

# Corporate Governance Report

Last Update: July 9, 2019

**Sysmex Corporation**

Hisashi Ietsugu, Chairman, President and CEO

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Securities Code: 6869

<https://www.sysmex.co.jp/en>

The corporate governance of Sysmex Corporation (the “Company”) is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views** Updated

The Company considers reinforcing corporate governance one of its most important management topics. We aim to maximize the overall corporate value of the Group through enhancing management robustness and transparency, as well as improving management speed and efficiency.

The Company has adopted the system of a company with an Audit and Supervisory Committee to reinforce the Managing Board’s audit and supervisory functions and increase management transparency and objectivity.

In addition, the Company has introduced the executive officer system to speed up decision-making of its business execution and to respond more swiftly to changes in the business environment.

### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

Sysmex complies with all Principles of the Corporate Governance Code.

### **[Disclosure Based on the Principles of the Corporate Governance Code]** Updated

#### **[Principle 1.4 Cross-Shareholdings]**

Our basic policy is to reinforce and stabilize the management base, as well as contribute to regional economic development, in order to ensure sustainable increases in the Group’s corporate value.

When increasing or liquidating our holdings of shares in a particular company, as well as exercising voting rights, we consider the economic rationality of investees’ moves from a medium- to long-term perspective and in connection with and forecasts for the regional economy and make decisions after the Managing Board verifies the purpose and rationality of holding such shares each year.

The Management Board judges that the Company’s individual holdings is appropriate, as of March 31, 2019.

#### **[Principle 1.7 Related Party Transactions]**

Based on the Companies Act, competing transactions and conflict-of-interest transactions by members of the Managing Board require Managing Board approval, in accordance with the Company’s Managing Board

Regulations. Furthermore, a member of the Managing Board who engages in such transactions shall report them to the Managing Board without delay.

Transactions with major shareholders that exceed certain provisions in the Managing Board Regulations and items with a high level of importance require the approval of the Managing Board.

Also, the content of related party transactions, transaction conditions and the policy for determining transaction conditions are disclosed in the Company's securities report.

Furthermore, the Company regularly confirms with related parties that systems are in place to avoid being disadvantageous to the Company.

#### [Principle 2.6 Performing Functions as Asset Owner of the Corporate Pension]

The Company invests defined benefit pension assets through a pension asset investment committee composed of personnel who are suitably qualified to make pension investments. The status of investing is monitored in accordance with the Fundamental Policy on Investing Pension Assets set forth by the Company.

#### [Principle 3.1 Full Disclosure]

##### 1. Corporate Philosophy, Business Strategies and Business Plans

The "Sysmex Way," the corporate philosophy for the Sysmex Group, 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 and code of conduct that every employees within the Sysmex Group must observe.

In April 2019, Sysmex commenced a new mid-term management plan (from the fiscal years ending March 31, 2020 to 2022), seeking to promote transformation toward achieving robust sustainable growth for the Group and reinforcing the management base that supports it. The plan is aimed at achieving the Company's long-term vision and positioning, which is based on the "Sysmex Way," the corporate philosophy for the Sysmex Group, which defines the Group's mission as "shaping the advancement of healthcare." In line with mid-term management plan for the Sysmex Group, we aim to expand our product lineup in the hematology, urinalysis, hemostasis and immunochemistry fields. We will also reinforce growth and profitability by expanding the life science business and creating new diagnostic value that will contribute to personalized medicine. In addition, we will recruit and foster the human resources essential to achieving Group goals, and we will work to transform business process to augment the efficiency of corporate management and create new value. Furthermore, we will undertake initiatives to foster environmentally considerate product life cycles, contribute to society and bolster governance and risk management to ensure our ongoing support from diverse stakeholders.

Please refer to our website (<https://www.sysmex.co.jp/en>) for more information on our corporate philosophy and mid-term management plan.

##### 2. Basic Views and Guidelines on Corporate Governance

Please refer to our website and the "I.1. Basic Views" section of this report.

([https://www.sysmex.co.jp/en/corporate/governance/corporate\\_governance.html](https://www.sysmex.co.jp/en/corporate/governance/corporate_governance.html))

##### 3. Determining the Remuneration of the Senior Management and Members of the Managing Board

###### (1) Policy

Sysmex determines executive compensation amounts and calculation methods by making a clear link between operating performance and responsibility for achievement. 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 variable portions. Fixed compensation is determined on the basis of a member's position, while performance-linked compensation varies depending on performance.

Audit and Supervisory Committee members (excluding outside members of the Managing Board) and outside members of the Managing Board received only fixed compensation.

(2) Procedures

Based on the above-stated policy, compensation amounts for members of the Managing Board (excluding Audit and Supervisory Committee members) are deliberated by the Compensation Committee, an advisory committee to the Managing Board, and resolved by the Managing Board. Compensation amounts for Audit and Supervisory Committee members are deliberated and determined by the Audit and Supervisory Committee.

4. Appointment and dismissal of the Senior Management and Nomination of Member of the Managing Board Candidates

(1) Policy

The Managing Board nominates candidates for internal members of the Managing Board (excluding members of the Audit and Supervisory Committee) by considering the balance among knowledge, experience and experience that facilitates accurate and swift decision-making, appropriate risk management, the monitoring of business execution and the ability to cover the Company's various functional divisions and business divisions, as well as sufficient social credibility. In nominating outside members of the Managing Board (excluding members of the Audit and Supervisory Committee), the Managing Board's conditions are that candidates have abundant work experience and broad-based insight, and be able to offer appropriate advice on the Company's management.

If satisfying the above-stated selection criteria is problematic, the Managing Board shall decide on the dismissal of its members (excluding members of the Audit and Supervisory Committee).

In appointing member of the Audit and Supervisory Committee candidates, the Managing Board takes into overall account the candidates' knowledge of finance and accounting, understanding of the Company's fields of business and diverse perspectives on corporate management.

If satisfying the above-stated selection standards is problematic, the Managing Board shall decide on the dismissal of members of the Audit and Supervisory Committee, based on the consent of that committee.

Candidates for outside members of the Managing Board satisfy the independence standards prescribed by the Companies Act and the Tokyo Stock Exchange.

(2) Procedures

Based on the above-stated policy, decisions on the nomination of candidates for or the dismissal of members of the Managing Board are considered by the Nominating Committee, an advisory committee to the Managing Board, and resolved by the Managing Board. Proposals on the appointment and dismissal of members of the Audit and Supervisory Committee are approved by the Audit and Supervisory Committee.

5. Explanations with Respect to the Individual Appointments and Dismissals

Career histories and reasons for appointment for each candidate nominated as a member of the Managing Committee, as well as reasons for dismissal, are included in the convocation notice of the ordinary general meeting of shareholders.

[Principle 4.1 Roles and Responsibilities of the Board (1)]

Supplementary Principle 4.1.1

Based on laws and regulations, the Articles of Incorporation and Managing Board Regulations, the Managing Board defines matters for the board itself to handle, makes important management decisions and supervises the execution of duties. Furthermore, the Company has adopted the executive officer system, and the executive officers execute the duties for which they are responsible within the scope entrusted to them by the president.

[Principle 4.9 Independence Standards and Qualification for Independent Members of the Managing Board]  
The standards for determining independence are that members must satisfy the qualification for independent officers provided by the Companies Act and the Tokyo Stock Exchange and not be at risk of being in conflict with the interests of general shareholders.

[Principle 4.11 Preconditions for Managing Board Effectiveness]

Supplementary Principle 4.11.1

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.

The Managing Board (excluding members of the Audit and Supervisory Committee) nominates candidates for members of the Managing Board who are capable of accurate and swift decision-making, appropriate risk management, the monitoring of business execution and the ability to cover the Company's various functional divisions and business divisions. Gender, nationality, race and origin are not considerations. Candidates nominated as members of the Audit and Supervisory Committee have appropriate experience and abilities and required levels of specialized knowledge. In particular, at least one nominated candidate has appropriate knowledge of finance and accounting.

Supplementary Principle 4.11.2

In the event that members of the Managing Board concurrently hold executive positions at listed companies other than the Company, the Company strives to ensure that the numbers of such posts are reasonable. Also, important concurrent positions held by each member of the Managing Board are disclosed in the business reports and reference documents for the general shareholder meeting.

Supplementary Principle 4.11.3

To enhance the functions of the Managing Board, the Company conducting annual document-based questionnaire survey of all members of the Managing Board (including members of the Audit and Supervisory Committee) and evaluating the Managing Board's effectiveness through deliberation of the aggregate results by the Managing Board. An overview of the analysis and evaluation of results of fiscal 2019 follows.

(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 through the early-stage distribution of materials and the provision of explanations, as necessary, to outside members of the Managing Board, organizing points at issue, and providing related information necessary to understand the background.

(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.

Proposals have been made with regard to matters introduced by individual members of the Managing Board to be deliberated by and reported to Managing Board, and to improve management through further vitalization. Regarding these proposals, the Managing Board has confirmed that it will respond to issues.

The Company has also confirmed it will provide information to members of the Managing Board and expand training opportunities, as necessary.

Going forward, the Company's Managing Board will be evaluated regularly, in the aim of maintaining or further enhancing its effectiveness and sustainably enhancing corporate value.

[Principle 4.14 Training of Members of the Managing Board and Corporate Auditors]

Supplementary Principle 4.14.2

The Company conducts lectures for members of the Managing Board according to their expected roles and responsibilities, with content appropriate to the Companies Act and the current state of affairs. In addition, we provide opportunities to attend outside training sessions, lectures and networking events. In these ways, we endeavor to help them gain the necessary knowledge and promote an understanding of their roles and responsibilities as members of the Managing Board.

At the time of their appointment, the Company holds briefings and tours of various business offices for outside members of the Managing Board to foster an understanding of the Company's businesses and functions. We also create opportunities for providing further information thereafter, as necessary.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

1. The Company considers dialogue with shareholders to be important from the perspective of sustainable growth and long-term increases in corporate value. For this reason, we strive to engage proactively in dialogue with shareholders. The department in charge of IR conducts business results briefings and a host of other activities, centering on the chairman and CEO and the executive in charge of IR, to enhance shareholders' understanding of the Company's management policies, management plans and business strategies. Furthermore, in response to shareholder requests for dialogue (meetings), when reasonably possible and as necessary these requests are handled by members of the Managing Board and executive officers.
2. Related internal departments assisting with this dialogue actively cooperate in seeking to ensure constructive dialogue by preparing disclosure materials and sharing information.
3. In addition to individual meetings, the Company holds business results briefings for investors, as well as Company tours. We also endeavor to enhance such activities in response to investors' opinions and requests.
4. Shareholder opinions ascertained through dialogue are communicated via meeting reports. This information is provided as feedback to members of the Managing Board, executive officers and related departments, thereby sharing and utilizing this information.
5. In the period leading up to results announcements, the Company maintains a quiet period, during which it limits its dialogue with investors. In addition, to prevent insider information from leaking outside the Company, the Company manages information strictly in accordance with internal regulations (regulations on managing corporate confidentiality).

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd.	22,575,200	10.82
The Kobe Yamabuki Foundation	12,000,000	5.75

Nakatani Foundation for Advancement of Measuring Technologies in Biomedical Engineering	11,830,800	5.67
Nakatani Kosan, Ltd.	10,457,600	5.01
The Master Trust Bank of Japan, Ltd.	10,320,900	4.95
Kazuko Ietsugu	6,124,800	2.93
Taeko Wada	6,124,800	2.93
Rusoru.Ltd.	4,750,000	2.28
Kenji Itani	4,300,000	2.06
Tadako Nakatani	4,012,800	1.92

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

Updated

The status of shares by voting category is outlined below.

Status of Voting Rights on Outstanding Stock

(As of March 31, 2019)

Category	Number of shares	Number of voting rights	Details
Non-voting shares	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (other)	—	—	—
Shares with full voting rights (treasury stock, etc.)	Common stock 446,100	—	—
Shares with full voting rights (other)	Common stock 208,625,500	2,086,255	—
Shares of less than one trading unit	Common stock 82,832	—	Shares constituting less than one trading unit (100 shares)
Number of shares issued	209,154,432	—	—
Total shareholder voting rights	—	2,086,255	—

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Appliances

Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

#### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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#### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	a company with an Audit and Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	No maximum stipulated
Term of Office Stipulated in Articles of Incorporation	1 years
Chairperson of the Board	President
Number of Directors	12
Appointment Status of Outside Members of the Managing Board	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)	Updated
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Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
	From another company / Lawyer / CPA / Tax											

	Accountant / Academic / Other												
Masayo Takahashi	Other												○
Kazuo Ota	From another company									Δ			
Koichi Onishi	From another company									Δ			
Kazuhito Kajiura	CPA							Δ					

\* Categories for “Relationship with the Company”

\* ”○” when the director presently falls or has recently fallen under the category;

“Δ” when the director fell under the category in the past

\* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

## Outside Directors' Relationship with the Company (2)

Updated

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masayo Takahashi		○	—	Ms. Takahashi has abundant experience in Japan and overseas as a clinician and researcher specializing in ophthalmology. The Company believes Ms. Takahashi will contribute toward enhancing the clinical value of the Company's existing business and to research and development activities in new fields, such as personalized medicine. Ms. Takahashi, member of the Managing Board, belongs to

				<p>the National Research and Development Agency, the Institute of Physical and Chemical Research (RIKEN). No special-interest relationship exists between Sysmex and RIKEN.</p> <p>Furthermore, no transactional relationships or other interest-based relationships exist between the Company and Ms. Takahashi, member of the Managing Board.</p>
Kazuo Ota		○	<p>Kazuo Ota is formerly of Kawasaki Heavy Industries, Ltd., a business partner of the Company. He retired from his position as director at Kawasaki Heavy Industries in June 2019. No special relationship exists between the Company and Kawasaki Heavy Industries.</p>	<p>Mr. Ota has abundant experience and deep insight in corporate management, which the Company believes makes him appropriate to serve as an outside member of the Managing Board.</p> <p>No transactional or other interest-based relationships exist between Mr. Ota, member of the Managing Board, and Sysmex.</p>
Koichi Onishi	○	○	<p>Koichi Onishi is formerly of Kobe Steel, Ltd., a business partner of the Company. However, in June 2010 he stepped down from his position as executive officer at Kobe Steel. No special relationship exists between the Company and Kobe Steel.</p>	<p>The Company believes it can entrust to Mr. Onishi the important responsibility as a member of the Audit and Supervisory Committee, ensuring the Company's management soundness and transparency through reflecting his abundant experience and broad-ranging insight in corporate management.</p> <p>As of March 31, 2019, Mr. Onishi, member of the Managing Board, holds 1 thousand shares of stock in the</p>

				Company. The Company believes this fact is immaterial.
Kazuhito Kajiura	○	○	In January 2013, Mr. Kajiura stepped down from his position at Deloitte Touche Tohmatsu LLC, with which the Company has contracted to perform a certified public accountants audit.	As a certified public accountant, Mr. Kajiura has specialized knowledge related to finance and accounting, and has abundant experience and broad-ranging insight in these areas. The Company believes that Mr. Kajiura will undertake important responsibilities as a member of the Audit and Supervisory Committee, ensuring the Company's management soundness and transparency. As of March 31, 2019, Mr. Kajiura, member of the Managing Board, holds 0 thousand shares of stock in the Company. The Company believes this fact is immaterial.

#### [Audit and Supervisory Committee]

##### Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	1	1	2	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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##### Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

At Sysmex, the Internal Audit Office provides organizational assistance for the duties of the Audit and Supervisory Committee.

When employees at the Internal Audit Office assist the Audit and Supervisory Committee in its duties, they obey the Audit and Supervisory Committee's orders and instructions.

To ensure the independence of members of the Managing Board (excluding members of the Managing Board who are Audit and Supervisory Committee members), personnel matters involving employees of the Internal Audit Office (including appointments, transfers and disciplinary actions) are discussed in advance with the Audit and Supervisory Committee.

##### Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Audit and Supervisory Committee also maintains close relations with the internal audit divisions and divisions in charge of internal control in conducting audits. A system is also in place for the committee to issue directions to the internal audit divisions, if necessary.

The Audit and Supervisory Committee works closely with the accounting auditors to confirm the audit plans and the audit results, exchanging information and opinions, such as when conducting internal control related to financial reporting.

#### [Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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#### Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nominating Committee	Compensation Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	3	3
Outside Directors	1	1
Outside Experts	0	0
Other	0	0
Chairperson	Internal member of the Managing Board	Internal member of the Managing Board

Supplementary Explanation Updated

As an advisory body to the Managing Board, the Nominating Committee nominates and recommends dismissal of members of the Managing Board and executive officers. The Compensation Committee recommends decisions on compensation and bonuses for members of the Managing Board and executive officers. Each committee is composed of three or more members of the Managing Board.

#### [Independent Directors]

Number of Independent Directors	4
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Matters relating to Independent Directors

All the Company's outside officers qualify as independent officers and are designated as independent officers.

#### [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options
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Supplementary Explanation Updated

As one aspect of its efforts to reinforce the corporate governance system, in July 2005 the Company introduced a performance-based executive remuneration system to clarify responsibility for success. Remuneration for officers (members of the Managing Board and executive officers) is broadly divided into fixed remuneration and performance-linked remuneration. Performance-linked remuneration is distributed to individual officers based on success.

Recipients of Stock Options

Inside Directors / Employee / Subsidiaries' Directors / Subsidiaries' Employee

Supplementary Explanation

Updated

The Company granted stock options on September 13, 2013, in order to enhance the motivation and morale of members of the Managing Board and employees of the Company and its subsidiaries, as well as to encourage employee participation in management.

At an Ordinary General Meeting of Shareholders on June 21, 2019, the decision was passed to provide stock options as stock acquisition rights as remuneration to members of the Managing Board (excluding Audit and Supervisory Committee members and outside members of the Managing Board), within the amount of ¥800 million annually.

#### [Director Remuneration]

Disclosure of Individual Directors' Remuneration

Selected Directors

Supplementary Explanation

Updated

<Remuneration Paid to the Company's Members of the Managing Board in the Fiscal Year Ended March 31, 2019>

Executive category	Members of the Managing Board (excluding members of the Audit and Supervisory Committee) (Excluding outside members of the Managing Board)
Total amount of remuneration	¥698 million
Basic remuneration	¥259 million
Stock options	—
Bonuses	¥438 million
Number of executives	7

Executive category	Members of the Managing Board (members of the Audit and Supervisory Committee) (Excluding outside members of the Managing Board)
Total amount of remuneration	¥24 million
Basic remuneration	¥24 million
Stock options	—
Bonuses	—
Number of executives	1

Executive category	Outside executives
Total amount of remuneration	¥28 million
Basic remuneration	¥28 million

Stock options	—
Bonuses	—
Number of executives	4

(Note) The above-stated information includes members of the Managing Board who stood down during the fiscal year ended March 31, 2019.

<Executives Receiving Total Compensation of ¥100 Million or More>

Name	Hisashi Ietsugu
Executive category	Member of the Managing Board
Company category	Company submitting report
Total compensation (Millions of yen)	195
Basic compensation (Millions of yen)	59
Stock options (Millions of yen)	-
Bonuses (Millions of yen)	136

(Notes)

1. The amount of remuneration paid to members of the Managing Board does not include employee salaries paid to members of the Managing Board who are concurrently employees. Fixed compensation for members of the Managing Board (including outside members of the Managing Board but excluding the Chairman, President and CEO) and executive officers averages ¥24 million.
2. At the 49th Ordinary General Meeting of Shareholders on June 24, 2016, a resolution was passed to limit annual remuneration for members of the Managing Board (excluding members of the Audit and Supervisory Committee) to within ¥1.0 billion, and annual remuneration for members of the Managing Board who are members of the Audit and Supervisory Committee to within ¥80 million.
3. As of March 31, 2017, members of the Managing Board (excluding members of the Audit and Supervisory Committee) numbered 10 (of which, two were outside members of the Managing Board), and members of the Managing Board who were also members of the Audit and Supervisory Committee number three (of which, two were outside members of the Managing Board).
4. Ownership of shares in the Company by members of the Managing Board and executive officers  
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 long-term increases in corporate value. The Company aims for the Chairman, President and CEO to hold shares worth five times his fixed compensation, and for other members of the Managing Board and executive officers to hold shares worth twice their fixed compensation, and for them to hold the acquired shares during their terms of office. As of March 31, 2019, the Chairman, President and CEO held 610 thousand shares (69 times fixed compensation), and other members of the Managing Board and executive officers (only those who hold shares) held an average of 30 thousand shares in the Company (nine times fixed compensation).

Policy on Determining Remuneration Amounts  
and Calculation Methods

Updated

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Sysmex determines members of the Managing Board (excluding Audit and Supervisory Committee members and outside members of the Managing Board) compensation amounts and calculation methods by making a clear link between operating performance and responsibility for achievement. 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 on the basis of a member's position, while performance-linked compensation varies depending on profit attributable to owners of the parent for the subject fiscal year. 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. 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.

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.

#### **[Supporting System for Outside Directors]**

Outside members of the Managing Board obtain necessary information by attending meetings and by accessing various databases. No dedicated staff is provided, but outside directors are provided support via the Corporate Executive Office and the Internal Audit Office, which is the Company's internal audit division.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

Updated

The Managing Board consists of 12 members (including one woman). The board, which meets regularly once a month, in principle, and convenes extraordinary meetings as necessary, is the body for making important management decisions and supervising executive officers. Furthermore, we have set the minimum rate of attendance at meetings of the Managing Board at 75%, aiming to ensure higher effectiveness.

The Global Strategic Committee consists of the chairman and CEO and senior executive officers and serves as an advisory body to assist decision-making by the chairman and CEO. As a rule, this committee meets once a month to deliberate and discuss the Group's medium- to long-term management direction and important strategies and issues.

The Steering Committee consists of executive officers. The committee meets once a month, in principle, to discuss, deliberate and report on projects that are important projects with regard to advancing the Group's plans for the fiscal year.

Risk Management Committee is made up of senior executive officers and executive officers and serves as an advisory body to the Group's risk management officer. As a rule, the committee meets four times each year to deliberate and report on important matters related to the Group's operational risks.

The Compliance Committee comprises executive officers and some division leaders. The committee meets twice each year, in principle, to deliberate and report on important matters related to Group compliance.

In the fiscal year ended March 31, 2019, the Managing Board met 13 times, the Global Strategic Committee 13 times and the Steering Committee 13 times to address matters relating to management strategy and important issues facing the Group.

The Internal Audit Office, consists of 13 employees, and internal audit offices are in place at key subsidiaries. These offices confirm and evaluate internal controls, the state of management and the execution of business from the perspective of the sound development of the Group, issue reports based on the results of its activities, promote appropriate execution of business through improvements, advice and proposals, and conduct internal audits to contribute to the sound management of the Group.

Sysmex's Audit and Supervisory Committee comprises three members, two of whom are appointed as outside members of the Managing Board. Audit and Supervisory Committee members attend meetings of the Audit and Supervisory Committee, Managing Board, Global Strategic Committee and Steering Committee, providing a structure that enables the appropriate monitoring of business execution by members of the Managing Board. The Audit and Supervisory Committee met 26 times in the fiscal year ended March 31, 2019. The Audit and Supervisory Committee also maintains close relations with the internal audit divisions and divisions in charge of internal control in conducting audits. A system is also in place for the committee to issue directions to the internal audit divisions, if necessary. The Audit and Supervisory Committee works closely with the accounting auditors to confirm the audit plans and the audit results, exchanging information and opinions, such as when conducting internal control related to financial reporting. Going forward, the Audit and Supervisory Committee will continue to enhance management soundness by auditing and supervising members of the Managing Board, as appropriate, based on laws and regulations.

The Audit and Supervisory Committee will work closely with the accounting auditors on the audit plans report (annual) and the audit results reports (annual), exchanging information and opinions as necessary, such as when conducting internal control audits related to financial reporting.

The Company has contracted with Deloitte Touche Tohmatsu LLC to perform a certified public accountants audit. In addition to conducting an audit of the entire Sysmex Group, the Company maintains an environment that makes it possible to rapidly cope with changes in the accounting system.

The Company has contracts in place with several law offices and maintains a structure to solicit and obtain advice on important matters as necessary.

### 3. Reasons for Adoption of Current Corporate Governance System

Updated

To reinforce the Managing Board's audit and supervisory functions, enhance management transparency and objectivity, the Company has adopted the system of a company with an Audit and Supervisory Committee. The Company has appointed multiple independent outside members of the Managing Board. These members have extensive knowledge and deep insight related to corporate management and business. The Company believes that these members further invigorate deliberations, facilitate appropriate decision-making and ensure highly effective supervision of business execution. Of the three members of the Audit and Supervisory Committee, two are independent outside members of the Managing Board. In this manner, we are working to reinforce and enhance the auditing and supervisory functions. We have also introduced an executive officer system to increase the speed of business execution and decision-making, as well as to respond swiftly to changes in the operating environment.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	To encourage the exercise of voting rights, the Company sends out its convocation notices earlier than the statutorily required two weeks prior to the general shareholder meeting.
Scheduling AGMs Avoiding the Peak Day	The Company sets its general shareholder meeting date to encourage attendance by numerous shareholders.
Allowing Electronic Exercise of Voting Rights	The Company allows for the Internet-based exercise of voting rights in order to provide choices for exercising voting rights, increase convenience and enable numerous shareholders to exercise their voting rights.
Participation in Electronic Voting Platform	The Company employs a platform to improve the environment for the exercise of voting rights by institutional investors.
Providing Convocation Notice in English	The Company prepares an English translation of the convocation notice (summary), which it provides to foreign shareholders.
Other	Slide images are used during the reporting of reporting items at the general shareholder meeting in order to provide easy-to-understand explanations.

#### 2. IR Activities

	Supplementary Explanations	Explanations by the Representative Himself /Herself
Preparation and Publication of Disclosure Policy	Posted on the Company's website	—
Regular Investor Briefings for Individual Investors	To provide an overview of the Company explaining its strategies, the Company strives to encourage a better understanding among individual investors. To this end, the Company regularly (typically, once or twice each year) participates in briefings for individual investors sponsored by securities companies and other parties.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Company conducts business results briefings promptly following its announcement of fiscal year-end and interim financial results.	Yes
Regular Investor Briefings for Overseas Investors	The Company regularly (two or three times each year) meets individually with overseas institutional investors to explain its financial reports and future strategies. The Company also participates in conferences (briefings) sponsored by securities companies. At our IR events (technology presentations, IR Day), we provide simultaneous English interpretation in the aim of promoting fair disclosure.	Yes
Posting of IR Materials on Website	The Company discloses various IR-related materials on its website (in Japanese and English), including the posting of voice recordings of business results briefings and the materials distributed at these	—

	meetings, in an effort to promote fair disclosure. As IR materials, the Company posts financial information, presentation materials, securities reports (including quarterly financial results), Company briefing pamphlets and a video overview of the Company, as well as messages from the Chairman and CEO and explanations of the state of corporate governance.	
Establishment of Department and/or Manager in Charge of IR	The IR & Corporate Communication Department is responsible for IR activities, working with the chairman and CEO and the director in charge of IR on the Company's IR activities.	—
Other	—	—

### 3. Measures to Ensure Due Respect for Stakeholders

Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Sysmex has formulated a variety of regulations aimed at respecting the position of shareholders. These include Insider Trading Regulations, Environmental Manual Management Regulations, Personal Information Protection Regulations, Compliance Regulations and Ethics Regulations on Clinical Research and Development.
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company has identified priority issues to be addressed (materiality items) with a view to realizing a sustainable society, based on matters required by society, including the 10 principles of the United Nations Global Compact; ISO 26000, the international standard for social responsibility; and the United Nations Sustainable Development Goals (SDGs). The Company is rolling out specific action plans and promoting CSR activities under five materiality themes: “resolution of medical issues through products and services,” “responsible provision of products and services,” “realization of an attractive workplace,” “environmental consideration” and “governance.”</p> <p>The Environmental Management Committee, which is chaired by the environmental management officer, formulates specific environmental action plans based on the Sysmex Eco-Vision 2025, the Company's environmental policy and long-term environmental vision, and evaluates implementation. Furthermore, the Company publishes an annual CSR report, the Sysmex Sustainability Report, in which it reports to stakeholders on its activities during the fiscal year.</p>
Development of Policies on Information Provision to Stakeholders	In accordance with its information disclosure regulations, the Company discloses information in line with the laws and regulations on the exchange of financial instruments and timely disclosure regulations of financial instruments exchanges. The Company also has set its own voluntary standards for information disclosure that include information not subject to timely disclosure regulations, and has formulated a basic policy on information disclosure that strives to disclose information proactively and fairly.
Other	—

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

#### 1. System for Ensuring the Execution of Duties by Members of the Managing Board and Employees Is Compliant with the Law and the Articles of Incorporation

Sysmex and its subsidiaries (the “Sysmex Group”) define compliance as “the conduct of open and aboveboard business activities on the basis of observance of laws and regulations and high ethical standards” and maintain a system to ensure compliance as described below.

Recognizing that compliance countermeasures are the first and most important way to maintain society’s trust and counter risk, the Sysmex Group operates a groupwide risk management system, under which the Compliance Committee is established as the umbrella organization for compliance. The Sysmex Group has formulated a Global Compliance Code that applies to employees and members of the Managing Board and rigorously ensures compliance through education and training. The Sysmex Group promotes the rapid detection and correction of violations of the law or the Articles of Incorporation by means of an internal compliance-related reporting system, and conducts audits of the compliance structure by means of the Internal Audit Office.

#### 2. System for the Retention and Management of Information Related to the Execution of Duties by Members of the Managing Board

The Sysmex Group has formulated Global Document Management Regulations. In accordance with these regulations, the Group appropriately retains and manages minutes of Managing Board and other important meetings, as well as other information relating to the execution of duties by members of the Managing Board, and maintains the information in a state available for inspection as necessary.

#### 3. Regulations Concerning the Management of Risk and Other Systems

To maintain a structure concerning risk management, the entire Sysmex Group complies with risk management regulations established by the Risk Management Committee for the integrated management of risk throughout the Group and strives to mitigate risk. The Risk Management Committee endeavors to discover foreseeable risks, select the most important of these risks, clarify the sections responsible for coping with risks, establish countermeasures and confirm the implementation status of these countermeasures.

#### 4. Systems to Ensure That Members of the Managing Board Execute Their Duties Efficiently

The Sysmex Group has positioned the Managing Board as the institution to make important management decisions and supervise the execution of duties. The Company has introduced the executive officer system to be capable of making swifter operating decisions and reinforce management functions in order to respond quickly to changes in the business environment.

The Sysmex Group clarifies decision-making procedures and ensures efficient business operations based on organization regulations, scope of authority regulations, regulations concerning the management of affiliated companies, and others. In addition, the Group formulates mid-term plans and annual management plans, periodically confirms the progress made with those plans and takes any necessary measures.

#### 5. Systems to Ensure the Appropriateness of Business Activities in the Corporate Group, Comprising the Company and Its Subsidiaries

Sysmex ensures compliance throughout the Sysmex Group in accordance with its Global Compliance Code, which applies to members of the Managing Board and employees throughout the Sysmex Group. In conformance with regulations established with respect to risk management, Sysmex maintains a groupwide

risk management system. Internal audit offices are in place at key subsidiaries, and Sysmex's Internal Audit Office conducts audits of the Sysmex Group as a whole from a regional and companywide perspective. Based on its regulations relating to the management of affiliated companies, Sysmex respects the autonomy of the management of subsidiaries and other affiliated companies and ensures the appropriateness of business activities throughout the Sysmex Group by such means as periodic reporting on the details of their business activities and advance discussion concerning important matters.

#### 6. Assignment of Employees to Assist the Audit and Supervisory Committee

At Sysmex, the Internal Audit Office provides organizational assistance for the duties of the Audit and Supervisory Committee.

When employees at the Internal Audit Office assist the Audit and Supervisory Committee in its duties, they obey the Audit and Supervisory Committee's orders and instructions.

To ensure the independence of members of the Managing Board (excluding members of the Managing Board who are Audit and Supervisory Committee members), personnel matters involving employees of the Internal Audit Office (including appointments, transfers and disciplinary actions) are discussed in advance with the Audit and Supervisory Committee.

#### 7. Policy on Handling Audit Expenses

Sysmex has in place a budget corresponding to the annual audit plan in order to defray the expenses required for the execution of duties by the Audit and Supervisory Committee. Procedures are handled appropriately in the event additional expenses are required for the execution of duties by the Audit and Supervisory Committee.

#### 8. Systems Related to Reporting to the Audit and Supervisory Committee and Other Systems for Ensuring Effective and Efficient Auditing by the Audit and Supervisory Committee

If a member of the Managing Board or employee of the Group discovers a violation of the law or the Articles of Incorporation or a material fact that poses risk of causing significant damage to the Sysmex Group, that fact is promptly reported to the Audit and Supervisory Committee according to the prescribed regulations and procedures. Members of the Audit and Supervisory Committee also attend Managing Board, Steering Committee and other important meetings, read important documents such as approval requests, and request explanations from members of the Managing Board and employees of the Sysmex Group as necessary.

Sysmex prohibits dismissal or any other disadvantageous treatment to members of the Managing Board and employees of the Sysmex Group who report information as outlined above.

## 2. Basic Views on Eliminating Anti-Social Forces

Sysmex has in place a Compliance Code that applies to all executives and associates throughout the Sysmex Group. We maintain absolutely no relationships with antisocial forces, and we take a firm stand to thoroughly counter any such forces.

Our education and training programs for executives and associates provide a thorough grounding on the exclusion of antisocial forces. We have an internal reporting system in place to respond quickly and appropriately to any overtures. Furthermore, we maintain close relations with specialized outside institutions to gather information about the activities of antisocial forces.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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#### Supplementary Explanation

At present, the Company has adopted no particular takeover defense measures.

### 2. Other Matters Concerning to Corporate Governance System

#### 1. Basic Policy on Timely Disclosure

To ensure that it is trusted by society at large, Sysmex maintains a basic policy of disclosing information to shareholders, investors, customers and other stakeholders fairly, swiftly, accurately and in an easy-to-understand manner. In addition to exchanging information in accordance with the Financial Instruments and Exchange Act, related laws and regulations, and stock exchange listing regulations, we endeavor to fairly and promptly disclose information about the Company that is easy to understand and useful.

#### 2. Internal System for Timely Disclosure

In accordance with its basic policy on timely disclosure, Sysmex has formulated information disclosure regulations that define its internal framework and methods related to information disclosure. These regulations establish an Information Disclosure Committee as an advisory body to assist the executive responsible for information disclosure in decision-making. The committee is chaired by the Executive Vice President of the General Affairs Division, which serves as the committee's secretariat. The General Affairs Department and the Corporate Communication Department are designated as the departments in charge of information disclosure. In principle, corporate information is disclosed by the departments in charge of information disclosure on the instruction of the person responsible for information disclosure.

#### 3. Timely Disclosure Method

The Company discloses corporate information by posting securities reports and other financial reports, registering it on TDnet, distributing press releases, posting information on its website or some combination of these methods.

#### 4. Monitoring of the Timely Disclosure System

The Audit and Supervisory Committee attend meetings of the Information Disclosure Committee and evaluate its operational status.

