | Annual rate | Cumulative    | Annual rate |
| Sysmex                       | 17.4                   | 16.6         | 5.3         | 18.2         | 3.4         | 483.3         | 19.3        |
| TOPIX                        | -9.5                   | -0.4         | -0.1        | 1.8          | 0.4         | 78.4          | 6.0         |
| TOPIX (Electrical equipment) | -1.4                   | 9.4          | 3.0         | 8.9          | 1.7         | 72.9          | 5.6         |

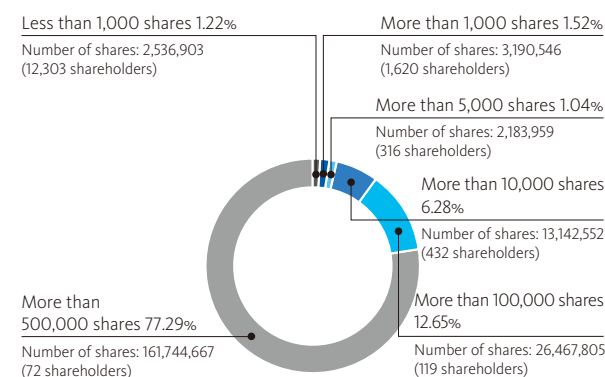
<sup>1</sup> TSR: Total shareholder return, including capital gains and dividends  
 • Prepared by Sysmex based on data from Nikkei NEEDS-FinancialQUEST  
 • Base date of March 31, 2020  
 • TSR calculated on the assumption that dividends are reinvested in shares

## Principal Shareholders (Top 10)

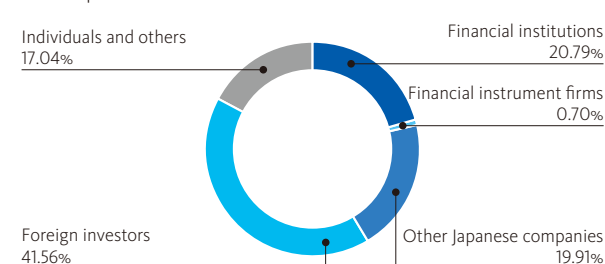
| Shareholders  | Number of shares held (Thousands) | Percentage of shareholding (%) |
|---|-----------------------------------|--------------------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account)                                       | 21,243                            | 10.2                           |
| The Kobe Yamabuki Foundation  | 12,000                            | 5.8                            |
| Nakatani Foundation for Advancement of Measuring Technologies in Biomedical Engineering | 11,830                            | 5.7                            |
| Nakatani Kosan, Ltd.  | 10,457                            | 5.0                            |
| The Master Trust Bank of Japan, Ltd. (Trust Account)                                    | 10,341                            | 5.0                            |
| Kazuko Ietsugu  | 6,124                             | 2.9                            |
| Taeko Wada  | 6,124                             | 2.9                            |
| Rusoru, Ltd.  | 4,750                             | 2.3                            |
| Tadako Nakatani   | 4,012                             | 1.9                            |
| Kenji Itani   | 3,680                             | 1.8                            |

Note: Percentage of shareholding excludes treasury stock (446,600 shares).

## Distribution of Shares by Number of Shares Held



## Composition of Shareholders



# Corporate Information (As of the End of Fiscal 2019)

## Sysmex Corporation

|                             |   |
|-----------------------------|---|
| Established                 | February 20, 1968   |
| Head Office                 | 1-5-1, Wakinohama-Kaigandori, Chuo-ku, Kobe 651-0073, Japan   |
| Inquiries                   | IR & Corporate Communication Department, TEL: +81-78-265-0500   |
| Website                     | <a href="https://www.sysmex.co.jp/en/">https://www.sysmex.co.jp/en/</a>   |
| Number of Employees         | 9,231 (consolidated basis) (including part-time employees and others)   |
| Fiscal Year                 | April 1–March 31  |
| Shareholders' Meeting       | June  |
| Number of Shares Authorized | 598,688,000 shares  |
| Number of Shares Issued     | 209,266,432 shares  |
| Paid-in Capital             | ¥12,877.7 million   |
| Stock Listings              | Tokyo Stock Exchange, First Section   |
| Ticker Code                 | 6869  |
| Transfer Agent              | Mitsubishi UFJ Trust and Banking Corporation  |
| Independent Auditor         | Deloitte Touche Tohmatsu LLC  |
| Rating                      | AA- (Rating and Investment Information, Inc. (R&I))   |
| Major Indexes               | Dow Jones Sustainability World Index<br>Dow Jones Sustainability Asia Pacific Index<br>FTSE4Good Index<br>FTSE Blossom Japan Index<br>MSCI ESG Leaders Indexes<br>MSCI SRI Indexes<br>MSCI Japan ESG Select Leaders Index<br>MSCI Japan Empowering Women Index (WIN)<br>S&P/JPX Carbon Efficient Index<br>Ethibel Excellence<br>Ethibel Pioneer<br>Ethibel Sustainability Index (ESI)<br>Euronext Vigeo Eiris World 120 Index<br>Sompo Sustainability Index |



>>Sustainability Data Book >External Evaluations P72