Sysmex Report 2020

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

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.

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

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

Number of cases (estimated)

COVID-19[1]	Total of more than **20** million (As of August 2020)
Malaria[2]	Approximately **230** million/year
Dengue fever[3]	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

Number of new cases of cancer around the world (2018)[1]

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)

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

People around the world with dementia (2050 projection)[2]

Approximately **150** million

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

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Introduction

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

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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 https://www.sysmex.co.jp/en/ir/index.html This site discloses details of financial, stock and shareholder information. • Financial statements • Financial data, etc.	Sustainability Site https://www.sysmex.co.jp/en/csr/index.html • Sustainability Data Book (PDF, published annually) https://www.sysmex.co.jp/en/csr/report/index.html Corporate Governance Report https://www.sysmex.co.jp/en/corporate/governance.html

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.

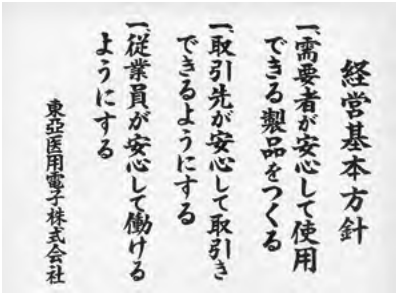
Forward-Looking Statements

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.

Environment Social Governance
Guidance for Collaborative Value Creation

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.

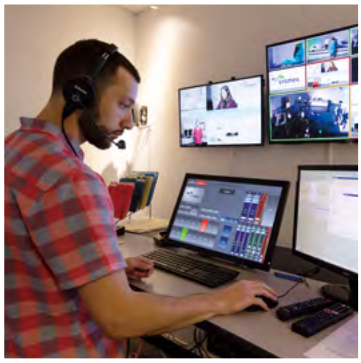
An Ideal Unchanged Since Our Founding

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"

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.






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.






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.

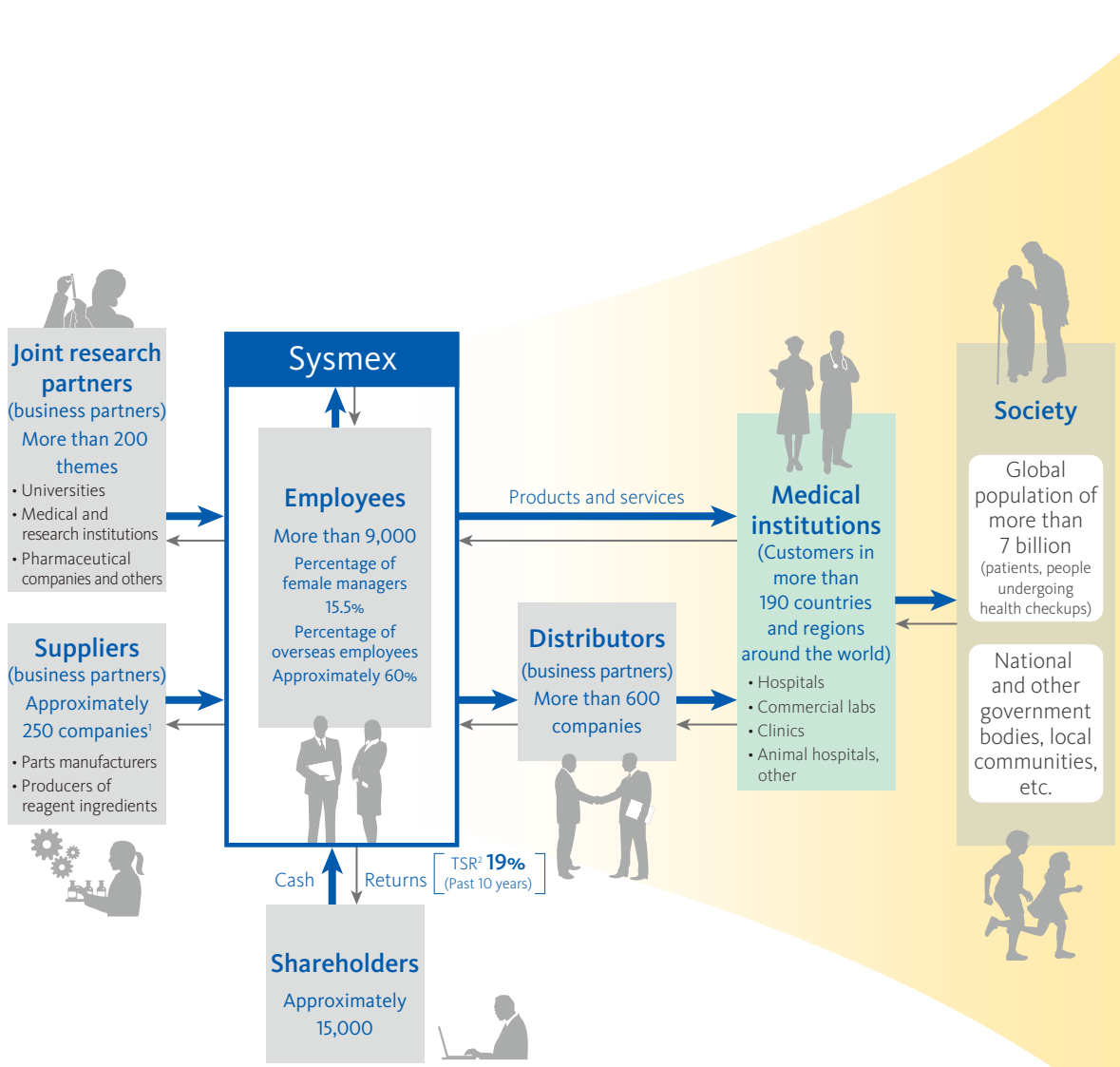
To Society

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



Value chain flow

(As of the end of fiscal 2019)

1 Key Tier 1 suppliers

2 TSR: Total shareholder return (annualized rate) >>P91

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

Q1 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

Q2 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.

Q3 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

Q4 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

Q5 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

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)

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

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.

Establishing and Reinforcing Our Sales and Service Structure

Emerging markets

Accelerating Development in Emerging Markets

1990s–2000s Established subsidiaries in the ASEAN region, the Middle East and Brazil
2010s Established subsidiaries in Central and South America and Africa, commenced direct sales in India

China

The Growing Chinese Market and Our Increased Presence

1995 Established a joint venture company in China
2000 Established a subsidiary in China (distributor network expansion)
2014 Entered the immunochemistry field
2018 Commenced knockdown production

Americas

Increasing Our Share of the North American Hematology Market

1977 Opened a representative office in the United States
2003 Commenced direct sales and service in the United States
2007 Commenced direct sales and service in Canada

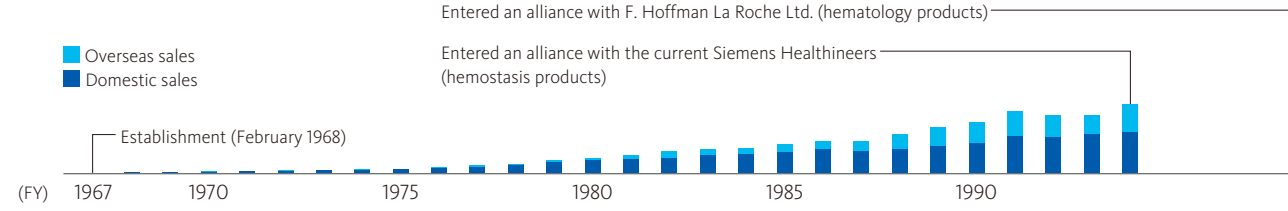
EMEA

Establishing Direct Sales in Europe

1972 Established our first overseas representative office, in Germany
1991 Commenced direct sales and service overseas for the first time, in the United Kingdom
2000s Commenced direct sales and service in Switzerland, the Netherlands and other countries

>>Reasons for Growth in Overseas Regions P39

Strengthening our Sales and Service Network through Alliances with Major Global Companies



Business Fields ▶Hematology ▶Urinalysis ▶Hemostasis ▶Immunochemistry

Innovation and Initiatives

Establishing business foundations and a business model

Commercialization of Japan's First Automated Hematology Analyzer; Starting to Provide Reagents and Scientific Services

Succeeded in commercializing Japan's first automated hematology analyzer (1963)

+

Began providing reagents to ensure accurate test results (1967)

+

Held a hematology seminar to communicate leading-edge information (1978)

Development of the World's First Hematology Transport System

+

Launched transport system in line with growing needs for more efficient and safer testing (1990)

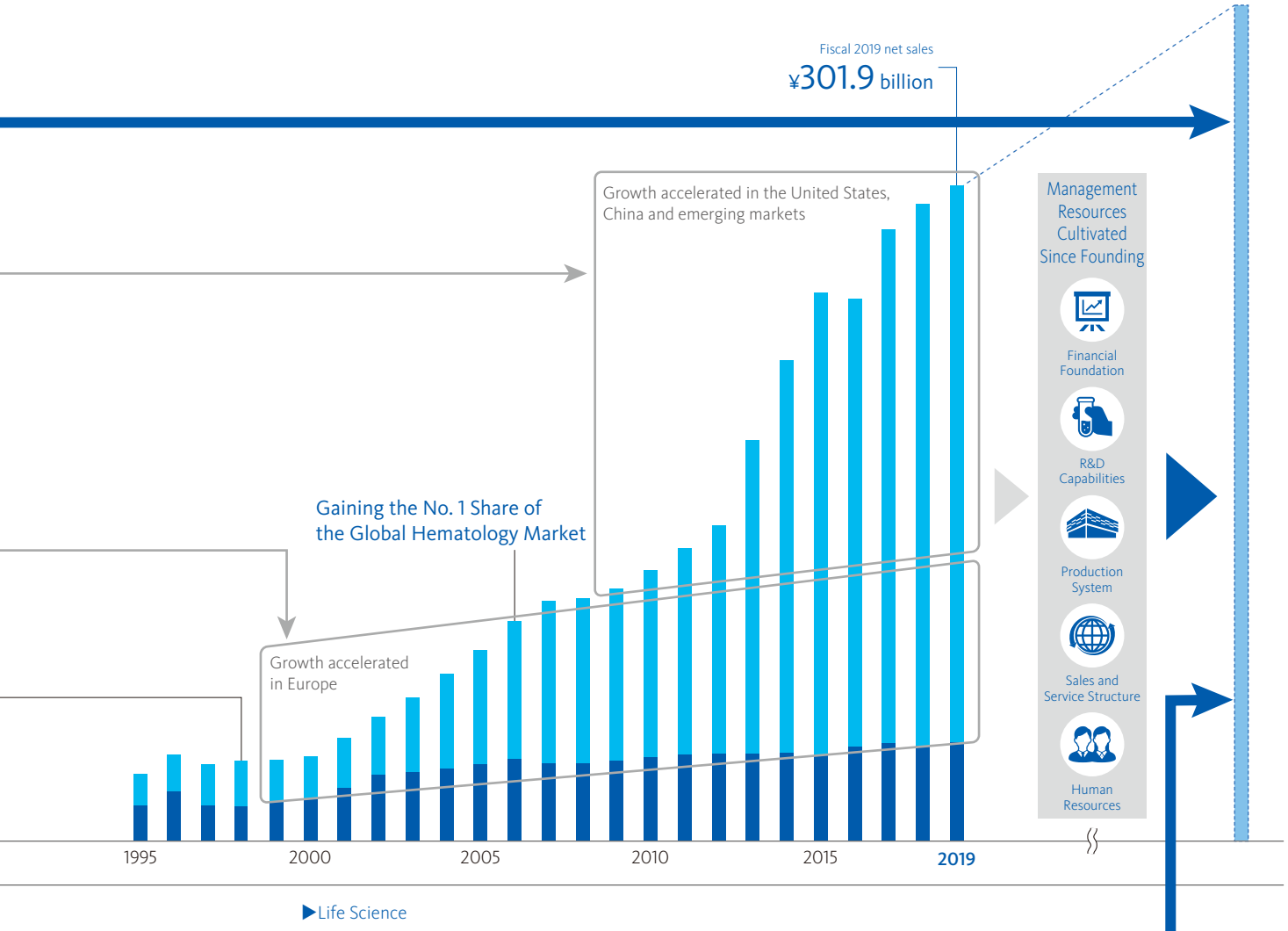
Historical Context and Testing Needs

Number of tests rises due to growing demand for healthcare

Rise in demand for better efficiency to combat sharply rising healthcare costs

Accelerating Sustainable Growth

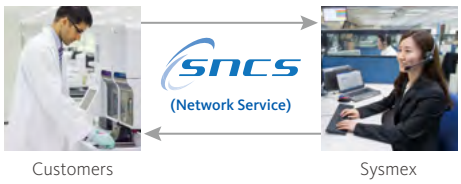
through Expansion in Emerging Markets and Developing Countries and by Augmenting Our Business Portfolio



Becoming the leader in hematology
(Acceleration of global development + provision of added value)

Enhancing the business portfolio

Start of ICT-Based Service Provision



Began offering the SNCS network service (1999)
Began providing the Caresphere network solution (2018)

Challenge of Realizing Personalized Medicine

Acceleration of initiatives to realize liquid biopsy and in the cancer genomics and primary care businesses
Established a bio-diagnostic reagent base (2019)

Advances in IT

Commercialization of technological innovations in healthcare

Management Resources

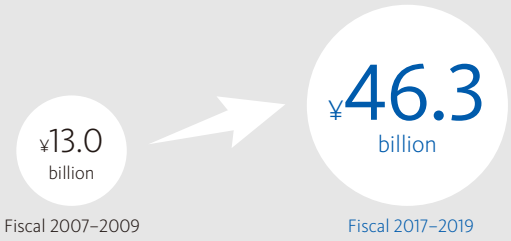
Since our establishment, Sysmex has invested in R&D and M&A in the process of generating unique technologies and new products and services.
In addition to reinforcing our management base and expanding our business portfolio in line with globalization, we have worked to achieve business model innovation and to acquire the management resources necessary to support future growth.

Stable Financial Foundation

We established a highly profitable business model involving the provision of reagents, and service and support in addition to testing instruments. Leveraging this stable business model, we have invested proactively to bolster competitiveness in the existing IVD Business, in new businesses to support our medium- to long-term growth, and in human resources and manufacturing.

>>P54

■ Financial Capital (Cumulative Free Cash Flow over Three Years)



Fiscal 2007–2009 → Fiscal 2017–2019

■ Rating (Rating and Investment Information, Inc.)

End of fiscal 2009 → End of fiscal 2019

R&D Capabilities

We established global R&D locations, with Technopark (Japan) as the hub. In addition to proprietary technologies, through M&A we have acquired three technology platforms (for cells, proteins and genes). As our fields of business have expanded, we have built relationships with universities, medical and research institutions, pharmaceutical companies and other external institutions to conduct joint R&D. Our aim is to develop testing and diagnostic technologies with high clinical value and commercialize them as quickly as possible.

>>P49

■ R&D Facilities

End of fiscal 2009 → End of fiscal 2019

Technologies and expertise related to instruments, reagents and software

Three technology platforms
(for cells, proteins and genes)

Networks with outside institutions

Production System

To remain cost competitive on a global scale while maintaining high quality, we have used information and communication technologies to build an efficient structure for manufacturing instruments in Japan. At the same time, we produce reagents on a global scale. We have factories at 14 locations in 10 countries, ensuring the stable provision of reagents to customers around the world. In recent years, we have enhanced our structure for manufacturing bio-reagents in particular.

>>P51

Instrument production bases

7 locations

Reagent production bases

Chemical: 8 locations (hematology, urinalysis)

Biological: 6 locations (hemostasis, immunochemistry, etc.)

(End of fiscal 2019)

Global Sales and Service Structure

Since our establishment, we have built sales structures tailored to individual regions, creating trust-based relationships with customers. Taking advantage of the brand strength, as holding No. 1 share of the hematology market, we are steadily expanding that market. At the same time, we strive to ascertain customers' needs, which are the wellspring of new products and services. In addition, we are leveraging alliances with major global companies to reinforce our sales and service structure and expand our product portfolio.

>>P52

■ Sales and Service Bases (number of affiliated companies)

37 locations (End of fiscal 2009) → 61 locations (End of fiscal 2019)

Sales and service network

Covering more than 190 countries and regions

Brand strength, as holding

No. 1 share of the hematology market

Diverse Human Resources

We have acquired diverse human resources through business globalization and M&A activities. The synergistic results of their varied values, experiences and capabilities have led to innovation and the creation of new value. Furthermore, we focus on providing an amenable working environment for employees. To address this, we are introducing flexible working systems, have expanded leave systems, and offer childrearing and nursing care support.

>>P55

■ Percentage of Employees Overseas (Group)

49.3% (End of fiscal 2013) → 59.9% (End of fiscal 2019)

■ Percentage of female managers (Group) (Employees at director level or above)

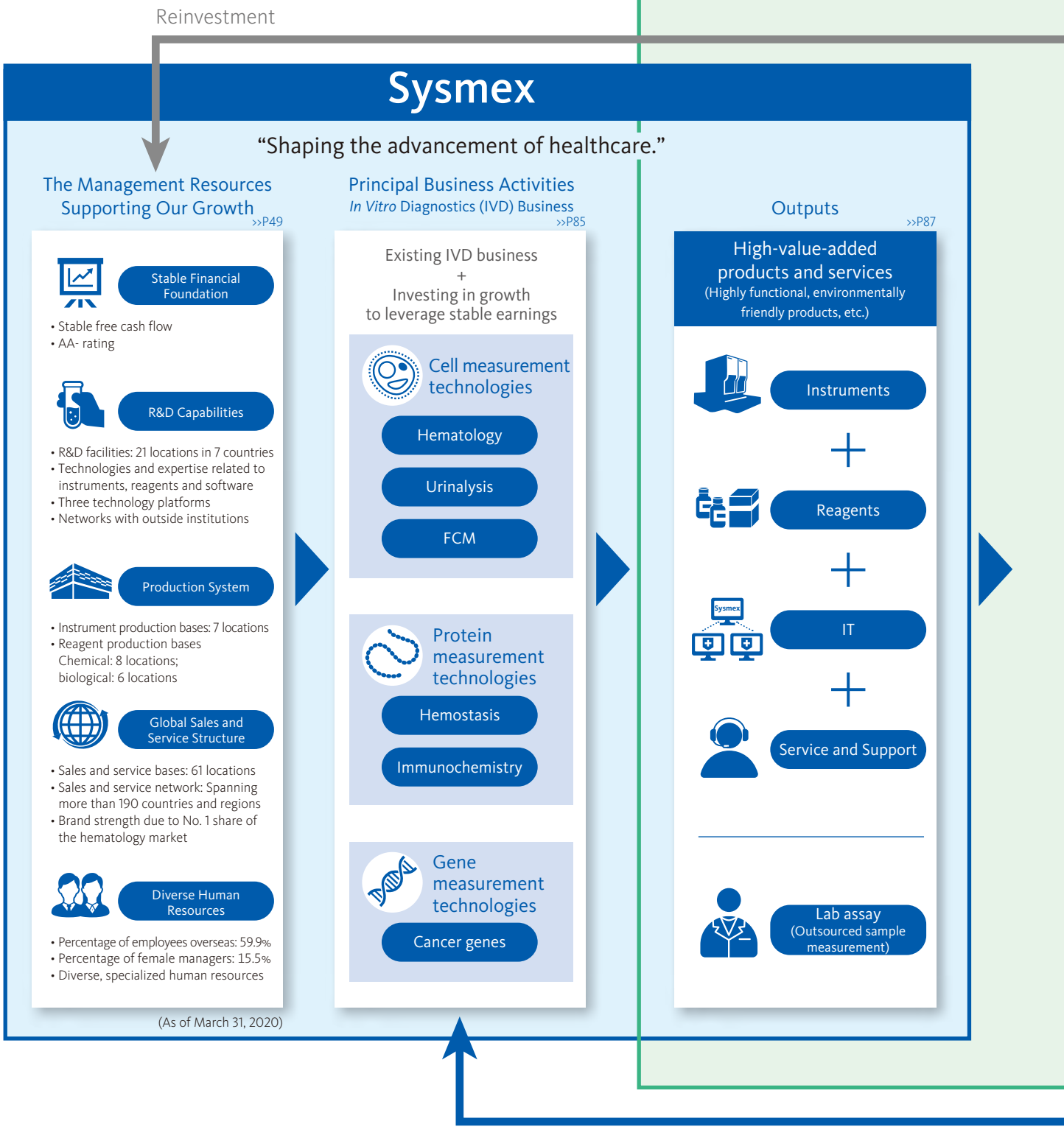
10.6% (End of fiscal 2013) → 15.5% (End of fiscal 2019)

Diverse, specialized human resources

(Machinery, software, biology, chemistry, etc.)

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.



Healthcare Activities

Medical institutions
(Hospital labs and commercial laboratories in more than 190 countries and regions around the world)

Principal Outputs and Outcomes Realized through Medical Institutions

Diagnosis and decisions on treatment methods
(Better-quality healthcare, reduced burden on patients)

- Basic testing to support people's health
  Global market share (hematology): More than 50%
- New testing to support decisions about treatment methods
  - Cancer gene panel testing >>P5
  - Joint research on diagnosing Alzheimer's disease >>P6

Increases in laboratory efficiency

- Innovative products >>P49
  - Transport systems
  - Uptake of concentrated reagents: Approximately 35% (Target: XN Series Automated Hematology Analyzer)
- Network services utilizing ICT >>P53
  - SNCS network service
- Network solutions to increase laboratory efficiency
  - Caresphere

Improved access to healthcare

- Support for skill enhancement among medical professionals >>P44
  - Medical professionals welcomed through collaboration with JICA: Total of approximately 1,000
- Support for the standardization and increased precision of testing data >>Sustainability Data Book P14
  - External quality control: Support in a total of six countries in Asia
- Business development in emerging markets and developing countries >>P44
  - Business development in Africa: Approximately 50 of 54 countries

(As of March 31, 2020)

Expectations and requests for resolving medical issues

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 governmentbodies, 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 healthcare 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.

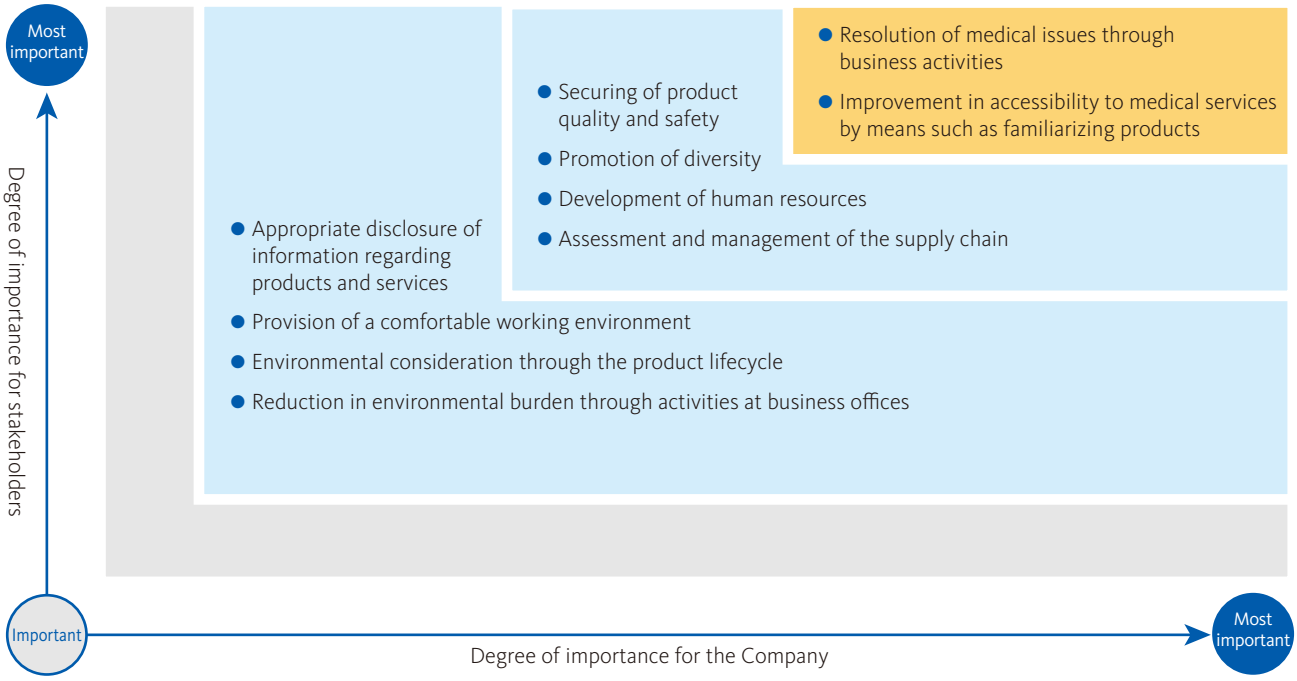
■ Non-financial targets (excerpted)

- Hematology market share
- Number of CSR surveys
- Employee engagement score
- Percentage of female managers
- Rate of reduction in CO_2 emissions

>>Non-Financial Targets and Results P81

Materiality		Major Initiatives	Targets
1 Resolution of medical issues through products and services	● Resolution of medical issues through business activities ● Improvement in accessibility to medical services by means such as familiarizing products	● Create new testing and diagnostic technologies, promote commercialization ● Support efforts to raise the level of healthcare in emerging markets and developing countries ● Promote initiatives to prevent the spread of infectious disease	Mid-Term Management Plan (Non-Financial Targets)
2 Responsible provision of products and services	● Securing of product quality and safety ● Appropriate disclosure of information regarding products and services ● Assessment and management of the supply chain	● Create and operate quality management systems ● Provide scientific information ● Conduct CSR-considerate procurement activities >>Sustainability Data Book >Responsible Provision of Products and Services P15	
3 Realization of an attractive workplace	● Provision of a comfortable working environment ● Promotion of diversity ● Development of human resources	● Utilize diverse human resources and realize diverse working styles ● Develop human resources >>Diverse Human Resources P55	
4 Environmental consideration	● Environmental consideration through the product lifecycle ● Reduction in environmental burden through activities at business offices	● Promote environmental activities toward the realization of Sysmex Eco-Vision 2025 >>Environmental Consideration P45	>>Non-Financial Targets and Results P81
5 Reinforcement of governance	● Corporate governance ● Compliance ● Risk management	● Reinforce the corporate governance structure ● Put in place systems to reinforce Group compliance >>Corporate Governance P57	

■ Sysmex's Materiality Matrix



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

Impact on Sysmex	Value Provided to Stakeholders	Related SDGs
• Obtain business opportunities through market expansion • Realize sustainable growth by expanding the business portfolio	• Contribute to extending healthy lifespans • Contribute toward building a sustainable healthcare infrastructure	3 GOOD HEALTH AND WELL-BEING, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 17 PARTNERSHIPS FOR THE GOALS
• Enhance customer satisfaction • Strengthen brand power	• Provide accurate test results • Raise the quality of healthcare • Provide stable products and services • Grow in tandem with business partners	8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
• Augment corporate competitiveness through performance by diverse human resources	• Provide opportunities to realize capabilities • Help realize a society receptive of diversity	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
• Avoid or reduce environmental risks • Achieve harmony and obtain trust in local communities	• Decrease environmental impact	6 CLEAN WATER AND SANITATION, 7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
• Enhance the corporate structure • Lower business risk	• Enhance management soundness and transparency	16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS

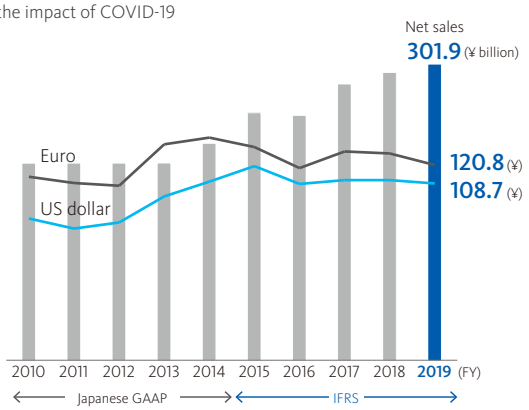
Performance Highlights (As of the end of fiscal 2019)

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

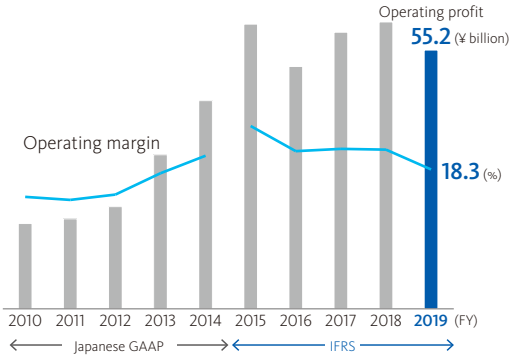


Operating Profit/Operating Margin

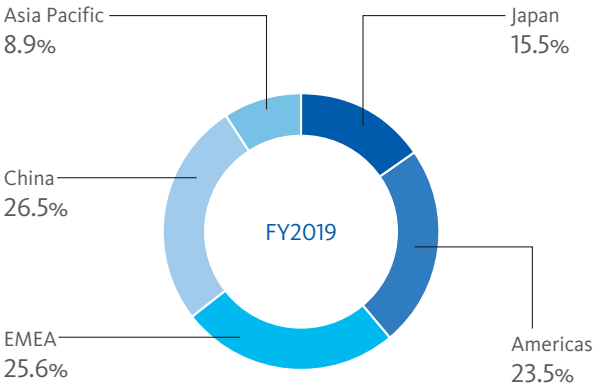
¥55.2 billion **18.3%**

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

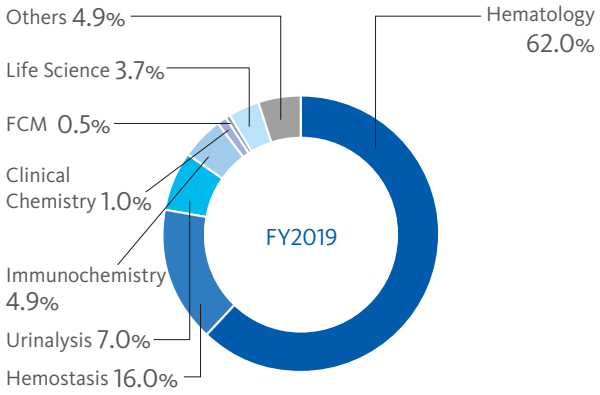
Profit down due to deterioration in the cost of sales ratio stemming from yen appreciation and an increase in service costs



Net Sales by Destination



Sales by Business

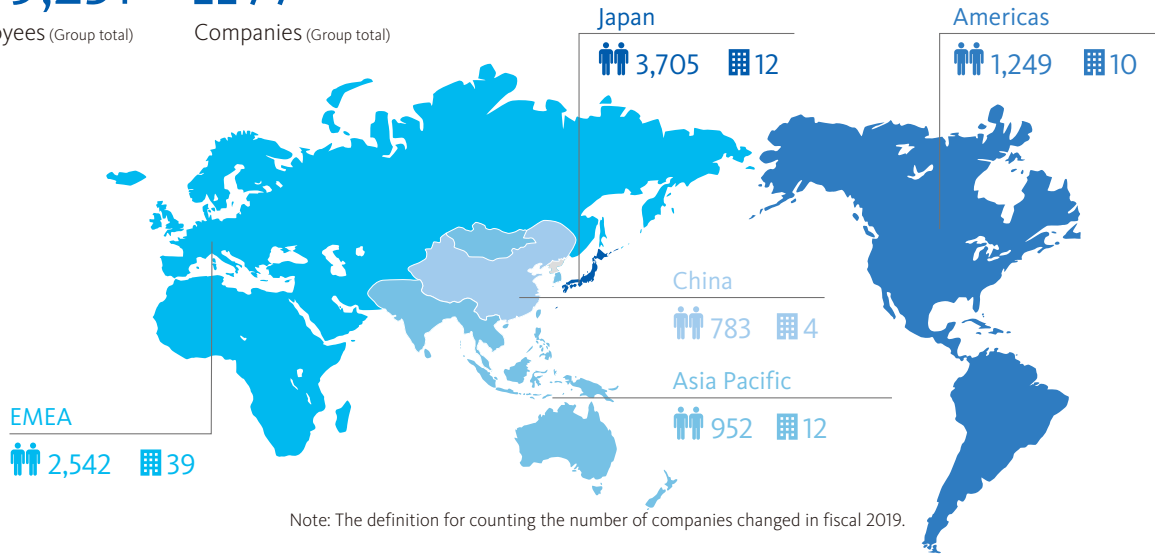


Non-Financial Performance

Global business development

9,231 Employees (Group total)

77 Companies (Group total)



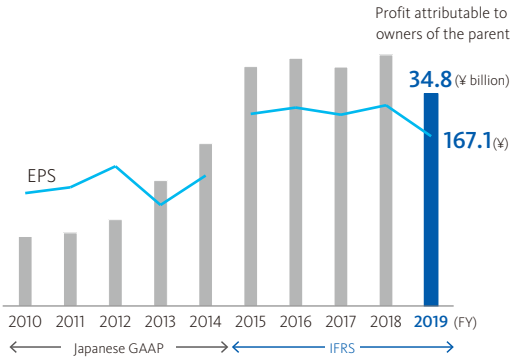
Note: The definition for counting the number of companies changed in fiscal 2019.

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

¥34.8 billion (Down 15.4% year on year)

¥167.1 (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

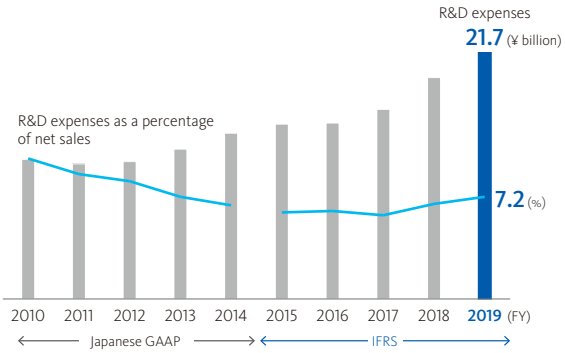


R&D Expenses/ R&D Expenses as a Percentage of Net Sales

¥21.7 billion (Up 11.1% year on year)

7.2% (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

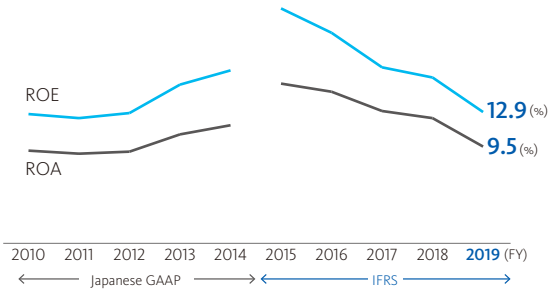


ROE/ROA

12.9% (Down 3.4 percentage points year on year)

9.5% (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

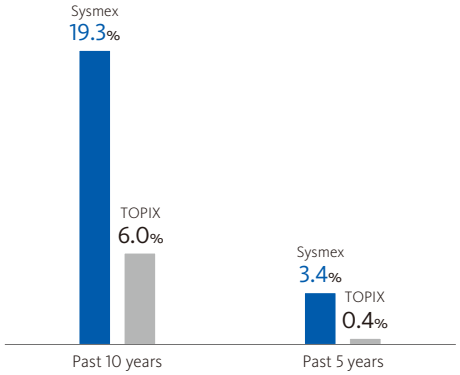


Total Shareholder Return (TSR) (Annualized Rate)

19.3% (Past 10 years)

3.4% (Past 5 years)

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

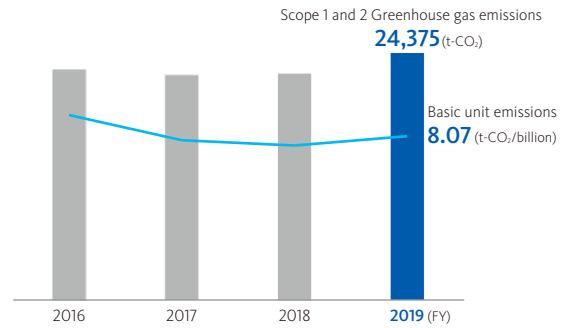


Scope 1[1] and 2[2] Greenhouse gas emissions/ basic unit emissions

24,375 t-CO_2 (Up 9% year on year)

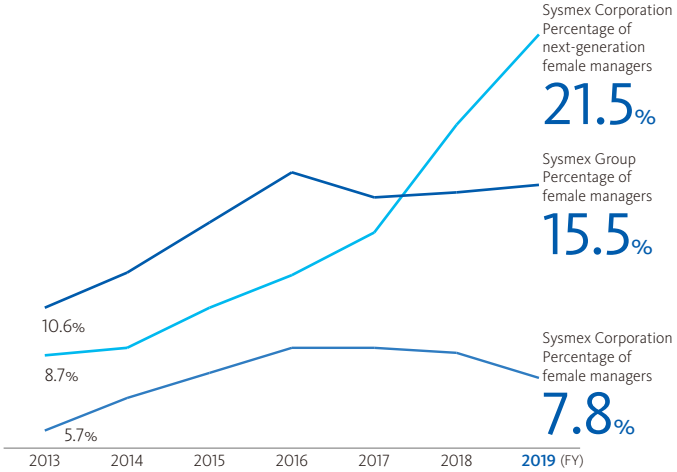
8.07 t-CO_2/billion (Up 6% year on year)

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_2 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

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.

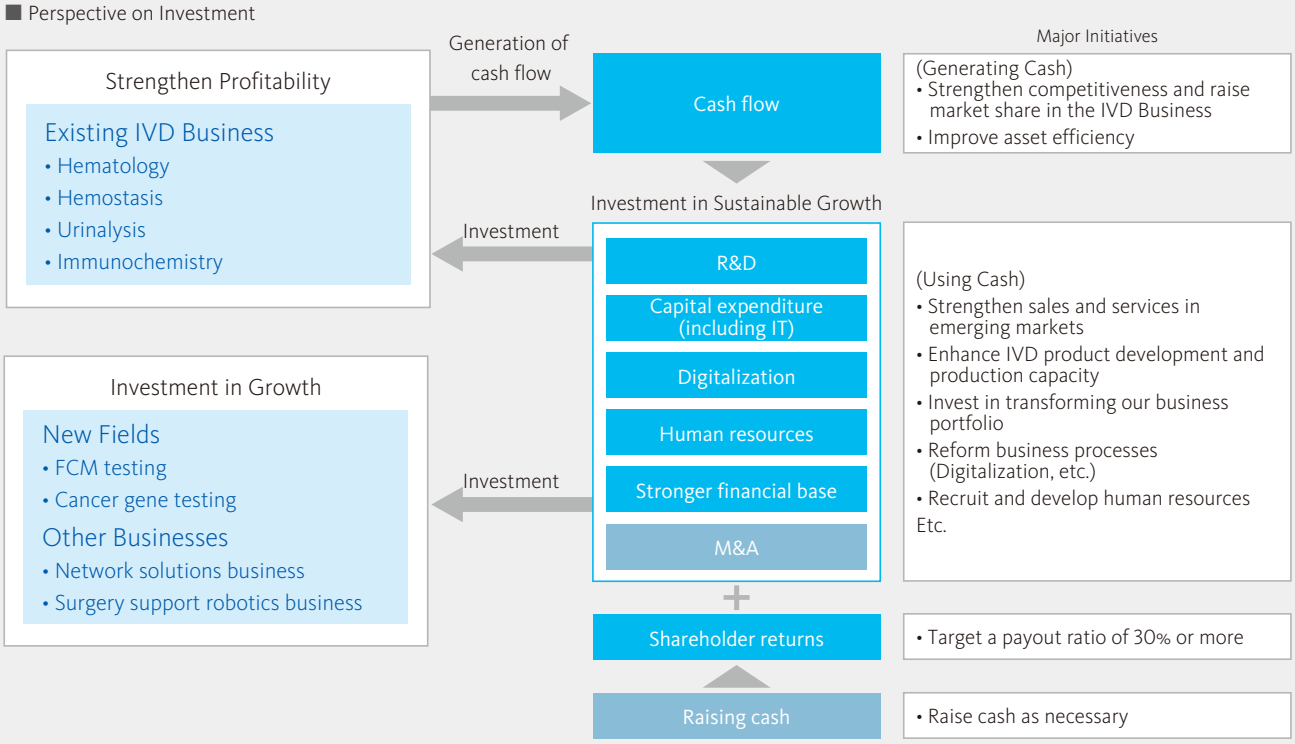
We expect profitability to increase going forward, as we launch new instruments in the hematology field at an early date and see the gross profit ratio improve due to a greater installed instrument base in the immunochemistry field and the expansion of reagent parameters. In the life science field, currently 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

■ Perspective on Investment



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. 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.

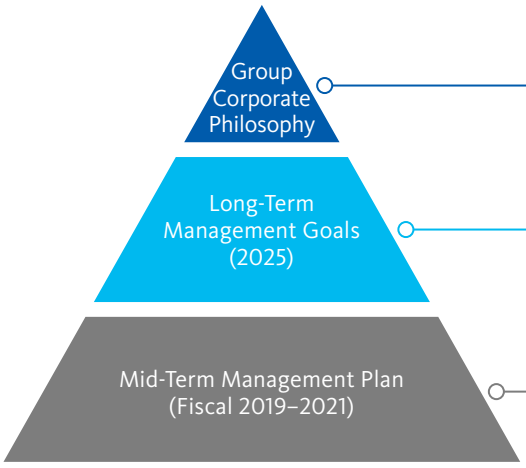
COVID-19 has had the effect of accelerating our digital transformation. Sysmex had already commenced some initiatives in October 2018; we are further expanding their scope and stepping up these activities. We will develop new products and services, speed up the regulatory registration process, and improve 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.

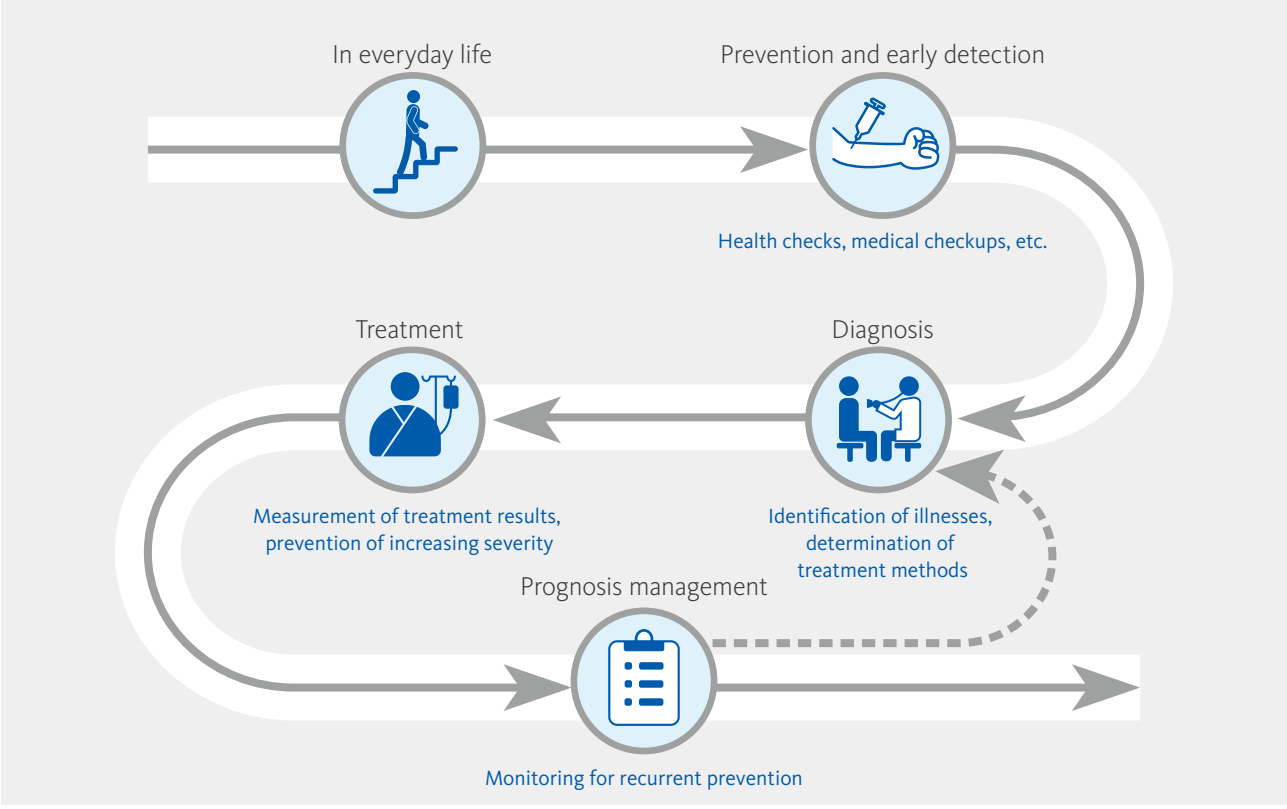
The Growing Importance of IVD in Healthcare

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.

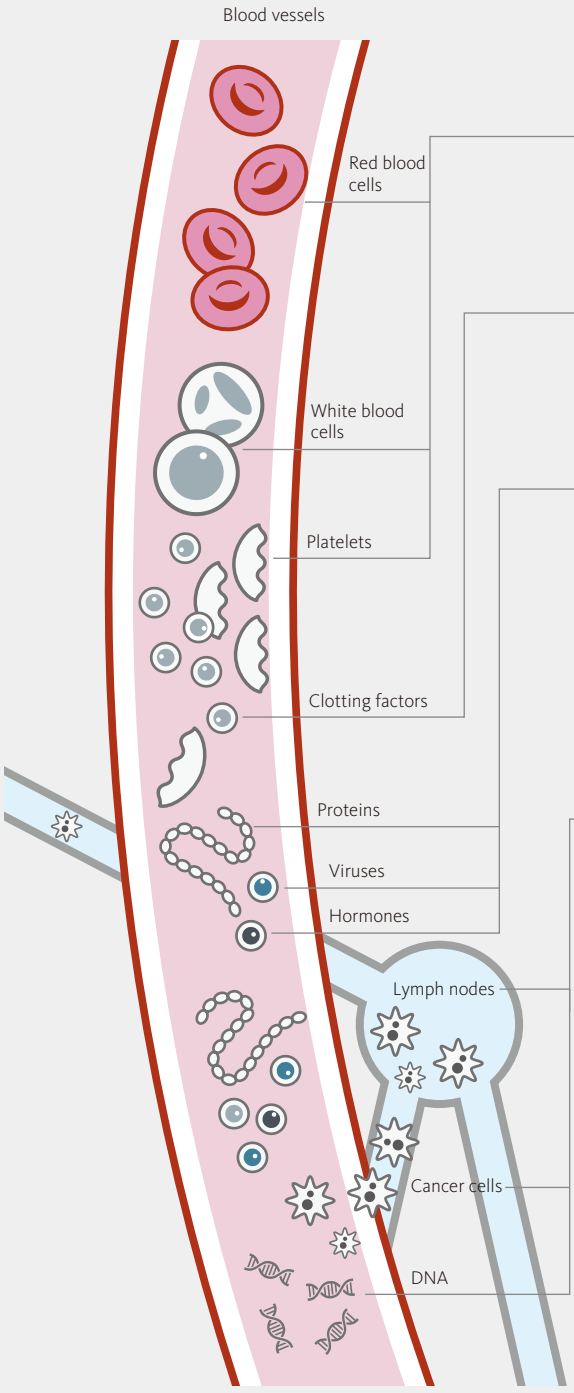
>>Realizing Personalized Medicine through Liquid Biopsy P85

■ Where IVD is used



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

IVD



Blood Testing

Hematology
Testing that measures and analyzes the number, type and size of red, white and other blood cells
[Related diseases: Anemia, leukemia, thrombocytopenia, etc.]

Hemostasis
Testing that measures the ability of blood to clot at wound sites (coagulation) and dissolve clots (fibrin)
[Related diseases: Hemophilia, thrombotic disease (myocardial infarction, cerebral infarction, etc.)]

Immunochemistry
Testing for the status of viruses, hormones and proteins, and to determine causes and types of disease
[Related diseases: Infectious diseases (hepatitis B and C), thyroid disease, various cancers, myocardial infarction, hepatitis, atopic dermatitis, etc.]

Cancer and Lymph Node Testing

Note: Some tests also include blood testing

Life Science
Cancer gene testing
Through the detection and analysis of cancer genes, this testing contributes to decisions on treatment policies and drug administration.
[Related diseases: Breast cancer, lung cancer, colorectal cancer, etc.]

Urine Testing

Urinalysis
Testing to determine the presence of sugar, proteins or blood in the urine
[Related diseases: Kidney stones, kidney disease, diabetes, etc.]

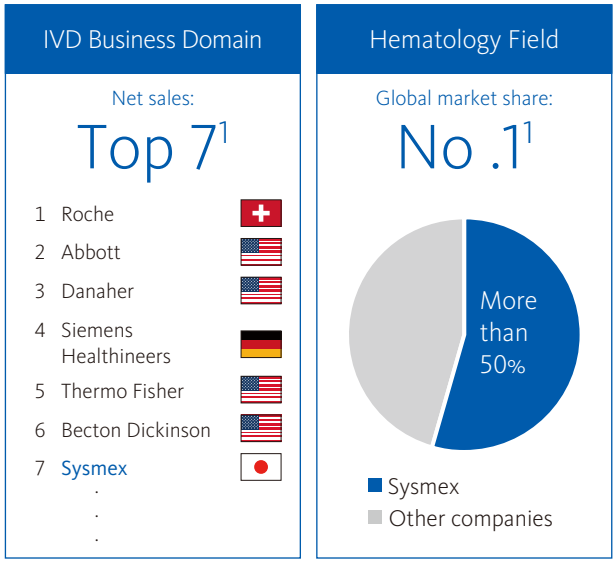
Sysmex's Positioning

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.



1 Sysmex's estimates based on information disclosed for 2019

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 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[2]	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 Of which, sediment urinalysis	1,150 (500)	4% (5%)	7.0% (—)	Danaher
Immunochemistry	20,700	7%	4.9%	Roche, Abbott, Siemens Healthineers
Clinical FCM	1,000 (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

A Changing Market Environment

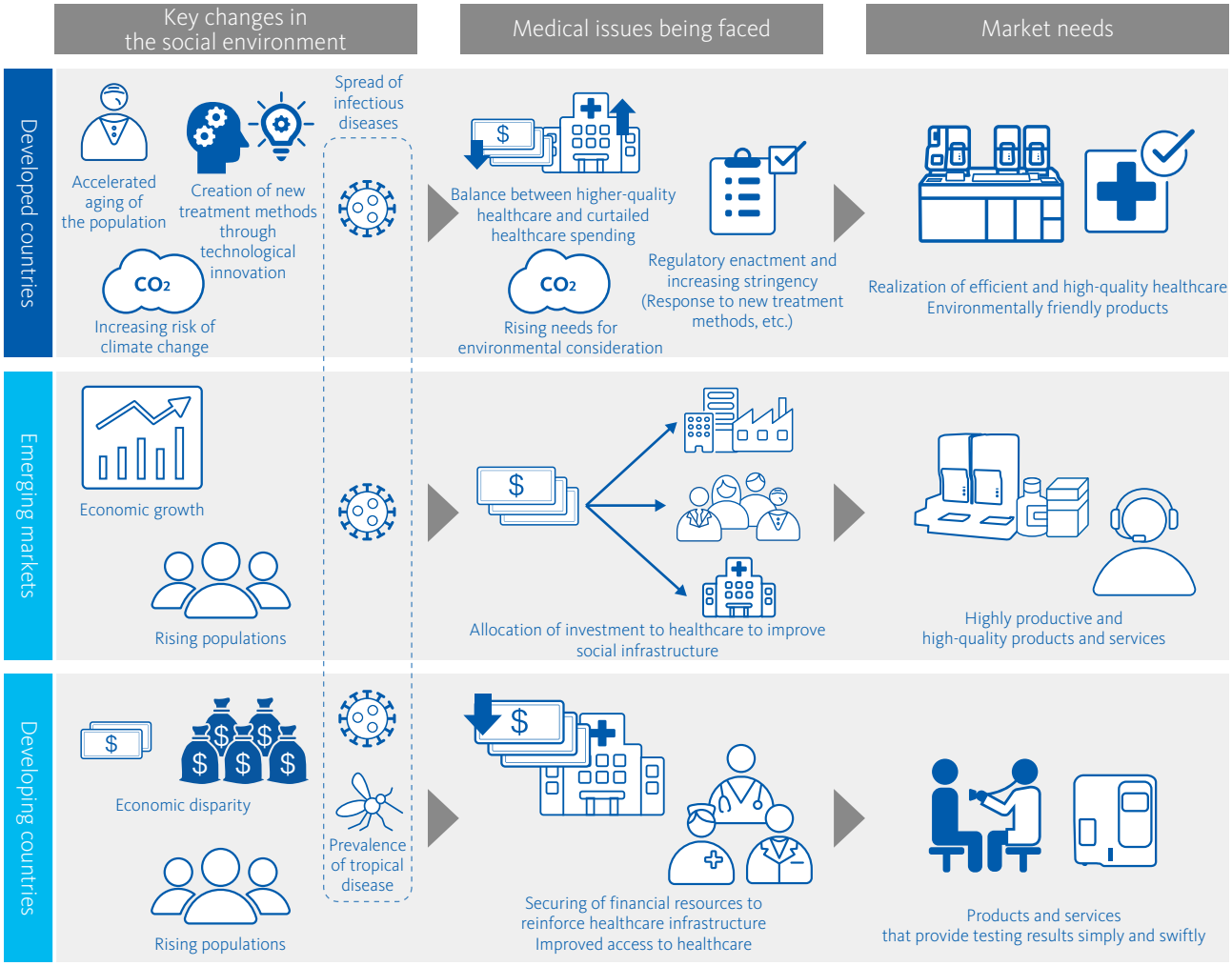
Growing Need for the Resolution of Medical Issues

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 healthcare 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.

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.

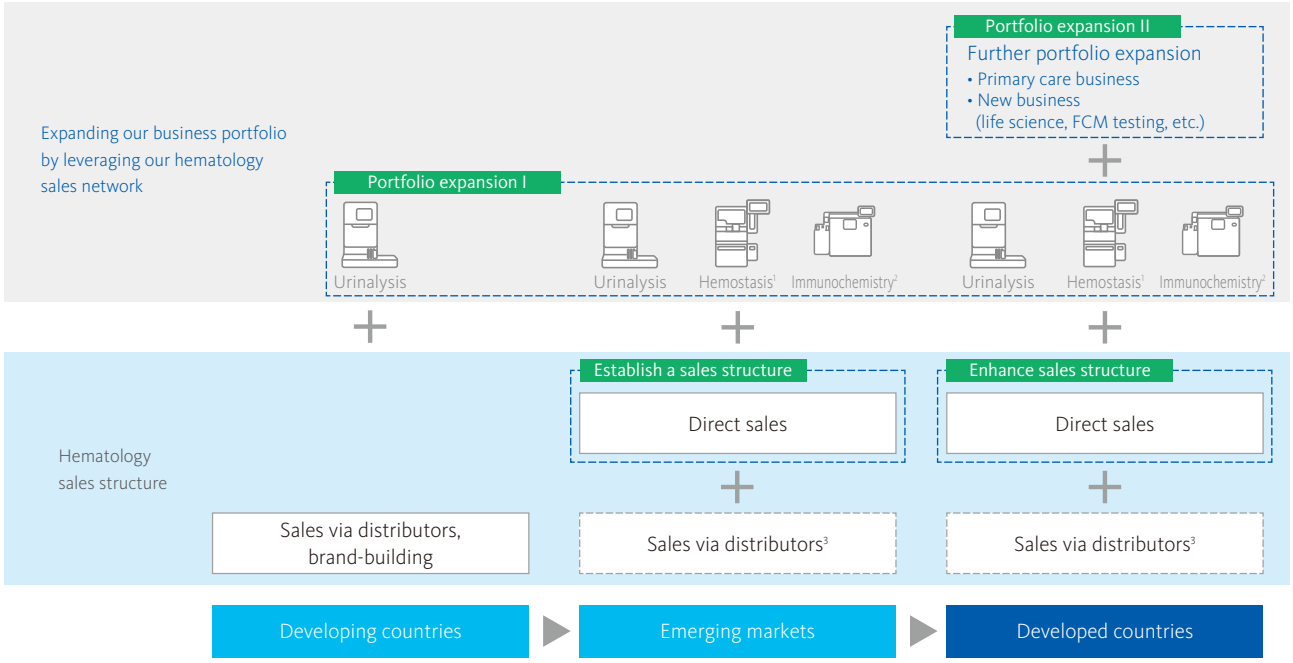
We transitioned to a direct sales structure for the first time in the United Kingdom in 1991. In the 2000s, we set up bases mainly in developed countries such as Germany, France and Switzerland. In 2003, we shifted to direct sales in the world's largest market, the United States, boosting our market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

■ Sales Structure and Business Portfolio in Individual Markets



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

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.

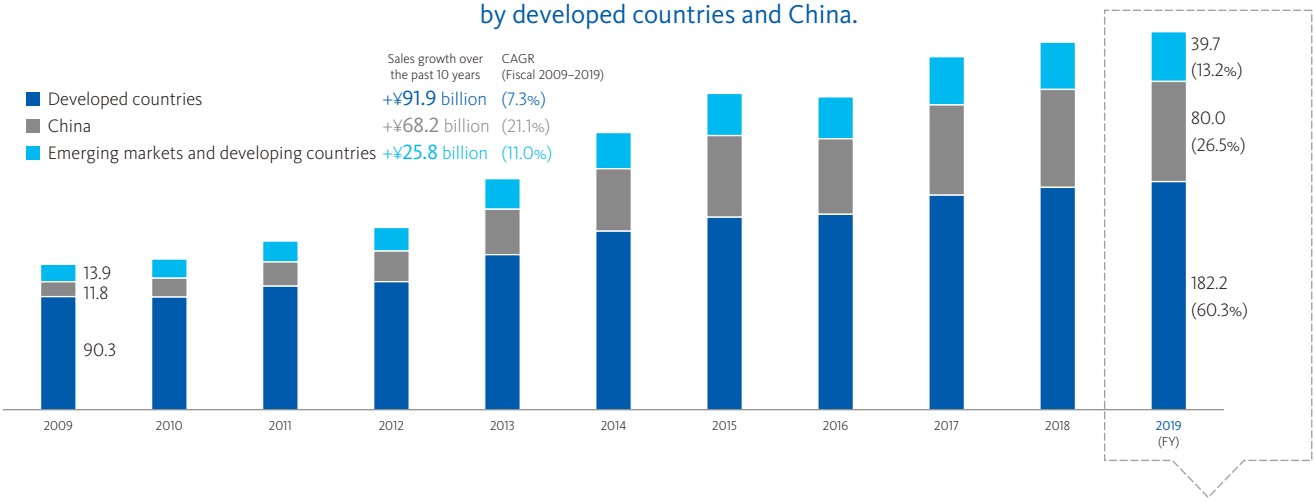
Sysmex will take advantage of these opportunities to provide high-value-added products and services and further reinforce its sales and service structures.

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

■ Net Sales

To date, growth has been driven by developed countries and China.

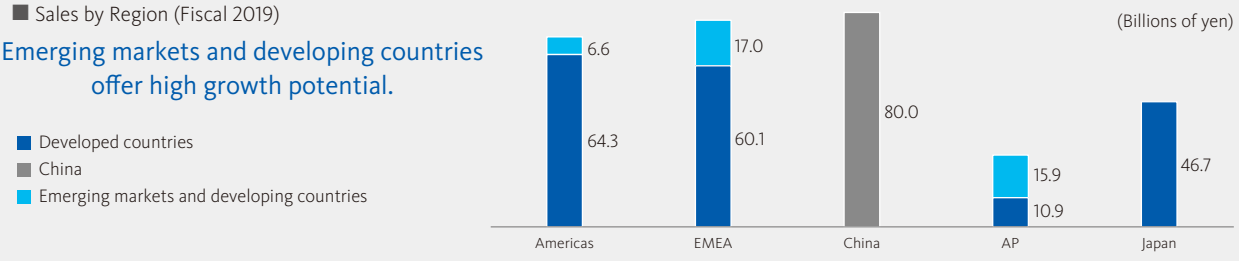
(Billions of yen)
(Numbers in parentheses are percentages of the total.)



■ Sales by Region (Fiscal 2019)

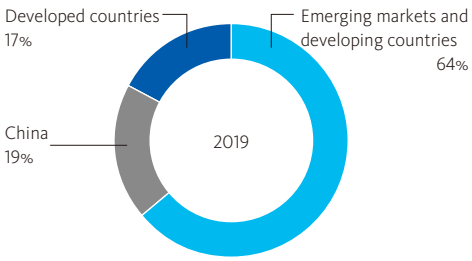
Emerging markets and developing countries offer high growth potential.

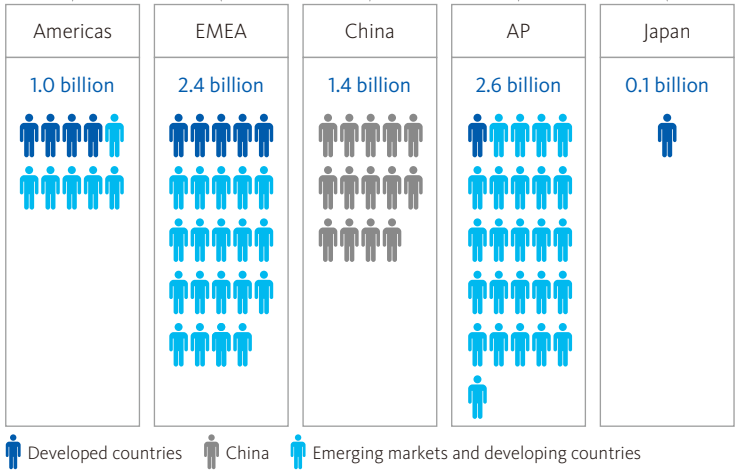
(Billions of yen)



■ Demographics of the Global Population (2019)[1]

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





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

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 busines 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_2 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

(Base year: Fiscal 2016)

Reduce CO_2 emissions	Reduce water consumption	Promote resource circulation	Protect biodiversity
By 15% when using instruments By 50% in business activities By 15% when shipping	By 15% when using instruments By 15% in business activities	Increase the recycle rate in business activities to 93% or higher	Expand the line using alternatives to animal-derived substances

	Impact of Business Activities on the Environment	Major Initiatives to Reduce Environmental Burden

R&D	Environmental burden through product use, including CO_2 emissions	• Develop environmentally friendly products
		  • Environmentally friendly instruments (such as hemostasis analyzers) Case Study 1
		  • Development of concentrated reagents (hematology field) Case Study 2
		  • Development of paper containers for reagents (hematology field) Case Study 2
		• Development of alternatives to animal-derived substances (using silkworms) Case Study 3

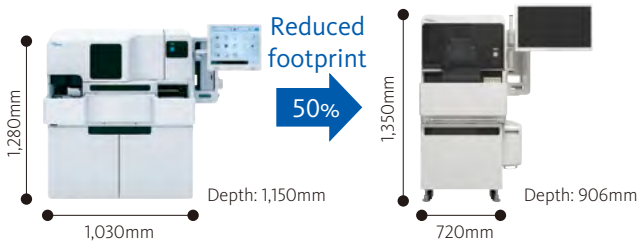
Procurement	Environmental burden of procuring raw materials and parts	• Formulate Green Procurement Standards and promote green procurement
		  • Procurement of substances and parts that have a low environmental impact
		  • Conducting CSR surveys (including survey items about environmental consideration)

Production (Instruments, reagents, etc.)	CO_2 emissions and water consumption when producing instruments and reagents	• Promote the use of renewable energy • Lower CO_2 emissions and water consumption through better production efficiency
Distribution	CO_2 emissions associated with the shipment of products	• Promote increased transportation efficiency (local production of reagents, shifting to concentrated reagents, etc.) Case Study 2 • Encourage a switch from transportation by air to ship
Sales, Service and Support	CO_2 emissions due to sales, service and support activities	• Reduce the amount of physical movement by leveraging online support • Reduce CO_2 emissions by introducing hybrid Company cars

■ Initiatives to Reduce the Environmental Burden through Our Business Activities

Enhanced Competitive Advantage × **Environmental Consideration**

Case Study 1 Hemostasis Analyzer

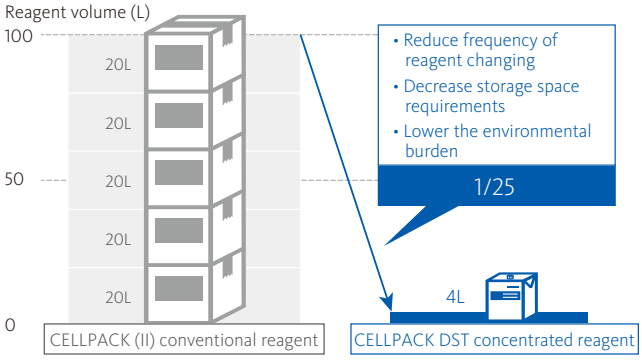


In 2018, we launched a hematology analyzer in Japan that, in addition to offering greater handling capacity than conventional products, required less space and consumed less electricity.

- Greater compactness led to a 12% decrease in CO_2 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

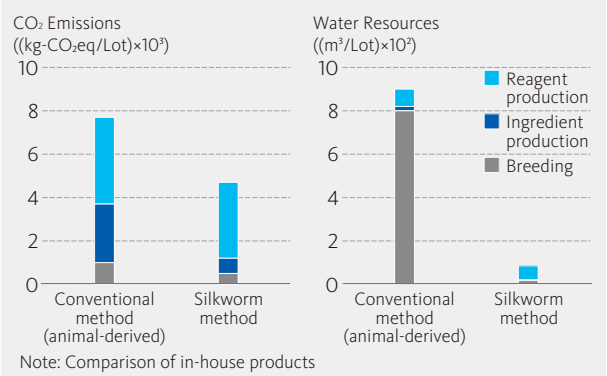


In the hematology field, some of our analyzers use reagents that are concentrated to 25 times the conventional level. These concentrated reagents need to be changed less frequently in the laboratory and require less storage space than conventional reagents. In addition to enhanced usability, these reagents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

- Greater compactness, requiring fewer container and packaging materials (conservation of resources)
- Reduced laboratory waste
- Smaller and more lightweight, reducing CO_2 emissions during transport
- Switch of packaging material from polyethylene to paper packs (conserve oil resources)

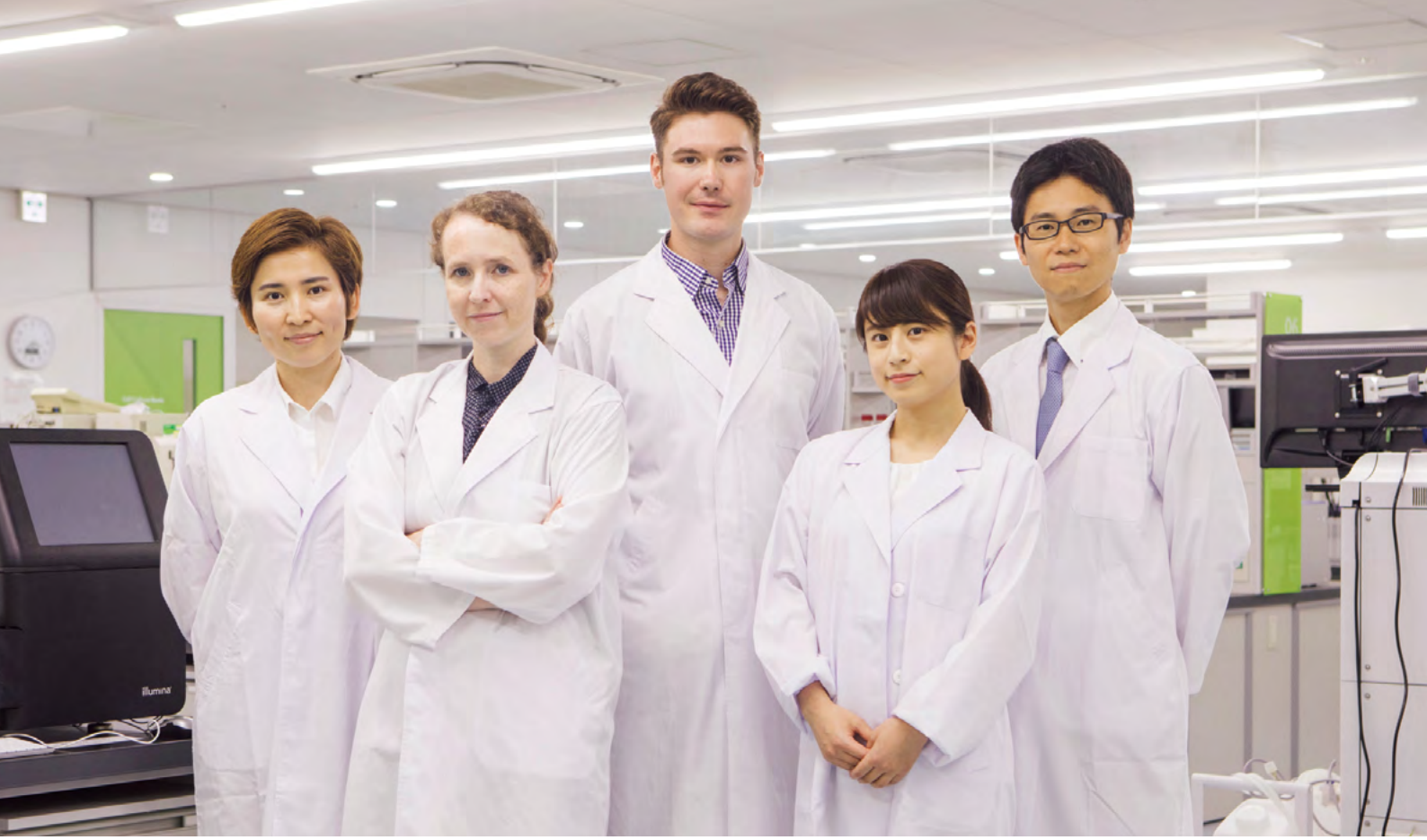
Case Study 3 Using Silkworms to Produce Raw Materials

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



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.

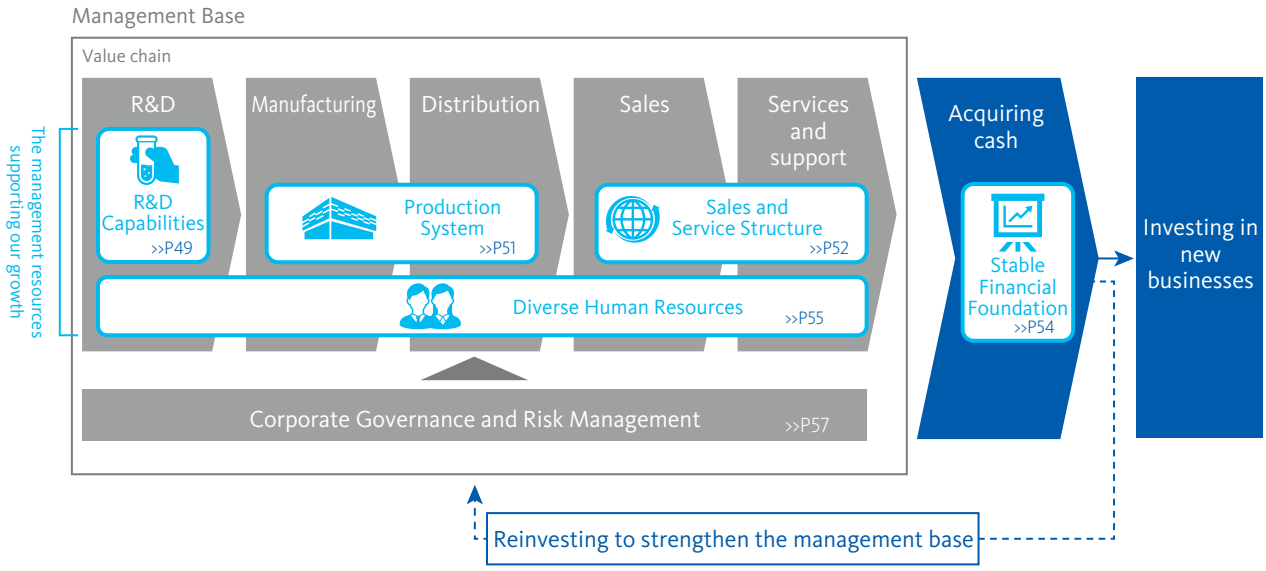


Management Base to Support Sustainable Growth

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.



Management Resources

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[1]
Instruments 	● Development of transport systems ● Higher processing capacity ● Greater compactness ● Environmental friendliness throughout the product life cycle	■ Higher laboratory productivity leading to more efficient management ■ Reduced patient wait times ■ Effective use of laboratory space ■ Curtailed medical expenses through more efficient testing ■ Reduced environmental burden (Decreases in electricity consumption, waste and CO_2 emitted during distribution, etc.)
Reagents 	Chemical reagents (Hematology, urinalysis) ● Development of new testing parameters ● Development of concentrated reagents (hematology field) ● Development of paper containers for reagents (hematology field)	■ Enhancing the quality of healthcare through the creation of new testing parameters ■ Decreasing reagent changing frequency and reducing storage space due to the use of concentrated reagents ■ Reduced environmental impact (Reduced CO_2 emissions during transport, contribution to shift away from plastic, etc.) ■ Employment creation at various reagent factories
	Biological reagents (Hemostasis, immunochemistry, life science business) ● Establishment of bio-reagent base (2019) ● Development of new testing parameters ● Creation of synergy within Group companies (HYPHEN BioMed, Oxford Gene Technology (OGT), etc.)	■ Higher quality leading to higher-quality testing data ■ Enhancing the quality of healthcare through the creation of new testing parameters ■ Helping to conserve biodiversity by using alternatives to animal-derived substances in reagents
IT 	● Started offering the SNCS network service (1999) ● Provision of Caresphere network solution utilizing AI technologies and ICT ● Moving to online external quality control ● Introduction of virtual training (Sysmex America)	■ Ensuring the stability of testing data ■ Configuration of systems to prevent the interruption of testing (Breakdown prevention, swift recovery, etc.) ■ More efficient laboratory operation (reduced travel time for product training, etc.) ■ Reducing CO_2 emissions due to travel

>>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

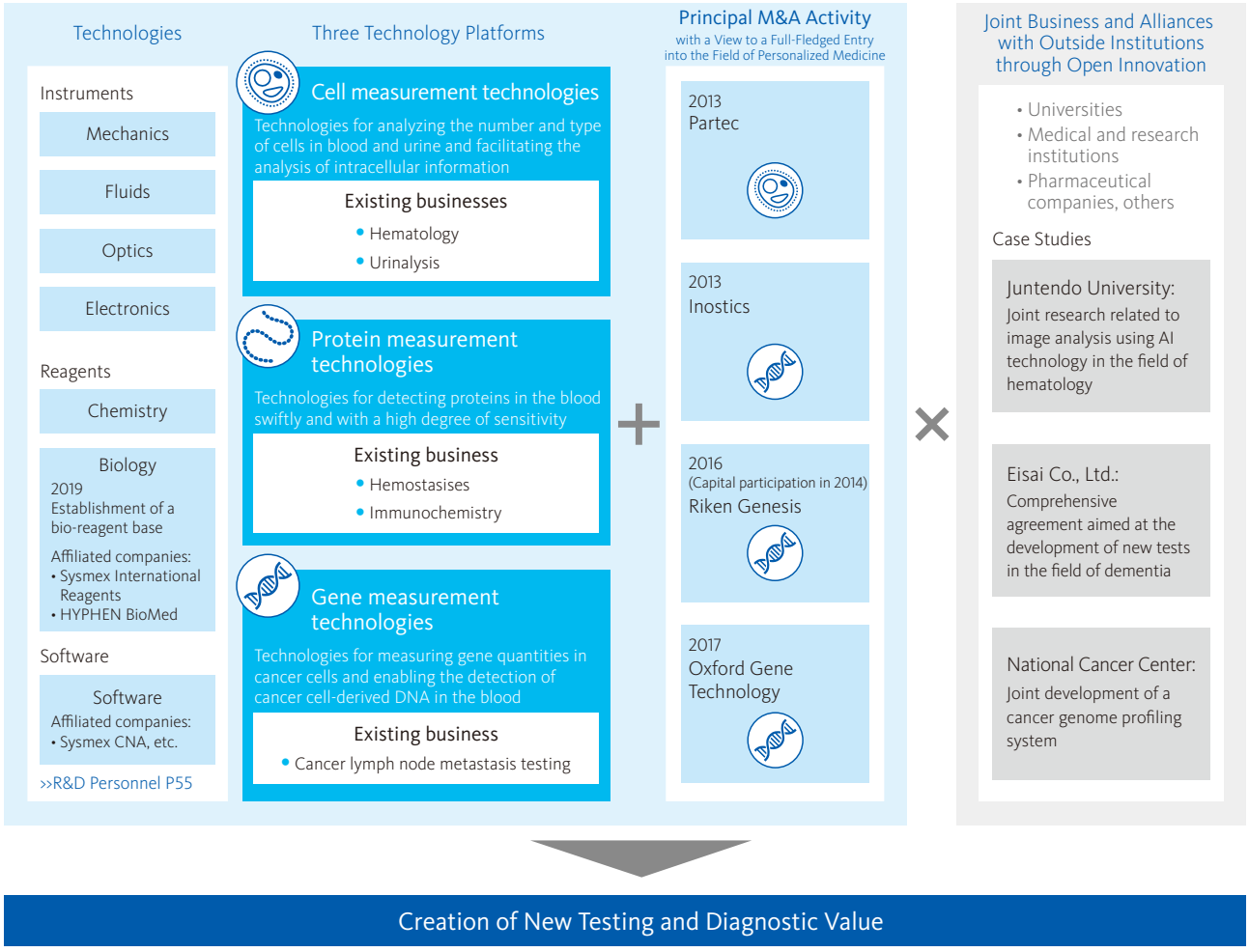
Our R&D facilities center on Technopark (Kobe), our hub for R&D, and include facilities in Europe, the United States, China and other countries. Having bases globally enables us to work more closely with external institutions in each region, access new technologies more quickly and provide support for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



Management Resources

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.

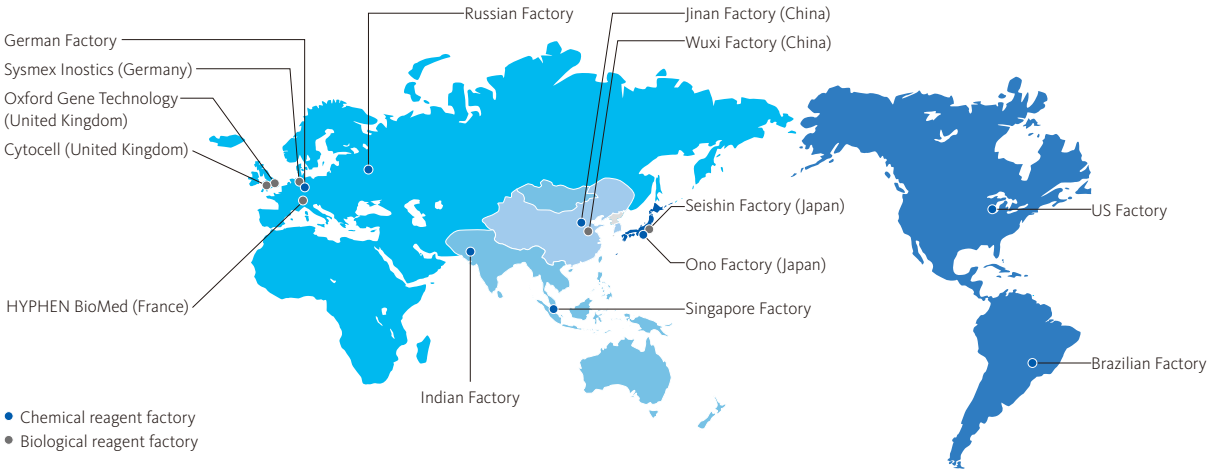
A Structure for the Stable Supply of Reagents

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.

■ Global Reagent Supply Structure



■ Major Production Initiatives and Value Provided

	Major Initiatives	Value Provided to Stakeholders[1]
Instrument Production	● An efficient production system that utilizes ICT ● Start of knockdown production in China with measures giving preferential treatment to items manufactured in the country ● Conformance to international standards and obtaining various types of qualification (quality, environment)	■ High-quality instruments providing accurate testing data ■ Environmental consideration (such as using solar power reduce electricity consumption)
Reagent Production	● Building a global production system ● Starting operation of a bio-diagnostic reagent base (internalize production of substances, develop alternatives to animal-derived substances) ● Consideration for the environment across the product life cycle (such as reducing packaging materials) ● Conformance to international standards and obtaining various types of qualification (quality, environment)	■ Building a framework to prevent testing from being interrupted ■ Environmental consideration (reducing waste, helping to conserve biodiversity by using alternatives to animal-derived substances in reagents, etc.)

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

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[1]
Sales and Service Structure	● Developing direct sales by establishing local subsidiaries ● Developing indirect sales by entering into agreements with distributors ● Training sales and service personnel ● Proposing solutions to address the issues customers face	■ Enhancing productivity to address problems laboratories face ■ Curtailing medical costs through higher laboratory productivity ■ Creating employment in various countries
Responding to Regulatory Systems	● Hiring regulatory professionals in individual countries, putting into place and enhancing the Regulatory Affairs Department ● Swift response to changing regulatory systems ● Support for regulatory registration in countries where we conduct sales indirectly	■ Higher quality of healthcare due to the introduction of Sysmex products ■ Enhanced patient quality of life through the application of new test parameters

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

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

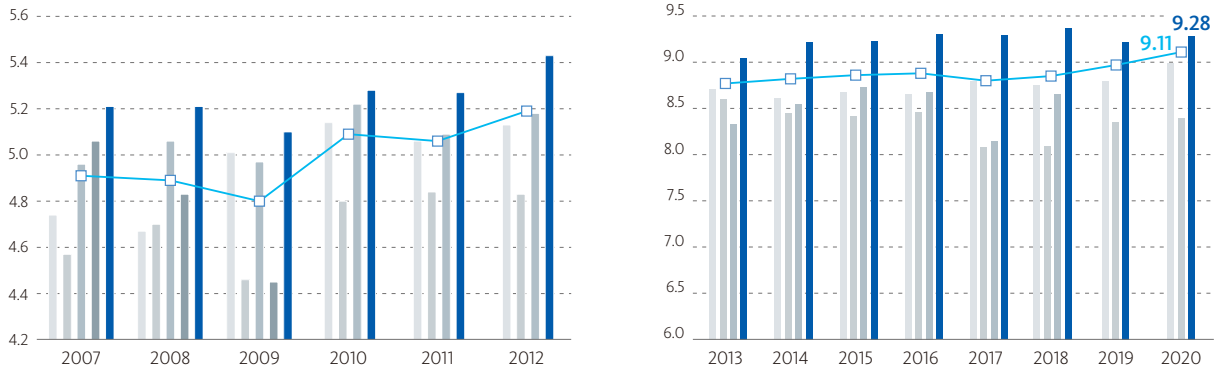
Sysmex tailors its service and support to the characteristics of individual regions. For example, we have introduced virtual training in the United States, where medical institutions are spread across a large area. Customers can undergo training in real time via a network, without having to visit Sysmex's 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



Note: Scale of 1 to 6 from 2007 to 2012, scale of 1 to 10 from 2013 to 2020

Source: IMV ServiceTrak™ 2020 Hematology

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.

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.

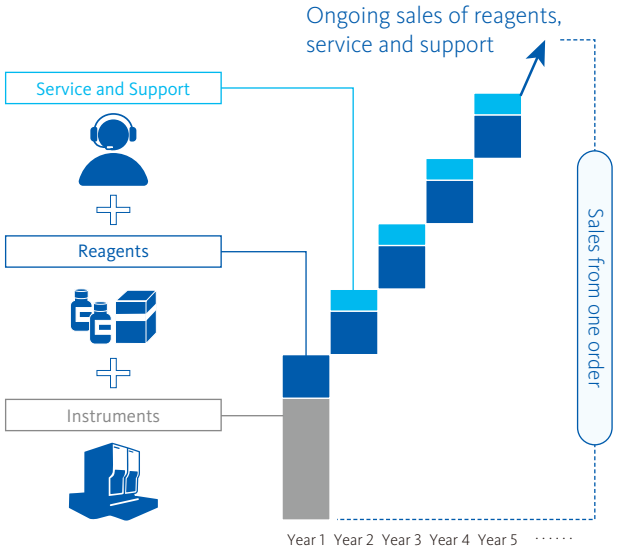
Our existing IVD business represents a recurring-revenue business model. Even after customers buy our instruments, we continue to provide reagents and service and support. Reagents are needed each time an analyzer is used to measure a patient's blood or other samples. Service and support are essential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

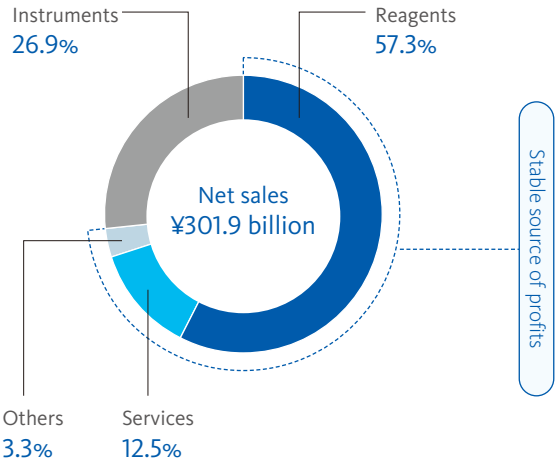
>>Customer Assessment P53

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.

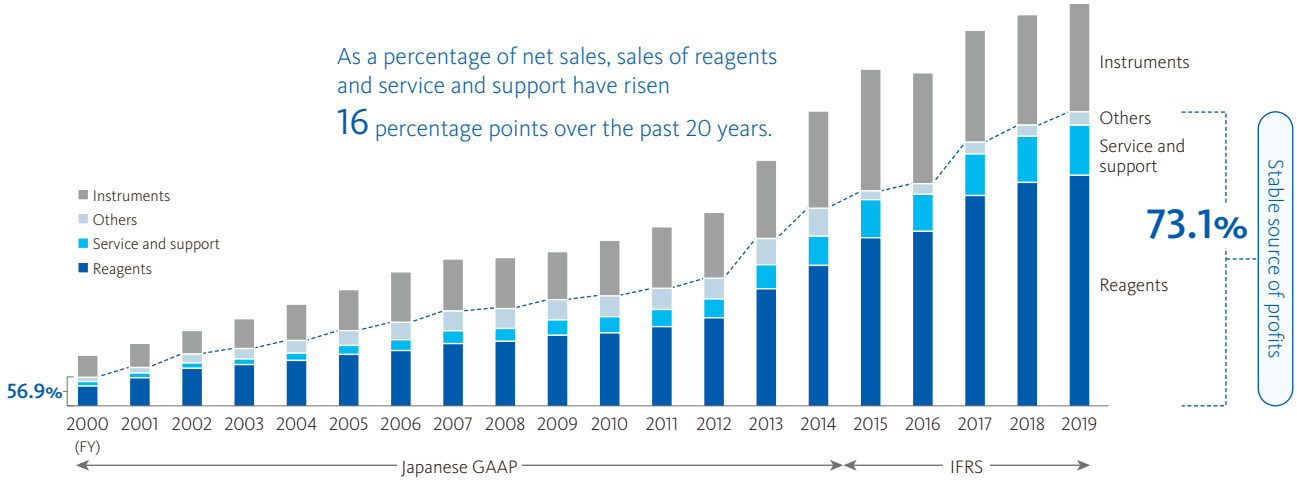
■ A Stable Profit Model



■ Composition of Sales (Fiscal 2019)



■ Sales of Reagents, Service and Support



Note: In the past, charges to customers based on the number of tests were included in "Other." From fiscal 2015, amounts are divided and presented as "Instruments," "Reagents" and "Service and Support." "Others" includes consumables.

Management Resources

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."

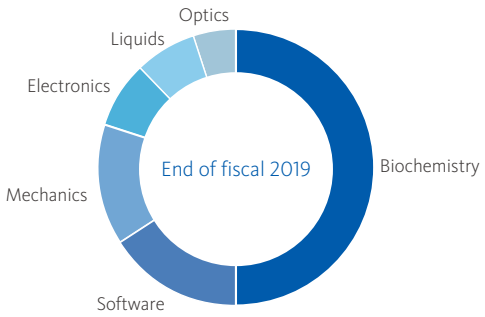
Diverse Group Employees Creating a Competitive Advantage

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

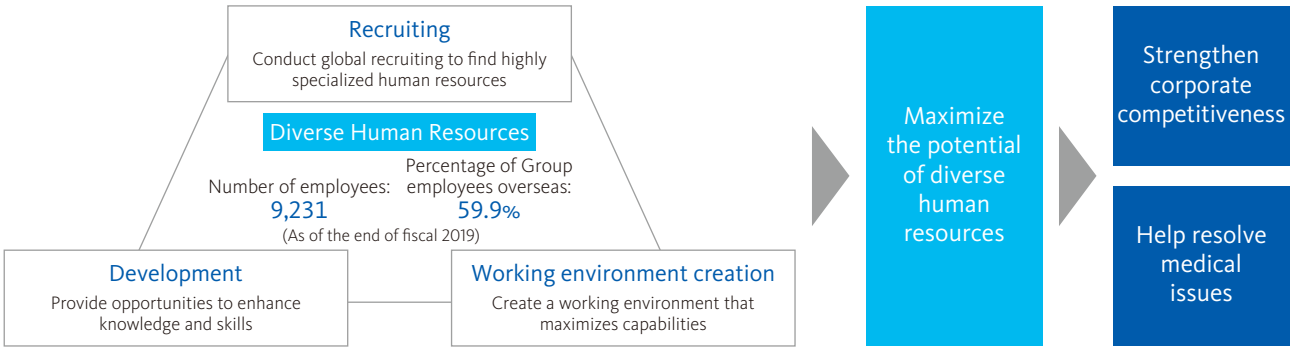


Various Initiatives for Enhancing Diversity

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.

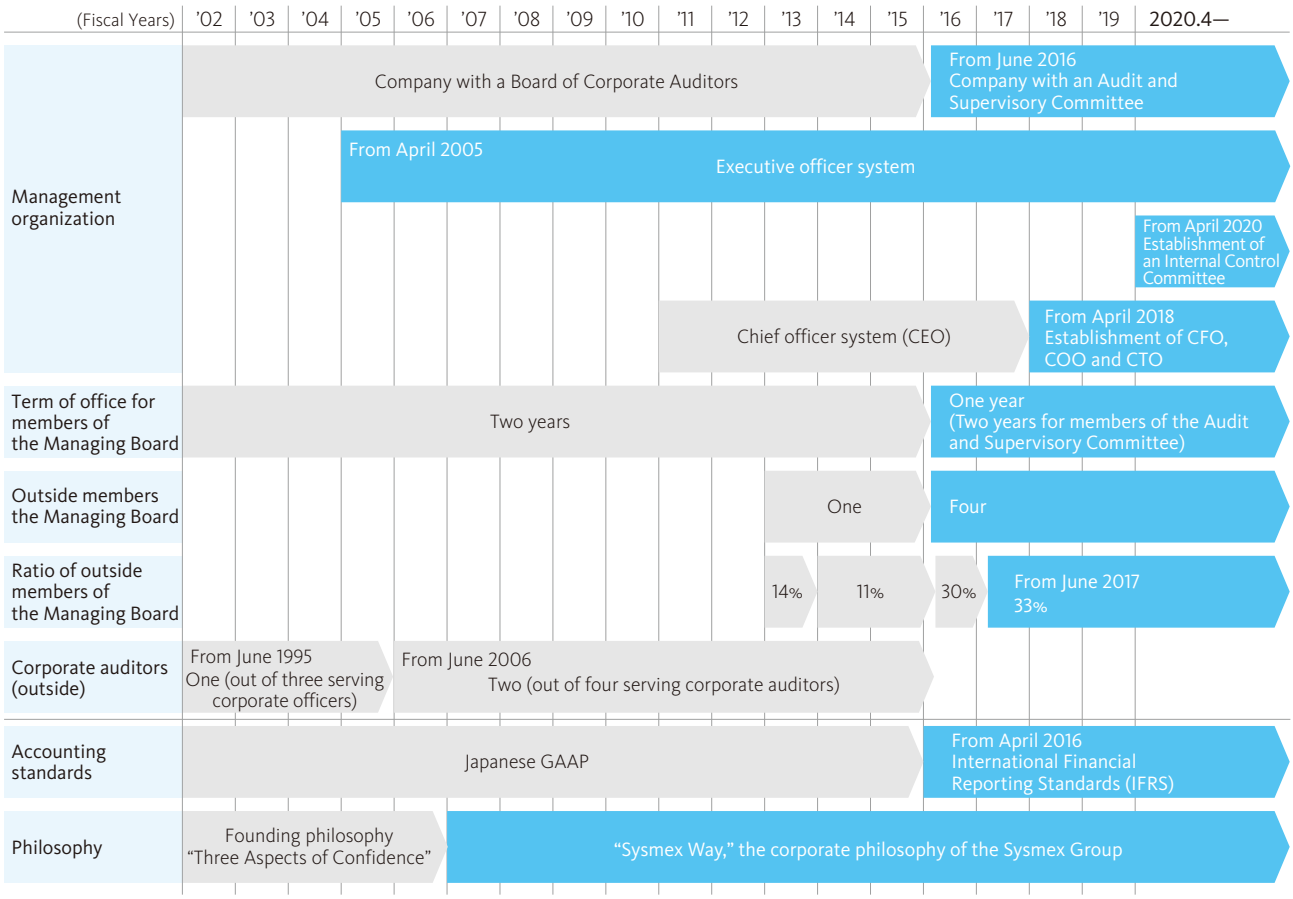
The Company currently has 12 members of the Managing Board (of whom four are outside members). Also, three board members are members of the Audit and Supervisory Committee. (Two members of the Audit and Supervisory Committee are outside members of the Managing Board.) The Company also has 17 executive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

Compliance with Japan's Corporate Governance Code

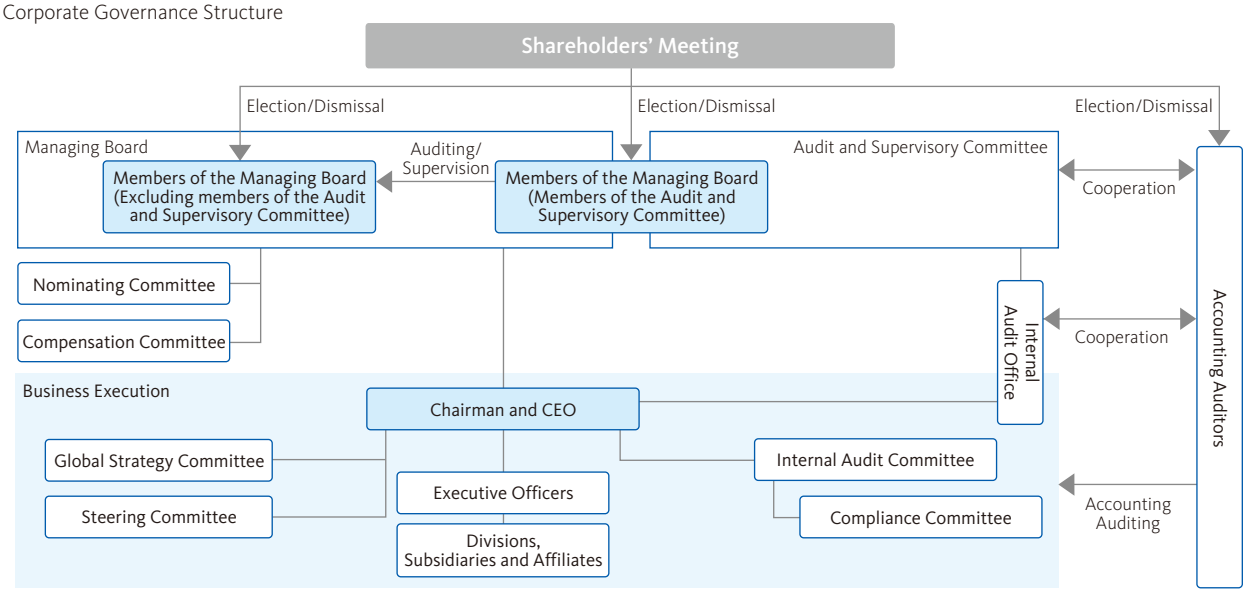
Sysmex complies with each of the principles of Japan's Corporate Governance Code, introduced by the Tokyo Stock Exchange. Please see our website for details.

>>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[1] (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[1], 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)

	Name / 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	Hisashi Ietsugu	100%	100%	100%	—
	Yukio Nakajima	100%	100%	100%	—
	Kaoru Asano	100%	100%	100%	—
	Kenji Tachibana	100%	—	—	—
	Junzo Yamamoto	100%	—	—	—
	Iwane Matsui	100%	—	—	—
	Hiroshi Kanda	100%	—	—	—
	Yukitoshi Kamao	100%	—	—	100%
External	Masayo Takahashi	100%	—	—	—
	Kazuo Ota	100%	—	—	—
	Kazumasa Hashimoto	—[1]	—	—	—[1]
	Michihide Iawasa	—[1]	—[1]	—[1]	—[1]
	Koichi Onishi[2]	100%	100%	100%	95.2%
	Kazuhito Kajiura[2]	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 busines 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 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 the end of fiscal 2019, the Chairman, President and CEO held 611,000 shares (81 times fixed compensation), and other members of the Managing Board and executive officers (only those who hold shares) held an average of 26,000 shares (nine times fixed compensation) in the Company.

Compliance

Based on the corporate philosophy for the Sysmex Group, the "Sysmex Way," we define our view of compliance as "conducting business activities not only in compliance with applicable laws and regulations, but also based on fairness and high ethical standards." We have established a Global Compliance Code, in which particularly important conformance rules and behavioral guidelines for all Group executives and employees to abide by are set out and conduct training and work to instill this code. The code describes our thoughts on ethics in relation to research and development, prevention of bribery and adherence to international guidelines such as the Universal Declaration on Human Rights, as well as conserving the global natural environment.

Sysmex has established and operates an internal reporting system for all Group companies.

>>Sustainability Data Book >Compliance P62

■ 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)[1]	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

1 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

Risk Management

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

■ Principal Operating Risks

Risks	Major Content	Key Environmental Factors	
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	
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 ● Obstacles to the procurement of substances if suppliers suspend operations	External	
Exchange rate fluctuations	● Overseas business accounting for more than 80% of total Group sales ● Growth in sales in emerging markets leading to a higher proportion of sales taking place in currencies that are not key currencies	External	
Increasingly stringent measures to curtail healthcare expenditure	● Worsening market prices due to budget reductions by countries and medical institutions	External	
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	
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	
Emergence of quality problems related to products or services	● Major impact on test results	Internal	
Information security risks	● Impact on operations due to information leaks (such as cyber threats) and network breakdowns	Internal	
M&A-related risks	● Impact on strategies and operating performance if the results of M&A fall below expected levels	Internal	
Compliance infringements	● Compliance infractions, such as related laws and regulations	Internal	

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

	Main Impacts if Risks Materialize	Principal Responses
	• Halt of business operations due to enormous damage to Group facilities and infrastructure or damage to people • Deterioration of operating performance and cash flow due to a halt in medical institutions' operations and decreasing testing demand • 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. ● We have built an infrastructure capable of responding flexibly to emergencies (such as by introducing remote working).
	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. ● We procure materials and parts from multiple companies and maintain stockpiles. We also conduct CSR surveys of our business partners.
	Worsening of the Group's consolidated operating performance	● Finance divisions and local subsidiaries hedge risks through forward exchange contracts. ● We have globally diversified our reagent production functions.
	Longer replacement cycles and growing downward pressure on prices	● We provide highly productive products and services that help make healthcare management more efficient.
	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.
	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. ● We are accelerating development speed by establishing drives of growth.
	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. ● We have enhanced our operational and design quality, bolstered mass-production quality and reinforced our systems for checking quality prior to market launch. ● We hold supplier presentations aimed at increasing the quality of the materials and parts we procure.
	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.
	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. ● We configure administrative structures for management and finance.
	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

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)

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

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.

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.

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.

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.

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.

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.

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.

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.
Arp. 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.

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.

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.

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

Q 1 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 healthcare 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.

Q 2 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.

Q 3 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

Mitsuhisa Kanagawa
Executive Officer
IVD Business Unit
Executive Vice President of
Business Strategy Development

Alain Baverel
Executive Officer
President and CEO, Sysmex Europe GmbH

Management's Discussion and Analysis

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.

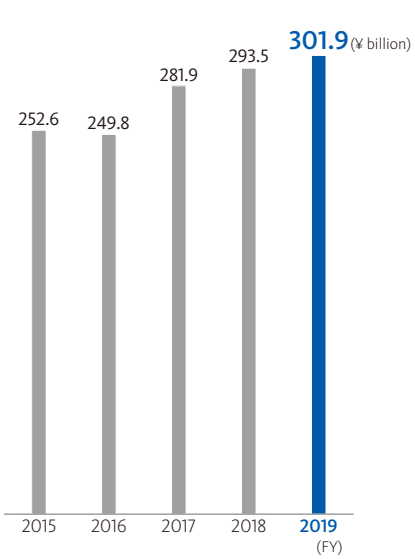
Profit attributable to owners of the parent was ¥34.8 billion, down ¥6.3 billion (15.4%) year on year, after income taxes of ¥14.6 billion, which were ¥2.1 billion (12.9%) lower than in the previous fiscal year. Return on equity (ROE) was 12.9% (down 3.4 percentage points year on year).

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

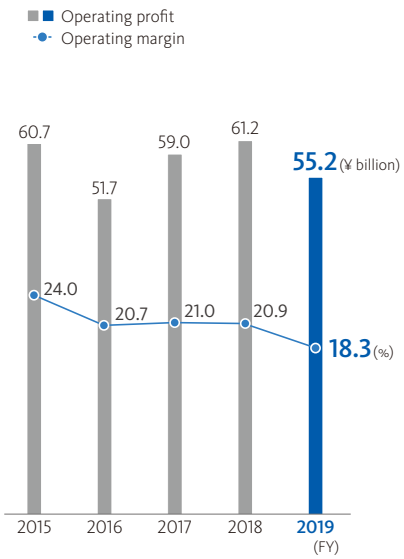
■ Exchange Rates (Yen)

(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

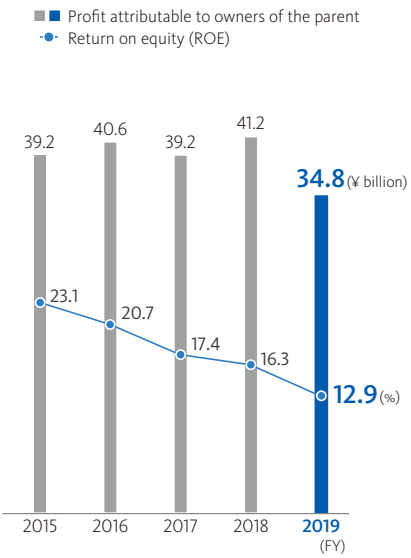
■ Net Sales



■ Operating Profit
■ Operating Margin



■ Profit Attributable to Owners of the Parent
■ Return on equity (ROE)



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)

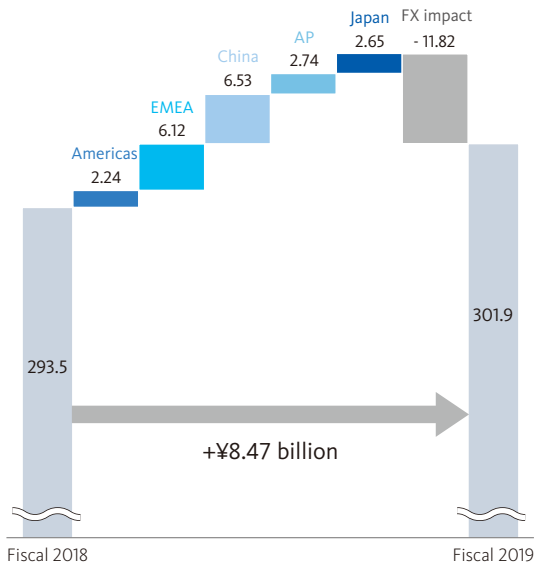
(Announced May 2019)

Net sales	¥380.0 billion
Operating profit	¥78.0 billion (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.

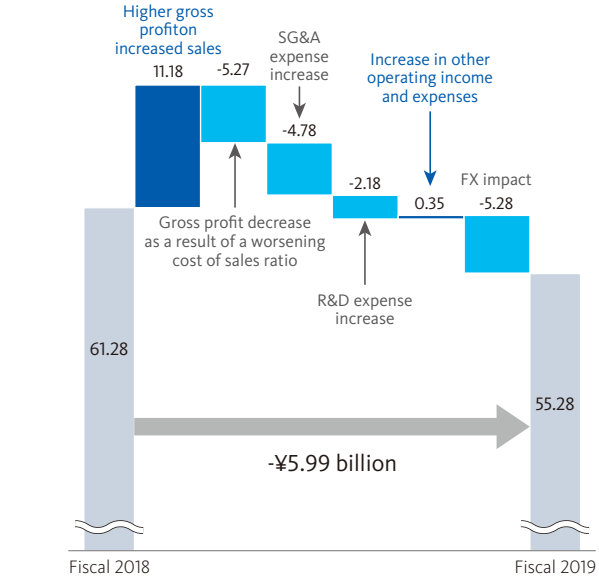
■ Reasons for Changes in Net Sales

(¥ billion)



■ Reasons for Changes in Operating Profit

(¥ billion)



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

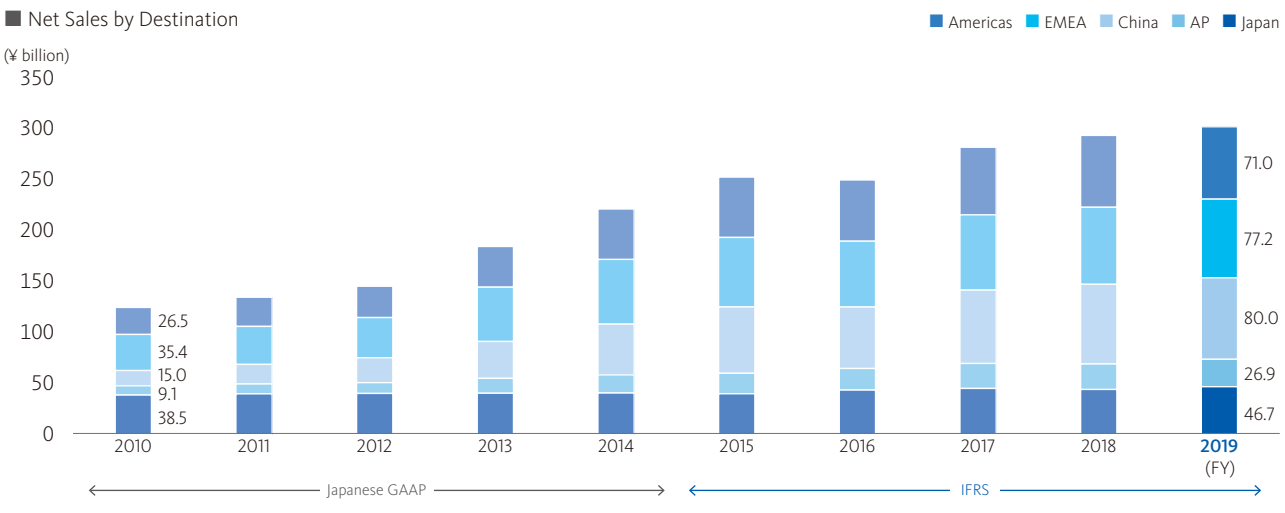
Sysmex recognized the growth potential of the Chinese market early on, and we took the lead over competitors in developing local business structures in the country. We have built a robust infrastructure in China, working with more than 400 sales distributors to provide products and services throughout 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.

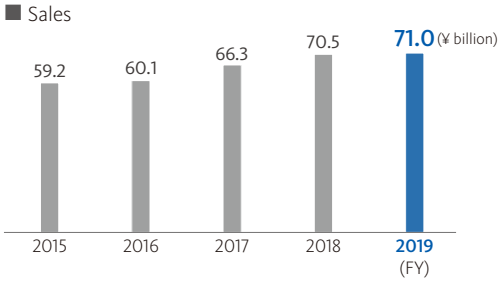
Japan

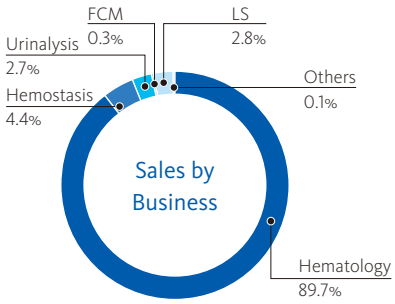
Aiming to establish a No. 1 position in the IVD market in Japan, Sysmex differentiates itself from competitors in the hematology, hemostasis, urinalysis and immunochemistry fields. We are also working to capture new markets by promoting developments in such areas as cancer genomic medicine. In fiscal 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.

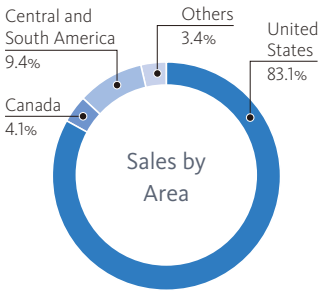


(Fiscal 2019)

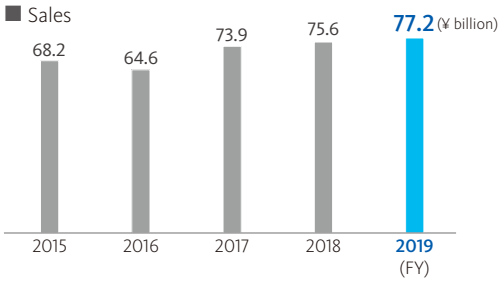
Americas

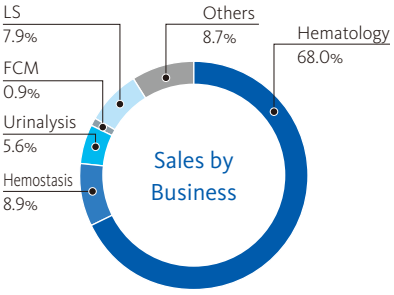


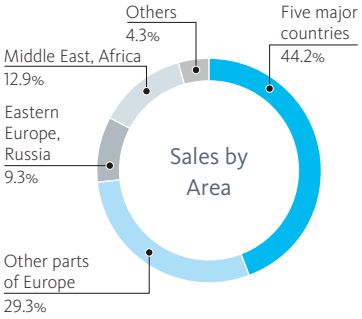




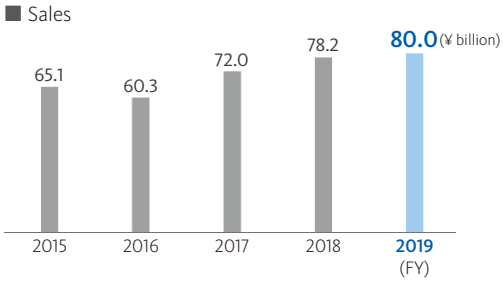
EMEA

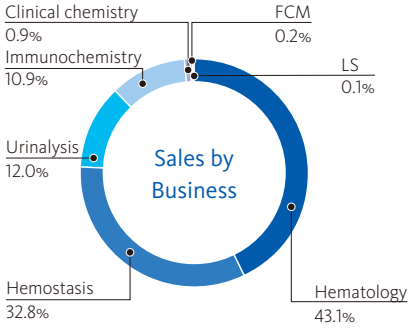




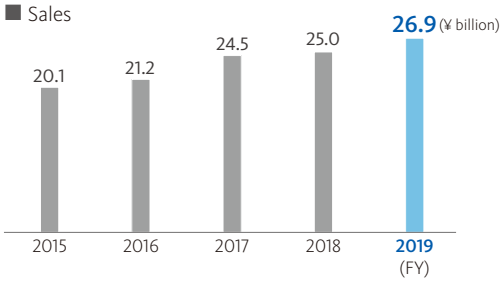


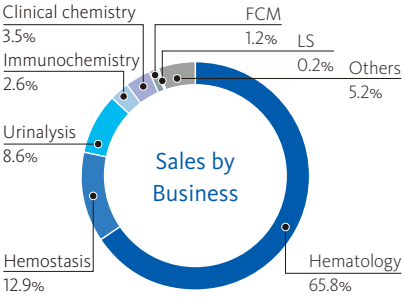
China

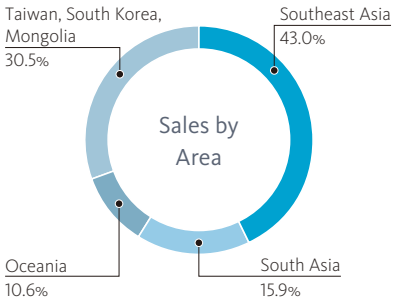




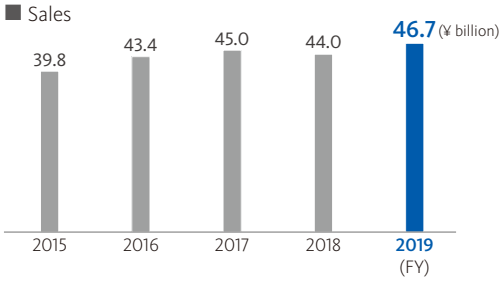
Asia Pacific

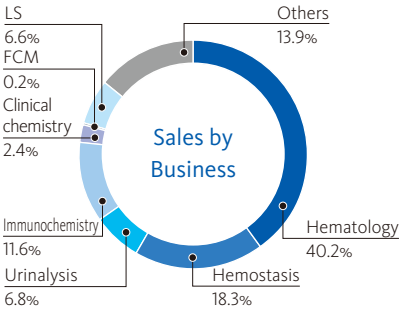






Japan





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.

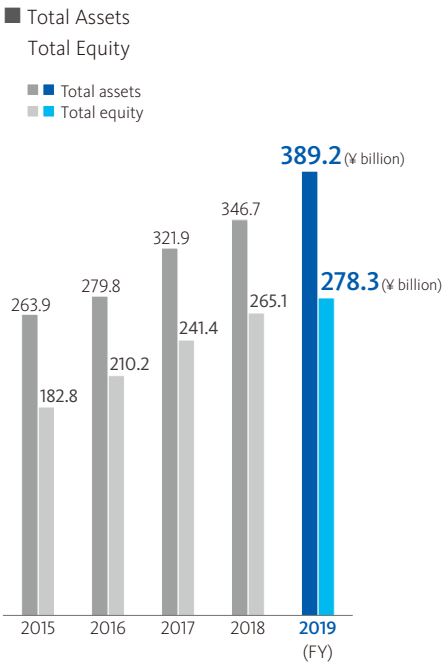
Total equity came to ¥278.3 billion, up ¥13.1 billion from the end of fiscal 2018. Among principal reasons, retained earnings rose ¥19.8 billion, while other components of equity declined ¥7.4 billion. Equity attributable to owners of the parent to total assets fell 5.0 percentage points, from 76.3%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

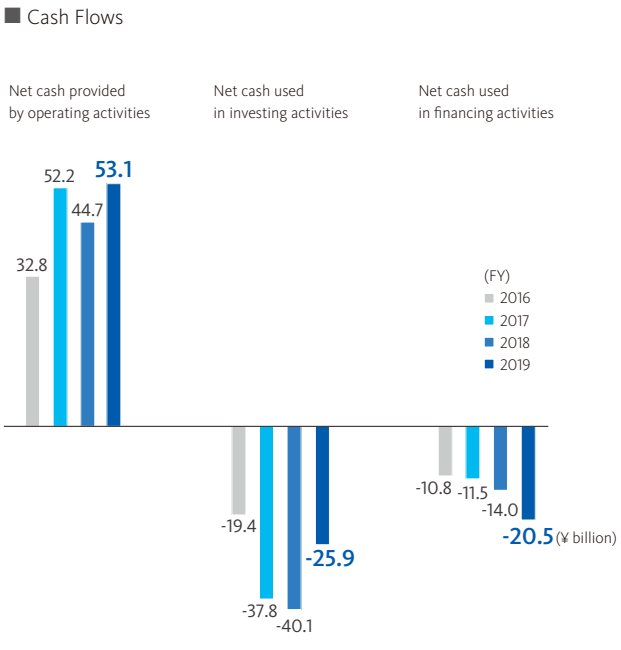
Cash Flows

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.

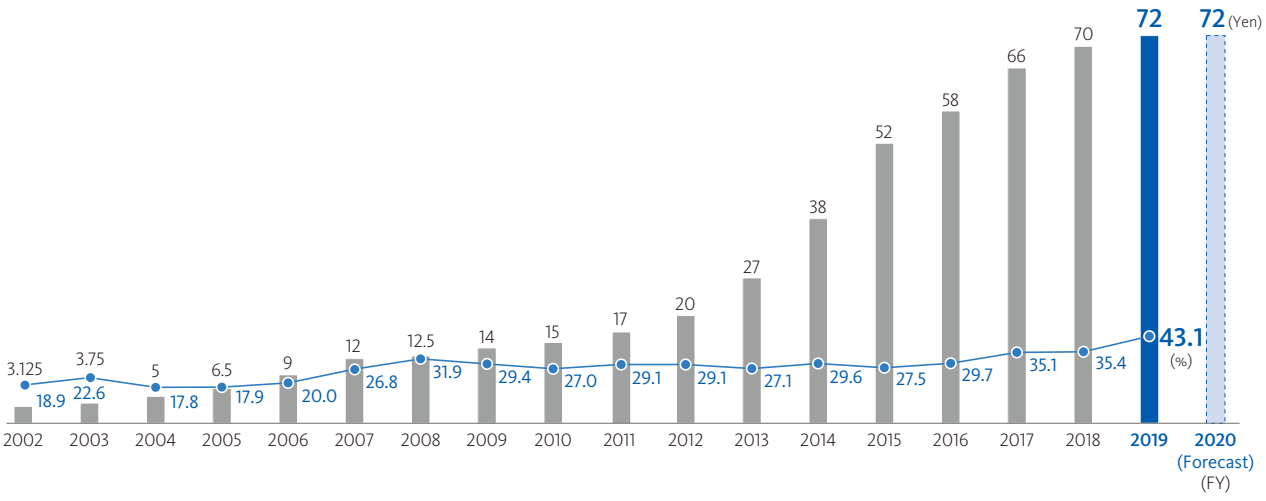
Returns to Shareholders

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.

Cash Dividends Applicable to the Year / Dividend Payout Ratio (Consolidated)



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[1]
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[3]	990.5	1,151.3	703.7[3]	812.3	899.5
Net income (basic) (yen)	111.1[3]	116.8	137.5	99.4[3]	128.4	174.4
Net income (diluted) (yen)	110.9[3]	116.6	137.0	99.1[3]	128.0	173.7
Cash dividends applicable to the year[2] (yen)	15.00[3]	17.00	20.00	27.00[3]	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)[4] (%)	9.1	8.8	9.0	10.7	11.6	14.1
Number of employees (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

1 Figures shown for fiscal 2015 is "net income."
2 Dividend (actual) converted to post-split basis.
3 Two-for-one stock split
4 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[6]
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)[6]
At year-end:					
Total assets	263.9	279.8	321.9	346.7	389.2[6]
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[6]
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)[5] (%)	15.7	14.9	13.0	12.3	9.5
Number of employees (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

5 ROA = Profit attributable to owners of the parent/total assets (yearly average)×100
6 Adopted IFRS 16

Consolidated Statement of Financial Position

Sysmex Corporation and Its Subsidiaries
As of March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars
	2020	2019	2020
Assets			
Current assets			
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
Total current assets	205,704	195,423	1,887,193
Non-current assets			
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
Total non-current assets	183,586	151,352	1,684,275
Total assets	¥389,291	¥346,775	$3,571,477
Liabilities and equity			
Liabilities			
Current liabilities			
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
Total current liabilities	84,145	71,247	771,972
Non-current liabilities			
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
Total non-current liabilities	26,798	10,345	245,853
Total liabilities	110,944	81,592	1,017,835
Equity			
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)
Total equity attributable to owners of the parent	277,683	264,448	2,547,550
Non-controlling interests	663	733	6,083
Total equity	278,347	265,182	2,553,642
Total liabilities and equity	¥389,291	¥346,775	$3,571,477

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 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

	Yen		U.S. Dollars
Earnings per share			
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 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 through other comprehensive income	(588)	(379)	(5,394)
Remeasurements of defined benefit plans	21	113	193
Total	(567)	(266)	(5,202)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(6,882)	(3,000)	(63,138)
Share of other comprehensive income (loss) of investments accounted for using the equity method	(0)	2	(0)
Total	(6,883)	(2,998)	(63,147)
Total other comprehensive (loss) income	(7,450)	(3,264)	(68,349)
Comprehensive income	¥27,363	¥37,901	$251,037
Comprehensive income attributable to			
Owners of the parent	¥27,433	¥37,959	$251,679
Non-controlling interests	(69)	(58)	(633)
Comprehensive income	¥27,363	¥37,901	$251,037

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							
	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 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
Operating activities			
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
Subtotal	69,914	61,839	641,413
Interest and dividend received	280	269	2,569
Interest paid	(804)	(60)	(7,376)
Income taxes paid	(16,208)	(17,305)	(148,697)
Net cash provided by operating activities	53,182	44,743	487,908
Investing activities			
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
Net cash used in investing activities	(25,906)	(40,128)	(237,670)
Financing activities			
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)
Net cash used in financing activities	(20,597)	(14,090)	(188,963)
Foreign currency translation adjustments on cash and cash equivalents	(1,147)	(907)	(10,523)
Net (decrease) increase in cash and cash equivalents	5,530	(10,382)	50,734
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	
				Fiscal 2021 (Mid-Term Management Plan)	Fiscal 2025 (Eco-Vision)
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	—
		Number of patents	Total number of patents, utility model rights and design rights held	3	
		Number of new patents	Total number of applications filed for patents, utility model rights and design rights	3	
		Number of scientific papers	Number of scientific papers presented by users of the Company's products	3	
	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	
Responsible Provision of Products and Services	Securing of product quality and safety Appropriate disclosure of information regarding products and services Assessment and management of the supply chain	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	
Realization of an Attractive Workplace	Provision of a comfortable working environment	Engagement score	Corporate Culture Survey results	75%	
		Turnover ratio[1, 2]	Turnover percentage of regular employees, excluding people who have reached the mandatory retirement age	3	
		Lost-time injuries frequency rate[1]	Number of employee deaths or injuries resulting from work-related accidents per million hours actually worked	Less than 0.35	
		Lost work day rate[1]	Number of days absent from work due to work-related injuries per 1,000 hours actually worked	Less than 0.05	
	Promotion of diversity	Female managers ratio	Percentage of women at director level or above	16.0%	
	Development of human resources	Training time per employee[2]	Average hours of training per employee provided by the Human Resources Division (figures in parentheses include online training hours)	25.0 hours	
Environmental Consideration (Base Year: Fiscal 2016)	Environmental consideration through the product lifecycle	Reduction of CO_2 emissions (instruments)	Percentage reduction in CO_2 emissions per instrument	Cut 10%	Cut 15%
		Reduction of water consumption (instruments)[2]	Percentage reduction in water volume per instrument	Cut 10%	Cut 15%
		Reduction of CO_2 emissions (shipping)	Percentage reduction in CO_2 emissions during shipping and distribution per unit of parent-only sales	Cut 10%	Cut 15%
	Reduction in environmental burden through activities at business offices	Reduction of CO_2 emissions (business activities)	Percentage reduction in CO_2 emissions during business activities per unit of consolidated sales	Cut 10%	Cut 50%
		Reduction of water consumption (business activities)	Percentage reduction in water use during business activities per unit of consolidated sales	Cut 10%	Cut 15%
		Recycle rate	Recycling volume divided by total waste volume	88% or higher	93% or higher
Enhanced Governance	Corporate governance	Number of internal reporting	Number of internal reporting incidences	3	—
	Compliance Risk management	Number of unethical incidents	In the event of violations of law or the Global Compliance Code, number of incidents involving disciplinary action	3	

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"

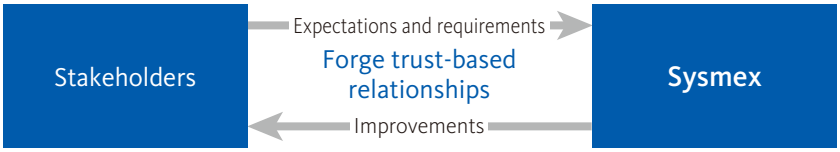
>>Materiality P27 >>Sustainability Data Book >CSR management P4

Results			
Fiscal 2017	Fiscal 2018	Fiscal 2019	Progress
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. We also recorded steady progress in the number of new patents and the number of scientific papers. >>Initiatives in Developed Countries P41 >>Our Response to the COVID-19 Pandemic P19 >>Sustainability Data Book >Resolution of Medical Issues through Business Activities P9
2,709	2,987	3,143	
301	346	306	
155	166	176	
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. >>Initiatives in China and Other Emerging Markets and Developing Countries P42, 43 >>Sustainability Data Book >Improvement in Accessibility to Medical Services by Means such as Familiarizing Products P11
80.7% (99.6%)	84.0% (99.6%)	84.8% (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. Furthermore, to maintain and enhance high quality levels, we continue to put in place systems to ensure compliance with international laws and regulations. >>Sustainability Data Book >Assessment and Management of the Supply Chain P19
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. Our turnover ratio remains low in comparison with the manufacturing industry average of around 9%[4], 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. >>Sustainability Data Book >Provision of a Comfortable Working Environment P26, Promoting Health and Productivity Management P34
3.22%	3.78%	3.09%	
0.35	0.89	0.86	
0.05	0.06	0.08	
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. >>Sustainability Data Book >Promotion of Diversity P31
15.7 hours[1] (24.9 hours)	15.8 hours[1] (28.9 hours)	17.0 hours[1] (27.7 hours)	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. >>Diverse Human Resources P55 >>Sustainability Data Book >Development of Human Resources P32
Cut 1%	Cut 3%	Cut 4%	CO_2 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. >>Sustainability Data Book >Environmental Consideration through the Product Lifecycle P49
Cut 1%	Cut 1%	Cut 3%	
Cut 17%	Cut 1%	Cut 17%	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. >>Sustainability Data Book >Environmental Consideration through the Product Lifecycle P51
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_2 emissions in individual regions, such as shifting toward the use of renewable energy in the United States. >>Sustainability Data Book >Reduction in Environmental Burden through Activities at Business Offices P53
Cut 8%	Cut 7%	Cut 6%	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. >>Sustainability Data Book >Reduction in Environmental Burden through Activities at Business Offices P54
89%	76%	67%	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. >>Sustainability Data Book >Reduction in Environmental Burden through Activities at Business Offices P56
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. >>Sustainability Data Book >Compliance P63
—	9	7	

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

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.

- Established a 24/7 customer support center (separate contract required)
- Gathered feedback through VOC (Voice of the Customer), utilization in product development and quality improvements
- Held scientific seminars
- Convened user meetings to communicate accurate product knowledge
- Conducted customer satisfaction surveys

>>Customer Assessment P53
>>Sustainability Data Book >Customer Relations P21

Customer Support Center
Customer center contacts (non-consolidated basis)
Approx. 86,700 per year

Number of VOC contacts (non-consolidated basis)
Approx. 18,000 per year

Business Partners (Suppliers, Distributors and Collaborative R&D Partners)

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.

- Conducted CSR surveys
- Held meetings for distributors

>>Sustainability Data Book >Assessment and Management of the Supply Chain P19

CSR survey results
Response rate (primary suppliers in Japan)
99.2%

Employees

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.

- Instilled the corporate philosophy of the Sysmex Group, introduced an internal award system
- Conducted corporate culture surveys (Human Resources Division provides individual divisions with advice on making improvements, based on the results of employee satisfaction
- Configuration of a global internal reporting system >>Compliance P60

>>Diverse Human Resources P55 >>Sustainability Data Book >Provision of a Comfortable Working Environment P25

Corporate culture survey score
72%
Note: The score indicated here is for the survey conducted in fiscal 2017

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

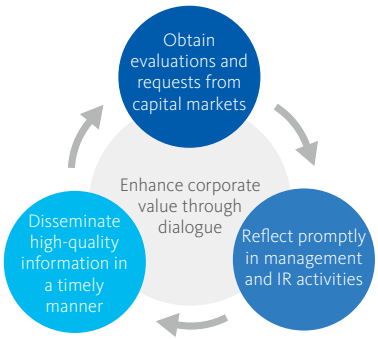
Sysmex recognizes that IR activities are important for achieving sustainable growth and medium- to long-term increases in corporate value. We strive to disclose information appropriately and quickly share internally the evaluations and requests that we receive in the course of dialogue with shareholders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

Meetings with institutional investors and analysts

Approx. 400 per year

■ Objectives of Sysmex's IR Activities



■ 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.

Sysmex's Businesses

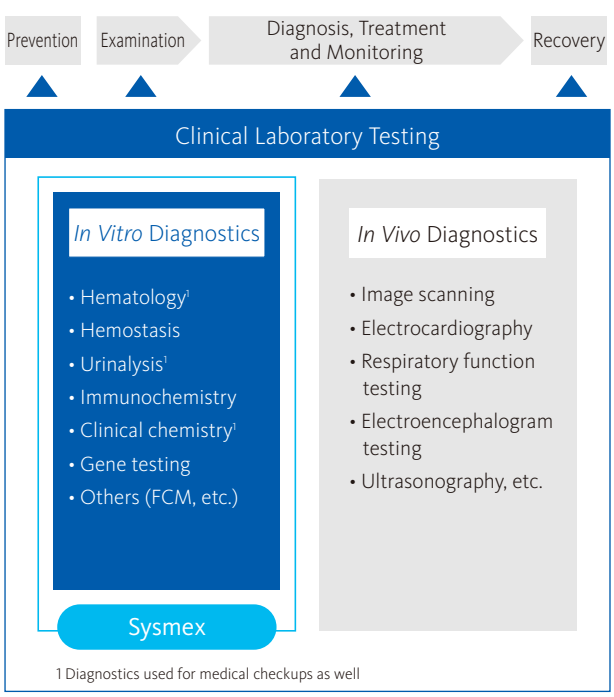
Main Business Domains

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 Business Domains

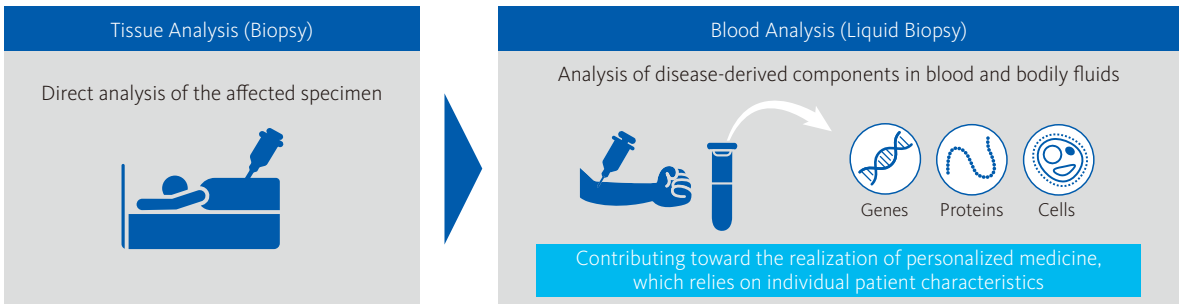


Realizing Personalized Medicine through Liquid Biopsy

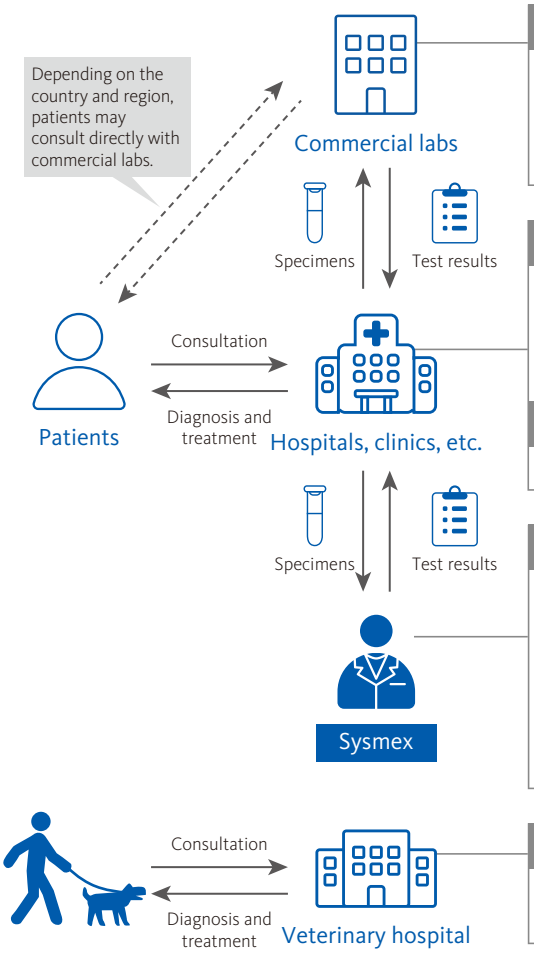
Liquid biopsy is a testing method that involves highly sensitive analysis to detect disease-affected areas present in minute quantities in blood and bodily fluids. Compared with conventional physical biopsy, which is carried out on samples taken from tumors or other tissue, liquid biopsy is in the spotlight for its potential for imposing less of a physical, emotional and economic burden on patients. It also increases opportunities for testing and helps to determine drug administration and other treatment methods at an early stage.

Examples of Initiatives

In 2016, Sysmex forged an operational alliance with Eisai Co., Ltd. aimed at realizing a diagnosis for Alzheimer's disease. By using blood tests to detect structural abnormalities in minute proteins, which are thought to impact the disease state, we are conducting joint research aimed at early diagnosis and treatment. By using blood tests to detect structural abnormalities in minute proteins, which are thought to impact the disease state, we are conducting joint research aimed at early diagnosis and treatment.



Sysmex's Products in Use



Commercial labs

Commercial labs conduct testing for small-scale medical institutions that do not have their own analyzers, as well as handling specialized tests. Large-scale labs, which handle tens of thousands of samples each day, mainly use our high-productivity transport systems.

Hospitals

In addition to blood tests used in medical checkups and for in- and out-patient treatment and diagnostics, our products are used to test for lymph node metastasis and in cancer genome profiling (see the column on this page), with a variety of products available to meet differing scales of use.

Clinics

Clinics typically use products that are compact and simple.

Lab Assay Services (Outsourced Sample Measurement Services)

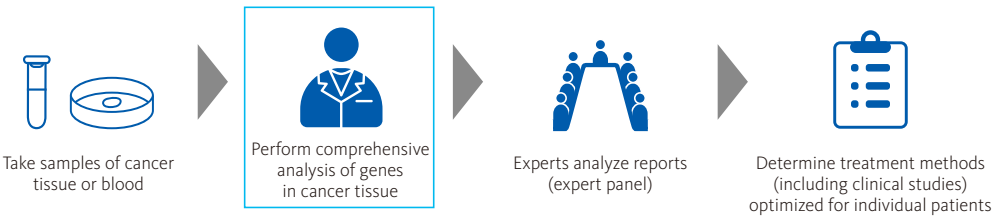
We are developing a lab assay business, in which we receive samples from medical institutions, test them at our labs and other locations (such as Sysmex Inostics and RIKEN GENESIS) and send back the results of protein or gene analysis performed on the samples. In addition to medical institutions, we handle measurement on behalf of universities, research institutes and pharmaceutical companies, providing information to assist their drug discovery and R&D efforts. In June 2020, we began conducting tests in relation to COVID-19.

Veterinary Hospitals

Our products are used in maintaining the health of dogs, cats and other pets, as well as aquarium dolphins and zoo animals.

Contributing to Cancer Genomic Medicine through a System for Use in Cancer Gene Profiling

This system, which targets patients for whom standard treatment has been concluded, provides a comprehensive analysis of genes that frequently mutate due to cancer. The information received from this system facilitates the determination of treatment methods based on gene mutations, the selection of anti-cancer drugs and drug administration, allowing healthcare to be optimized for individual patients. In addition to introducing this system to medical institutions and providing support through lab assay services handled by RIKEN GENESIS, the Company is creating a flow of testing that can be conducted entirely in Japan, including the provision of detailed support. Furthermore, in 2020 we began providing an expert panel support system as part of our efforts to help put in place a structure for the efficient realization of cancer genomic medicine.



RIKEN GENESIS (a Sysmex subsidiary) and other locations

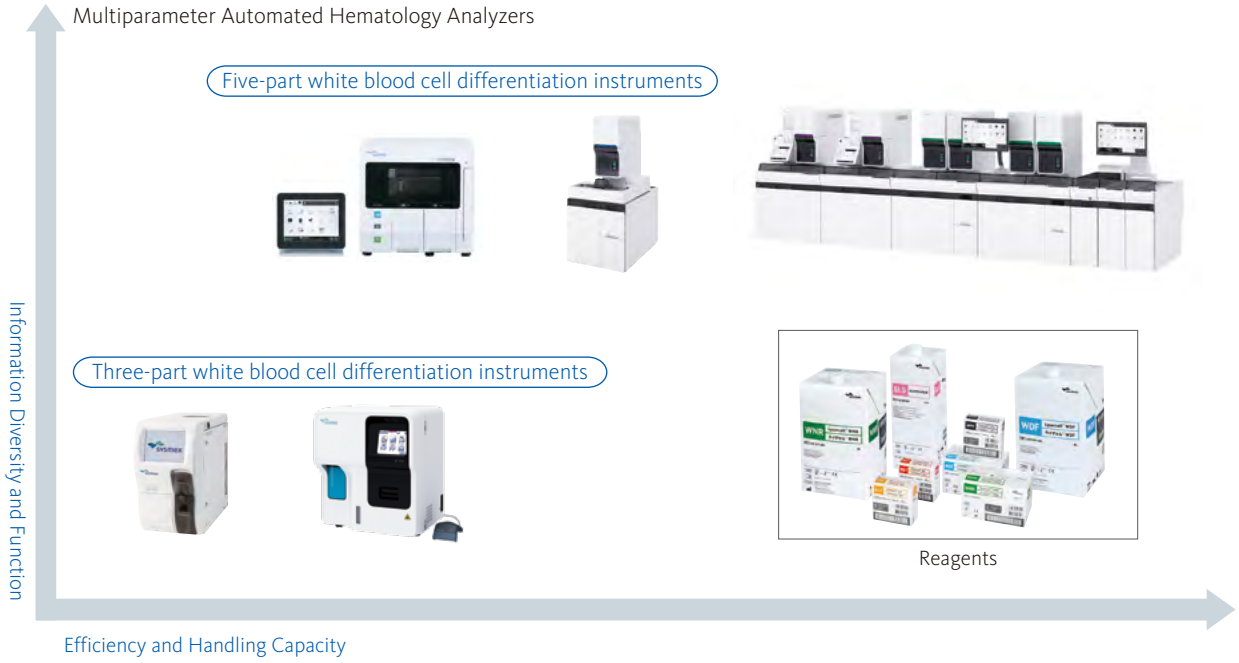
Primary Products and Services

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.

Reagents

Fully automated system for the analysis of formed elements in urine
Fully automated urine chemistry analyzer
Fully automated imaging unit for formed elements in urine

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.

Flow cytometer

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.

Hemostasis analyzer

Reagents

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.

Immunoassay system

Reagents

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.

Gene amplification detector

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.

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

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

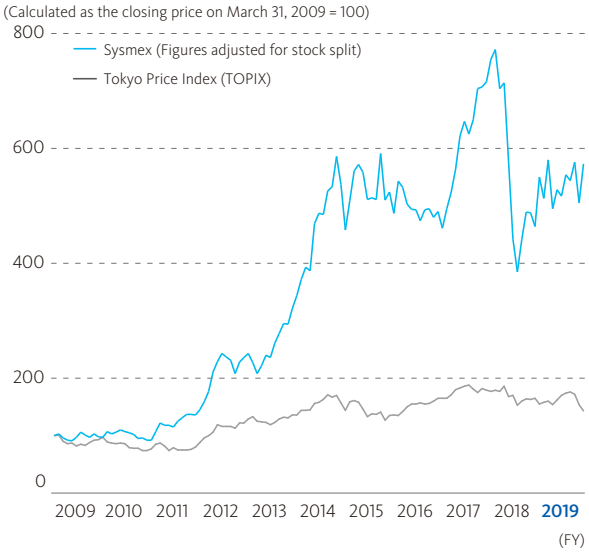
Terminology

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.
EMEA	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 *in situ* 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 *in vitro* 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.

In vitro 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 *in vitro* 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[1]) (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

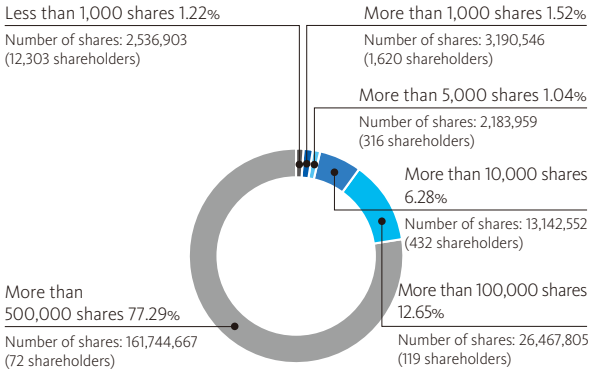
1 TSR: Total shareholder return, including capital gains and dividends
- Prepared by Sysmex based on data from Nikkei NEEDS-FinancialQUEST
- Base date of March 31, 2020
- TSR calculated on the assumption that dividends are reinvested in shares

■ Principal Shareholders (Top 10)

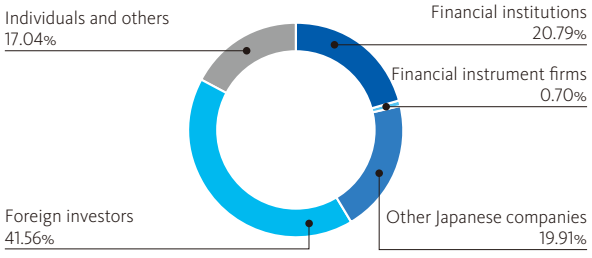
Shareholders	Number of shares held (Thousands)	Percentage of share-holding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	21,243	10.2
The Kobe Yamabuki Foundation	12,000	5.8
Nakatani Foundation for Advancement of Measuring Technologies in Biomedical Engineering	11,830	5.7
Nakatani Kosan, Ltd.	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	https://www.sysmex.co.jp/en/
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 Dow Jones Sustainability Asia Pacific Index FTSE4Good Index FTSE Blossom Japan Index MSCI ESG Leaders Indexes MSCI SRI Indexes MSCI Japan ESG Select Leaders Index MSCI Japan Empowering Women Index (WIN) S&P/JPX Crabon Efficient Index Ethibel Excellence Ethibel Pioneer Ethibel Sustainability Index (ESI) Euronext Vigeo Eiris World 120 Index Sompo Sustainability Index

MEMBER OF Dow Jones Sustainability Indices In collaboration with SAM

FTSE4Good

FTSE Blossom Japan

2020 MSCI ESG Leaders Indexes Constituent

2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

S&P/JPX Carbon Efficient Index

2020 Sompo Sustainability Index

>>Sustainability Data Book >External Evaluations P72

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