



System Report 2019

System Report 2019

For the year ended March 31, 2019



System Corporation

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Lighting the way **with diagnostics**



Lighting the way with diagnostics

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

Systemex 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.

Furthermore, in our aim to realize a fulfilling and healthy society going forward,
we will undertake new challenges in the field of diagnostics
as the future of healthcare unfolds.



Sysmex's business is in the domain of *in vitro* diagnostics (IVD), which is essential to diagnosis and treatment during health checks and at hospitals. By providing accurate test results and new testing and diagnostic technologies, Sysmex plays a major role in healthcare settings by helping with disease diagnosis and the determination of treatment methods.

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.

Accounting Standards

In the fiscal year ended March 31, 2017, we voluntarily adopted the International Financial Reporting Standards (IFRS). In this report, figures presented up to the fiscal year ended March 31, 2015, are in accordance with Japanese GAAP. Figures from the year ended March 31, 2016, are presented in accordance with IFRS.

Cautionary Note Regarding 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.

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



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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. 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

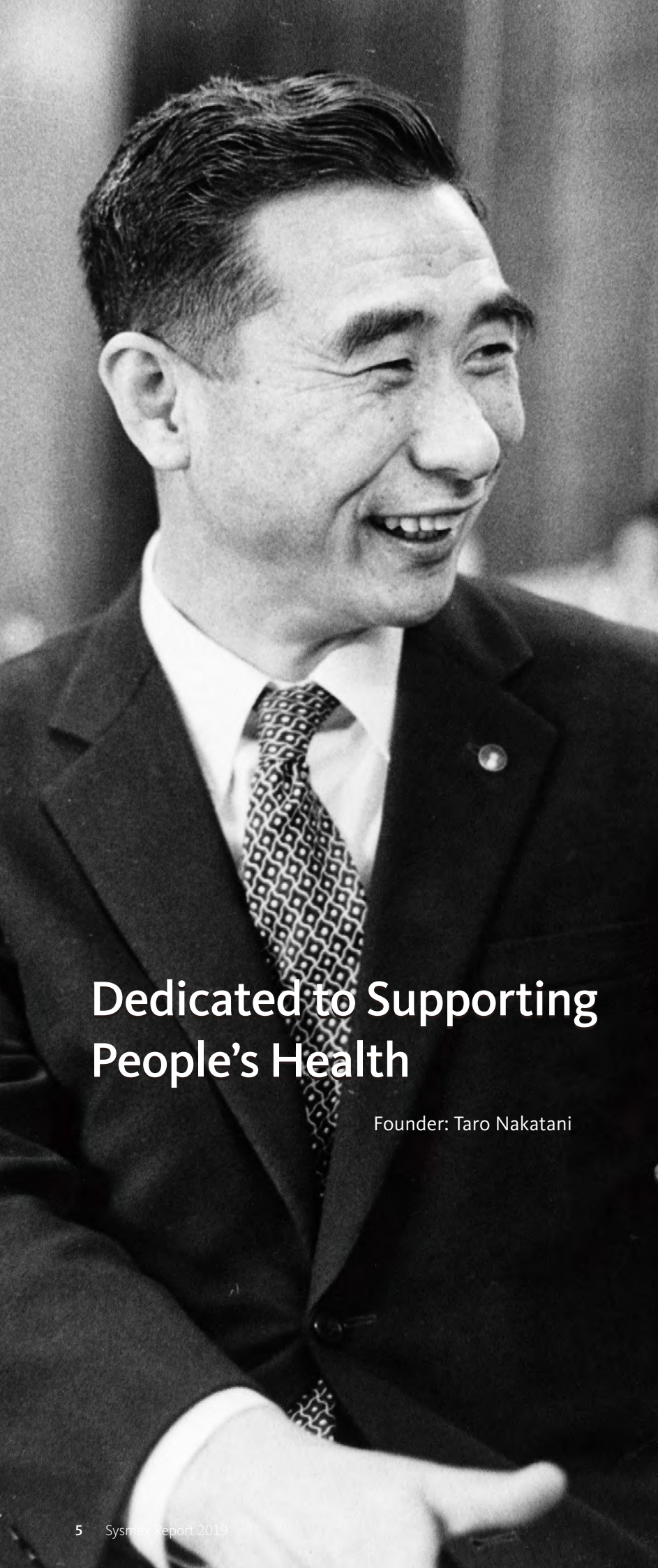
<https://www.sysmex.co.jp/en/csr/index.html>

Here, we disclose details of our sustainability initiatives.

- 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/governance_e.pdf



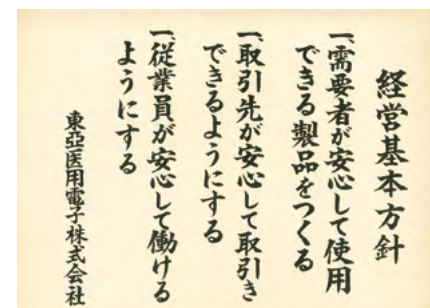
Dedicated to Supporting People's Health

Founder: Taro Nakatani

An Ideal Unchanged Since Our Founding

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. Moving on from this success, TOA MEDICAL ELECTRONICS CO., LTD. (current Sysmex Corporation) was established in 1968.

Realizing a healthy and fulfilling society is our ideal. Our corporate culture emphasizes taking on challenges in developing new products and technologies. Furthermore, we have carried forward Sysmex's values—building trust and confidence among all our stakeholders—since the time of our founding.



Founding Philosophy (the "Three Aspects of Confidence")

Taro Nakatani defined this basic perspective on management. This founding philosophy has carried over across the years and remains important to this day.

- 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.

Corporate Philosophy for the Sysmex Group

In 2007, we formulated a corporate philosophy for the Sysmex Group, carrying forward and expanding the perspective of our founding philosophy. In line with changes in the global management environment, this philosophy clarifies the sort of entity we wish to be with respect to 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.

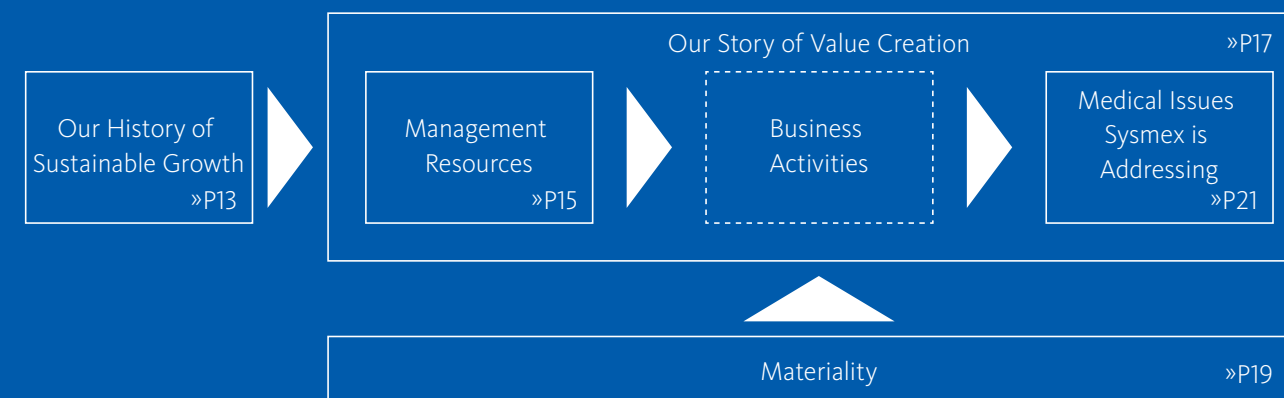


OUR VISION

Hisashi Ietsugu
Chairman and CEO

Sysmex's Value Creation

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



- To Our Stakeholders** »P9

We aim to help resolve medical issues and achieve sustainable growth.
- Our History of Sustainable Growth** »P13

We have achieved sustainable growth by foreseeing future needs and continuing to take on challenges.
- Management Resources** »P15

Through our business activities, we acquire the management resources to support our growth.
- Our Story of Value Creation** »P17

We utilize management resources through our business activities to contribute toward a fulfilling and healthy society.
- Materiality** »P19

We have defined CSR issues that we prioritize to realize a sustainable society and sustainable growth.
- Medical Issues Sysmex is Addressing** »P21

We work alongside medical institutions to realize a fulfilling and healthy society.

To Our Stakeholders

We help resolve the world's medical issues and achieve sustainable growth based on our mission of "Shaping the advancement of healthcare."

Looking around the world, developed countries are focused on the accelerating trend toward fewer children and aging societies, as well as sharply rising healthcare expenses. Meanwhile, emerging markets are putting healthcare infrastructures in place, while developing countries face a host of issues, such as infectious diseases and the outbreak of tropical diseases. One of the Sustainable Development Goals (SDGs) is to "Ensure healthy lives and promote well-being for all at all ages." As such, healthcare is of growing importance to a sustainable society.

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 conduct business in more than 190 countries in our aim of extending healthy lifespans.

Based on the corporate message we formulated in 2018, "Lighting the way with diagnostics," we are creating testing and diagnostic value and will continue to take on new challenges as the future of healthcare unfolds.



Hisashi Ietsugu
Chairman and CEO



Looking back, how would you evaluate operating performance in the fiscal year ended March 31, 2019?

We achieved record levels of net sales (up 4.1% year on year, to ¥293.5 billion) and operating profit (up 3.7%, to ¥61.2 billion). A key contributor to this growth was higher sales in developed countries and emerging markets, supported by our global sales and service network. We demonstrated a high level of competitiveness in our mainstay IVD Business, particularly in the fields of hematology and hemostasis. We also moved forward on new initiatives connected with future growth. For example, we established a bio-diagnostic reagent base and received manufacturing and marketing approval on the OncoGuide NCC Oncopanel System for cancer genome profiling.* However, results fell short of initial expectations owing to a number of temporary factors, such as a delay in shipments due to quality problems and a sales slump in certain emerging markets due to changes in the sales and service structure. We recognize these factors as issues we need to address.

»Management's Discussion and Analysis P83 »NCC Oncopanel System P42

*Covered by health insurance in Japan from June 2019



You have unveiled a new mid-term management plan concluding in the fiscal year ending March 31, 2022. Would you explain the key points of this plan?

The healthcare industry has been changing dynamically in recent years. In developed countries, new technologies are being applied to medicine at an accelerating pace. One example is cancer genomic medicine, which is starting up in earnest. At the same time, the spread of basic healthcare remains a central theme in emerging markets and developing countries. Going forward, we believe these markets will grow dramatically as healthcare access improves due to the establishment of health insurance systems.



Against this backdrop, under our recently announced new mid-term management plan, which concludes in the fiscal year ending March 31, 2022, we aim to increase net sales to ¥380.0 billion and operating profit to ¥78.0 billion. In the IVD Business, we plan to invest heavily in product development in order to offer the world products with new added value. Also, we will reinforce our sales and service structure further to be certain of securing demand in emerging markets. Furthermore, we aim to achieve sustainable growth by boldly taking on challenges in new businesses, such as the FCM field and the Life Science Business. »[Market Environment P33](#) »[Mid-Term Management Plan P35](#)



In the mid-term management plan, you have set new non-financial targets. What were your objectives in doing so?

In the fiscal year ended March 31, 2018, we identified CSR issues that we prioritize (materiality) to realize a sustainable society and sustainable growth for Sysmex. Thereafter, we moved forward with measures as we rolled out our action plan, but we are working to make our progress on these issues more visible and increase effectiveness by setting new non-financial targets. Another reason was to raise awareness throughout the Company of our contributions to society.

As we go about our business activities, we will be aware of the impact Sysmex is having on society as a result. »[Materiality P19](#) »[Non-Financial Targets P91](#)



Please outline your initiatives for augmenting corporate governance.

Sysmex has adopted the system of a company with an Audit and Supervisory Committee. We are enhancing management transparency and objectivity, such as by giving Managing Board voting rights to members of the Managing Board who are also Audit and Supervisory Committee members. We are striving to enhance corporate value through management supervision by outside members of the Managing Board who are independent and have extensive experience. The Managing Board already includes members with diverse backgrounds, but we are being required to increase the percentage of foreign nationals and women on the Managing Board. That said, we do not intend to take a superficial approach to deciding on the number of people in each category. By proactively cultivating human resources who will make up the next generation of management, we will nurture people who are appropriate for these positions. »[Corporate Governance P69](#)



What efforts are underway to cultivate the next generation of management?

In our view, people who manage companies need to be able to foresee global trends and have insight and imagination. There are several keys to being able to read future changes in the business environment; one important factor is the ability to sketch out a vision of the future. Developing this skill requires more than just learning about business. In addition to management-related training, it is important to hone resourcefulness.

As part of this process, for the past 10 years we have conducted training, through the Sysmex Academy; this is a six-month program for employees selected as next-generation leadership candidates. In this program, I and other members of the management team deliver lectures to candidates as next-generation executives and executive vice presidents. The training also includes a liberal arts program, giving attendees the opportunity to come into contact with Japanese and overseas cultures, history and even art. We have found the course to be effective.

We plan to continue investing aggressively in human resource development as we strive to cultivate diverse personnel who possess both work skills and resourcefulness. »[Diverse Human Resources P61](#)



What closing message would you like to leave with shareholders?

A company's greatest responsibility is to generate steady earnings and maintain sustainable growth. So far, Sysmex has raised dividends for 17 consecutive fiscal years. We intend to continue enhancing our corporate value through ongoing growth and by returning profit to our shareholders. To do so, from a long-term perspective we also need to strike a balance with investment in taking on new challenges as we cultivate the seeds of future business. I ask for the continued support of our shareholders. »[Dividend Payout Ratio P88](#)

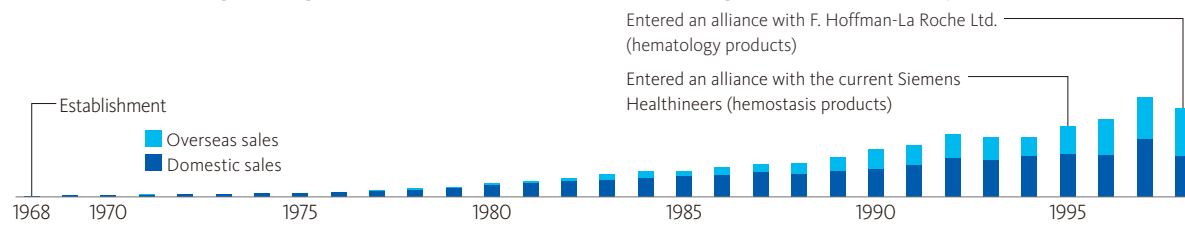
Our History of Sustainable Growth

Since its founding, Sysmex has grown by foreseeing future trends and continuing to take on challenges in the field of *in vitro* diagnostics. By continuing to generate value through testing and diagnostics, we aim to contribute toward a fulfilling and healthy society and achieve sustainable growth.

Establishing and Reinforcing Our Sales and Service Structure

Emerging markets <ul style="list-style-type: none"> 1994 Opened a representative office in Singapore 1998 Established a subsidiary in Brazil 	Accelerating Our Development in Emerging Markets <ul style="list-style-type: none"> 2000s Established subsidiaries in Asia, Latin America, Russia, the Middle East and Africa
China <ul style="list-style-type: none"> 1995 Established a joint venture company in China 	Market Expansion Fueled by Chinese Economic Growth <ul style="list-style-type: none"> 2000 Established a subsidiary in China (distributor network expansion) 2003 Established second reagent factory 2014 Entered the immunochemistry field
United States <ul style="list-style-type: none"> 1977 Opened a representative office in the United States 	Aiming for the No. 1 Share of the US Hematology Market <ul style="list-style-type: none"> 2003 Commenced direct sales and service in the United States 2010s Expanded reagent production and sales and service bases
EMEA <ul style="list-style-type: none"> 1972 Opened a representative office in Germany (first overseas location) 1991 Commenced direct sales and service in the United Kingdom (a first for Sysmex) 	Promoting a Shift to Direct Sales in Europe <ul style="list-style-type: none"> 2000s Commenced direct sales and service in Switzerland, Austria, the Netherlands, Belgium and other countries
Japan <ul style="list-style-type: none"> 1963 Began sales of hematology analyzers 	

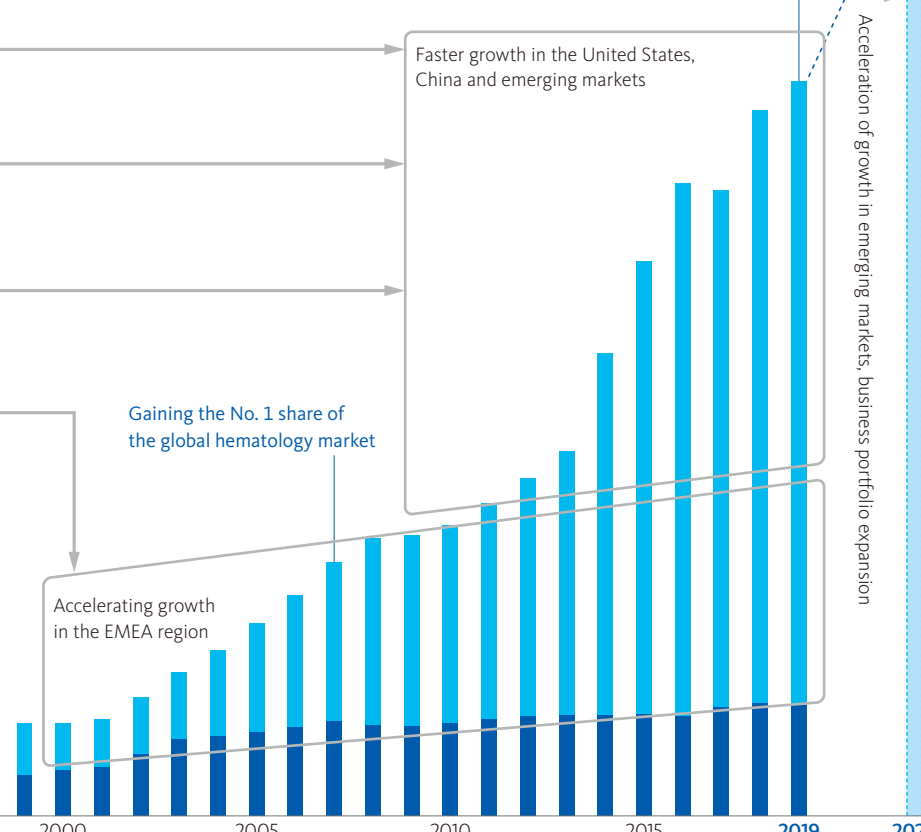
Strengthening our Sales and Service Network through Alliances with Major Global Companies



Net sales in the fiscal year ending March 31, 2022
Target under the mid-term management plan
¥380.0 billion

Net sales in the fiscal year ended March 31, 2019

¥293.5 billion



Expansion of Business Fields ▶ Hematology ▶ Urinalysis ▶ Hemostasis ▶ Immunochemistry ▶ Life Science

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

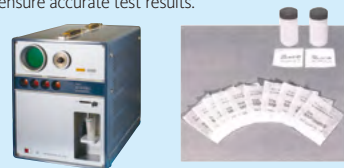
Advances in IT

Technological innovation, practical application in healthcare

Innovations at Sysmex

Commercialization of Japan's First Automated Hematology Analyzer, Start of Reagent Distribution

- In 1963, Sysmex succeeded in commercializing Japan's first automated hematology analyzer. As the number of tests increased, in 1975 the Company launched the country's first fully automated hematology analyzer.
- In 1967, Sysmex also began providing reagents to ensure accurate test results.



Development of the World's First Hematology Transport System

- In 1990, amid growing needs for greater testing efficiency and safety, the Company launched the world's first transport system in the hematology field.



Start of IT-Based Service Provision

- In 1999, Sysmex launched SNCS, an IT-based network service, and began conducting online external quality control.



Challenge of Realizing Personalized Medicine

- Efforts to realize liquid biopsy accelerate.
- In 2019, a system for cancer genome profiling was covered by insurance for the first time in Japan.



The Resources That Support Growth

Stable Financial Foundation



Unique R&D Capabilities



Production System Capable of Achieving High Quality



Sales and Service Network x Brand Value



Diverse Human Resources



»P15

Management Resources

Since our establishment, in the process of generating unique technologies and new products and services Sysmex has invested in R&D and M&A. 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 acquire the management resources to support future growth.



Stable Financial Foundation

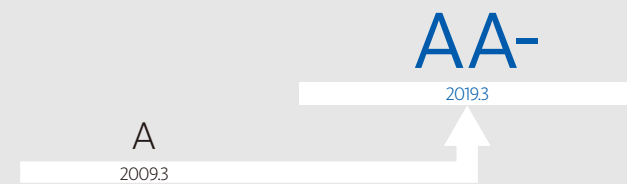
We established a highly profitable business model involving the provision of reagents, service and support in addition to testing instruments. Leveraging this stable business model, we have invested proactively to bolster competitiveness in the IVD Business, in the Life Science Business to support our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

»Business Model P31

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



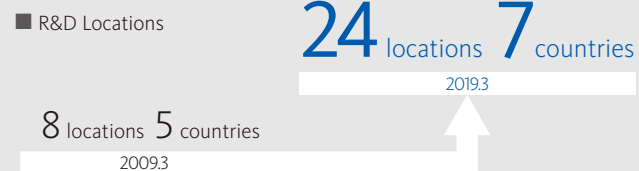
■ Rating (Rating and Investment Information, Inc.)



Unique 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 genes, proteins and cells). 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. We aim to develop testing and diagnostic technologies with high clinical value and commercialize them as quickly as possible.

»P57



Technologies and expertise related to instruments, reagents and software

Three technology platforms (for genes, proteins and cells)

Networks with outside institutions



Production System Capable of Achieving High Quality

To remain cost competitive on a global scale while achieving 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 13 locations in nine countries, ensuring the stable provision of reagents to customers around the world. In recent years, in particular, we have enhanced our structure for manufacturing bio-reagents.

»Bio-Diagnostic Reagent Base P36

Instrument production bases

6 locations

Reagent production bases

Chemical: 7 locations (hematology, urinalysis) Biological: 6 locations (hemostasis, immunochemistry)

(As of March 31, 2019)



Sales and Service Network x Brand Value

Since our establishment, we have built sales structures tailored to individual regions, creating trust-based relationships with customers. Taking advantage of the brand strength we enjoy due to our leading share of the hematology market, we are steadily expanding our market. At the same time, we strive to ascertain customers' needs, which are the wellspring of new products and services. Furthermore, we are leveraging alliances with major global companies to reinforce our sales and service structure and expand our product portfolio.

»P59

■ Sales and Service Bases



Sales and service network
Covering more than 190 countries

Brand strength due to
No. 1 share of the hematology market



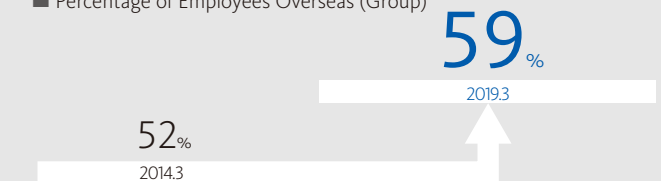
Diverse Human Resources

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 new innovation and the creation of new value.

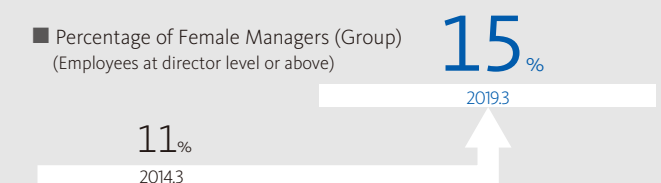
Furthermore, we focus on providing an amenable working environment for employees. To address this, we are introducing flexible working systems, have expanded leave systems, and offer childrearing and nursing care support.

»P61

■ Percentage of Employees Overseas (Group)



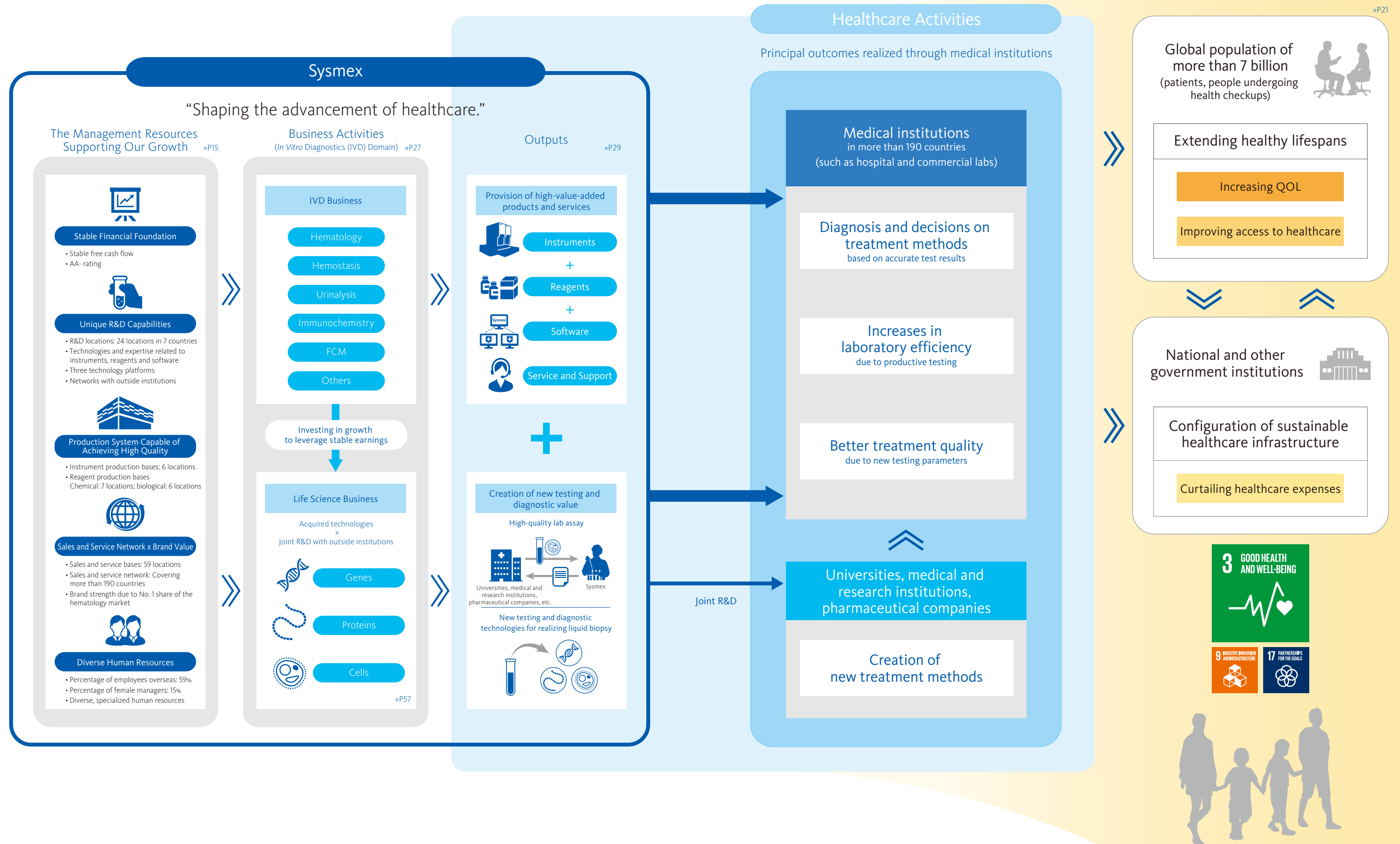
■ Percentage of Female Managers (Group) (Employees at director level or above)



Diverse, specialized human resources (Machinery, software, biology, chemistry, etc.) »P58

Our Story of Value Creation

We are developing business in the IVD domain based on “Shaping the advancement of healthcare,” the mission outlined in the “Sysmex Way,” the corporate philosophy of the Sysmex Group. We contribute to the realization of a fulfilling and healthy society by utilizing our unique management resources to provide high-value-added products and services, and create new testing and diagnostic value.



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.

Priority Issues for Sysmex (Materiality)

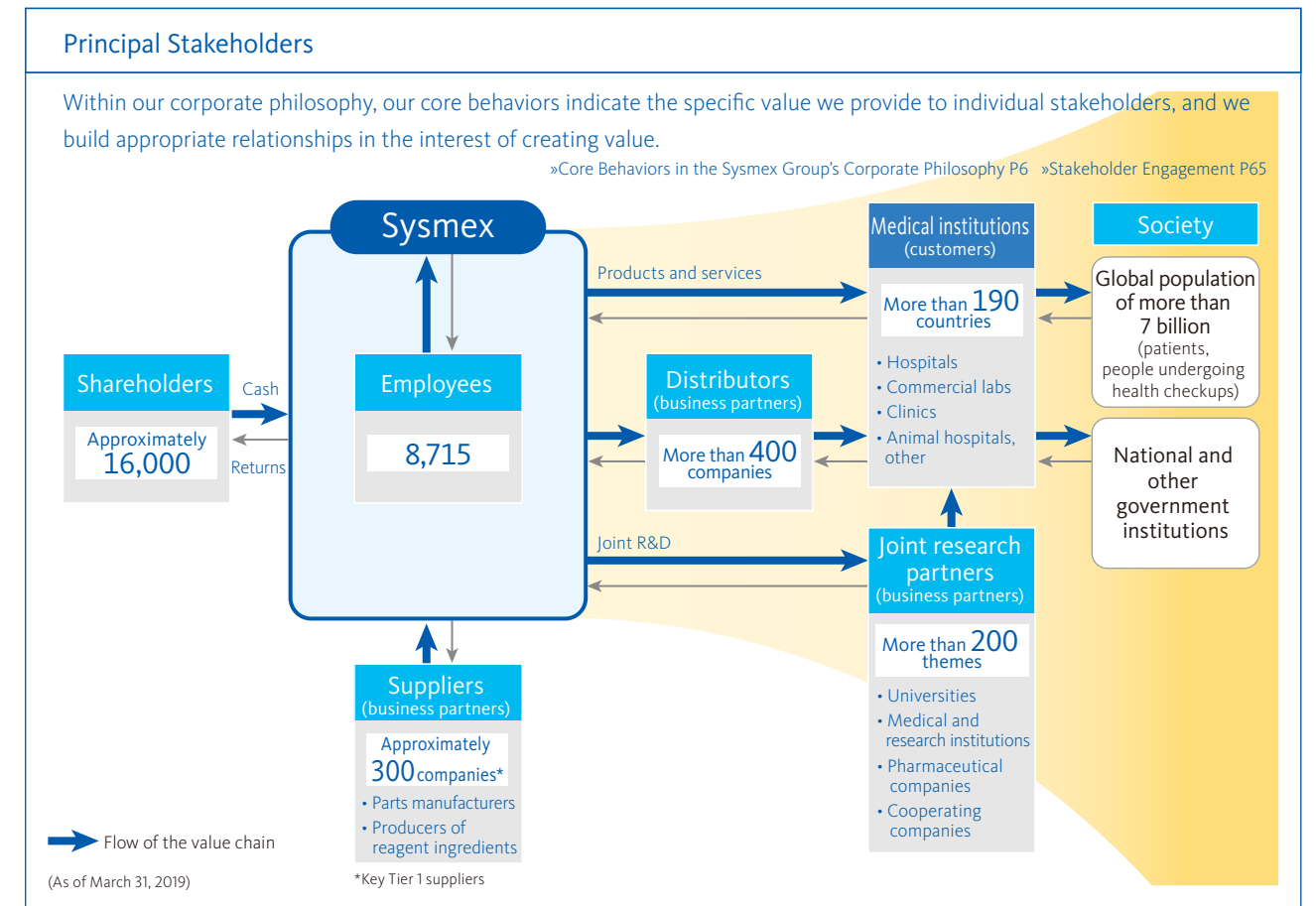
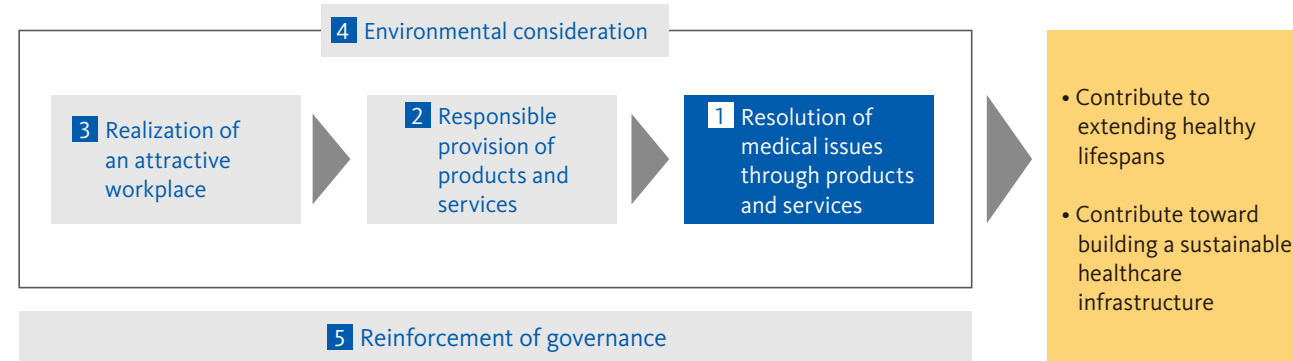
Taking a medium- to long-term perspective, we identify issues, making an overall assessment along two axes, the “degree of importance to stakeholders” and the “degree of importance for the Company (from the perspective of risks and opportunities).” We are moving forward with initiatives based on an action plan

that incorporates the materiality items we identified.

In the mid-term management plan (fiscal years ending March 31, 2020 to 2022), we have set non-financial targets for materiality to make our progress on issues more visible and increase effectiveness.

»For information about the materiality identification process, please see the Management and CSR section of the Sustainability Data Book.
»Non-Financial Targets P91

Materiality at Sysmex



Materiality	Major Initiatives	Targets	Impact on Sysmex	Value Provided to Stakeholders	Related SDGs
1 Resolution of medical issues through products and services <ul style="list-style-type: none"> Resolution of medical issues through business activities Improvement in accessibility to medical services by means such as familiarizing products 	<ul style="list-style-type: none"> 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 three major infectious diseases 	Mid-Term Management Plan (Non-Financial Targets) »Mid-Term Management Plan P37 »Non-Financial Targets P91	<ul style="list-style-type: none"> Obtain business opportunities through market expansion Realize sustainable growth by expanding the business portfolio 	<ul style="list-style-type: none"> Contribute to extending healthy lifespans Contribute toward building a sustainable healthcare infrastructure 	
2 Responsible provision of products and services <ul style="list-style-type: none"> Securing of product quality and safety Appropriate disclosure of information regarding products and services Assessment and management of the supply chain 	<ul style="list-style-type: none"> Create and operate quality management systems Provide scientific information Conduct CSR-considerate procurement activities »Quality Assurance P59		<ul style="list-style-type: none"> Enhance customer satisfaction Strengthen brand power 	<ul style="list-style-type: none"> Provide accurate test results Raise the quality of healthcare Provide stable products and services Grow in tandem with business partners 	
3 Realization of an attractive workplace <ul style="list-style-type: none"> Provision of a comfortable working environment Development of human resources Promotion of diversity 	<ul style="list-style-type: none"> Utilize diverse human resources and realize diverse working styles Develop human resources »Diverse Human Resources P61		<ul style="list-style-type: none"> Augment corporate competitiveness through performance by diverse human resources 	<ul style="list-style-type: none"> Provide opportunities to realize capabilities Help realize a society receptive of diversity 	
4 Environmental consideration <ul style="list-style-type: none"> Environmental consideration through the product lifecycle Reduction in environmental burden through activities at business offices 	<ul style="list-style-type: none"> Promote environmental activities toward the realization of Sysmex Eco-Vision 2025 »Environmental Activities P68		<ul style="list-style-type: none"> Avoid or reduce environmental risks Achieve harmony and obtain trust in local communities 	<ul style="list-style-type: none"> Decrease environmental impact 	
5 Reinforcement of governance <ul style="list-style-type: none"> Corporate governance Compliance Risk management 	<ul style="list-style-type: none"> Reinforce the corporate governance structure Put in place systems to reinforce Group compliance »Governance P69		<ul style="list-style-type: none"> Enhance the corporate structure Lower business risk 	<ul style="list-style-type: none"> Enhance management soundness and transparency 	

»For detail information about the major initiatives, please see our Sustainability Data Book.

Medical Issues Sysmex is Addressing

By providing products and services and creating new testing and diagnostic value, we work with medical institutions around the world to help increase patient QOL, improve access to healthcare and help curtail healthcare expenses.

Principal Medical Issues Sysmex Is Tackling in Conjunction with Medical Institutions



Examples of Specific Initiatives

Focus 1 Developing a Method Using Liquid Biopsy to Test for Alzheimer's Disease

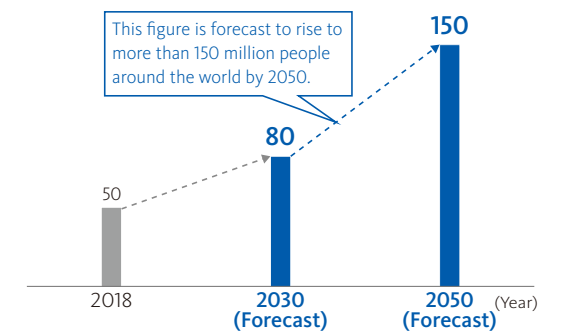
Worldwide, the number of people with dementia is forecast to rise from around 50 million in 2018 to 82 million in 2030. The problem is growing increasingly serious as the world's population ages.

Alzheimer's disease is one of the most common forms of dementia, which can be diagnosed by using brain imaging examinations and cerebrospinal fluid examinations. Issues with these approaches include the high cost of testing and the physical burden placed on patients. Early detection and monitoring are important, as the disease is progressive.

Through an operational alliance forged with Eisai Co., Ltd., Sysmex is pursuing R&D aimed at diagnosing Alzheimer's disease through blood testing, which places less of a burden on patients than conventional testing methods. 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.

Increasing QOL Curtailing healthcare expenses

■ People around the World with Dementia (Millions of People)



Source: World Alzheimer Report 2018

Focus 2 Providing Products and Services to Increase Laboratory Productivity

In modern-day medicine, testing plays an important role in diagnosing diseases and determining treatment methods. As efficient testing helps hospitals and other medical institutions to optimize overall healthcare, they seek to implement testing that is more efficient and to reduce testing downtime due to breakdowns.

Curtailing healthcare expenses

Sysmex provides transport systems and other products that contribute to highly productive testing. Our service and support also makes use of IoT to provide a framework that prevents the suspension of testing, helping to improve productivity at medical institutions.

Focus 3 Realizing the Standardization and Automation of Malaria Testing

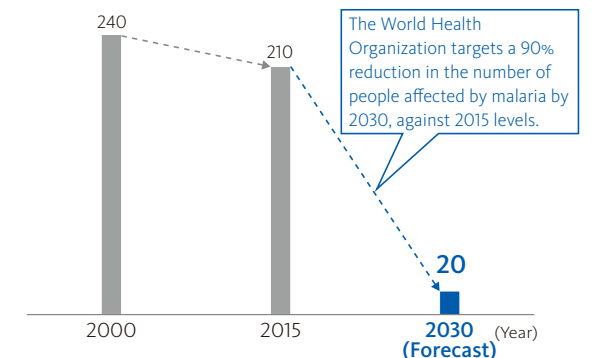
Currently, around 40% of the world's population, corresponding to some 3.2 billion people, is at risk of malaria infection. In 2017, malaria affected some 220 million people, causing approximately 440 thousand reported deaths.

Currently, malaria testing is usually performed using microscopes or rapid diagnostic tests. Both methods take time—15 to 30 minutes—and microscope testing requires skill.

Sysmex has developed the XN-31 automated hematology analyzer, which can determine in around one minute whether red blood cells are infected by malarial parasites. We have commenced sales in Europe of this product, which conforms to the European IVD Directive and has received the CE mark. We plan to launch in Africa and Asia as soon as regulatory approvals are received in individual countries.

Increasing QOL Improving access to healthcare

■ People around the World Infected by Malaria (Millions of People)



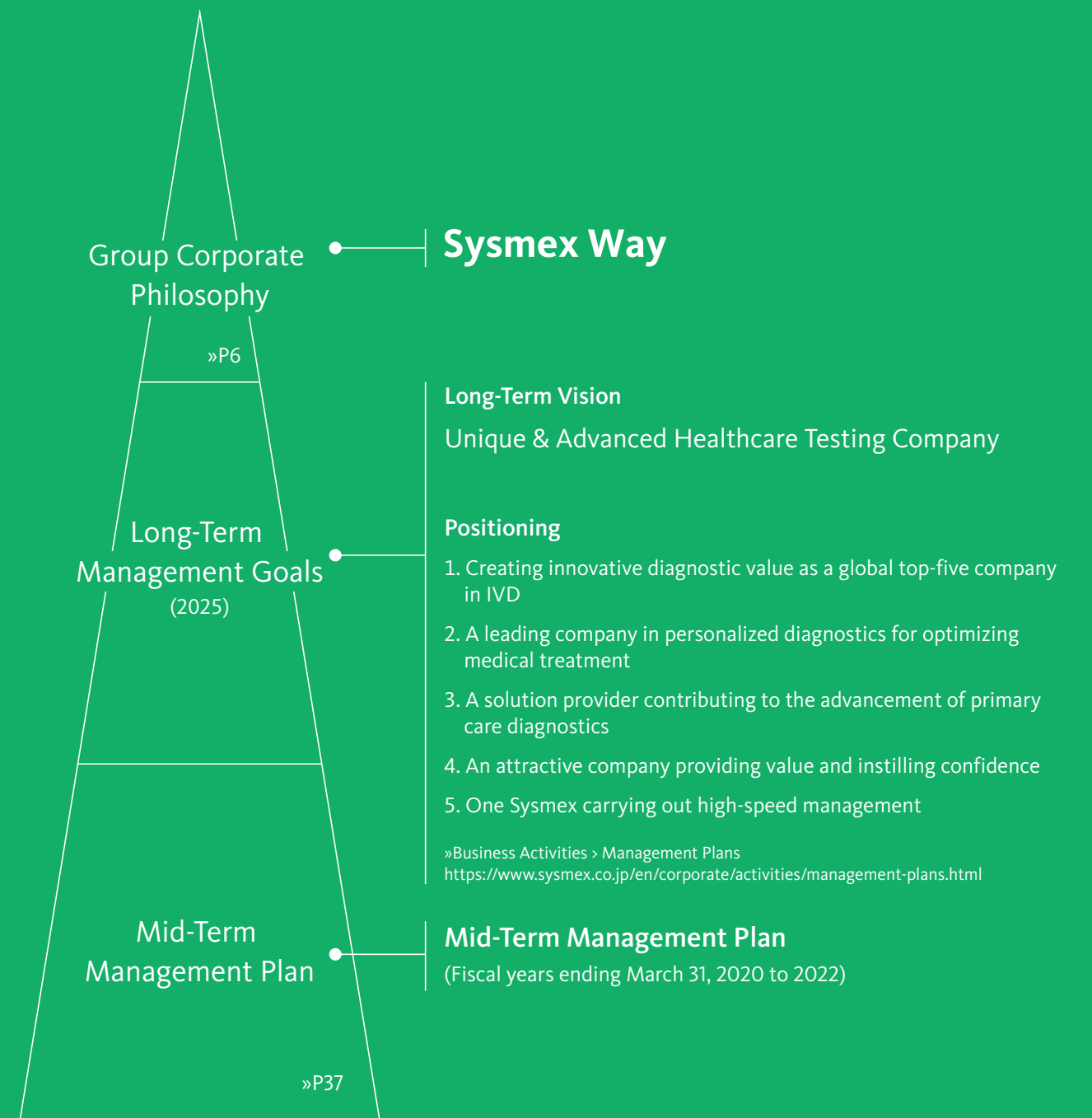
Sources: World Malaria Report 2017 and World Malaria Report 2018



BUSINESS & STRATEGY

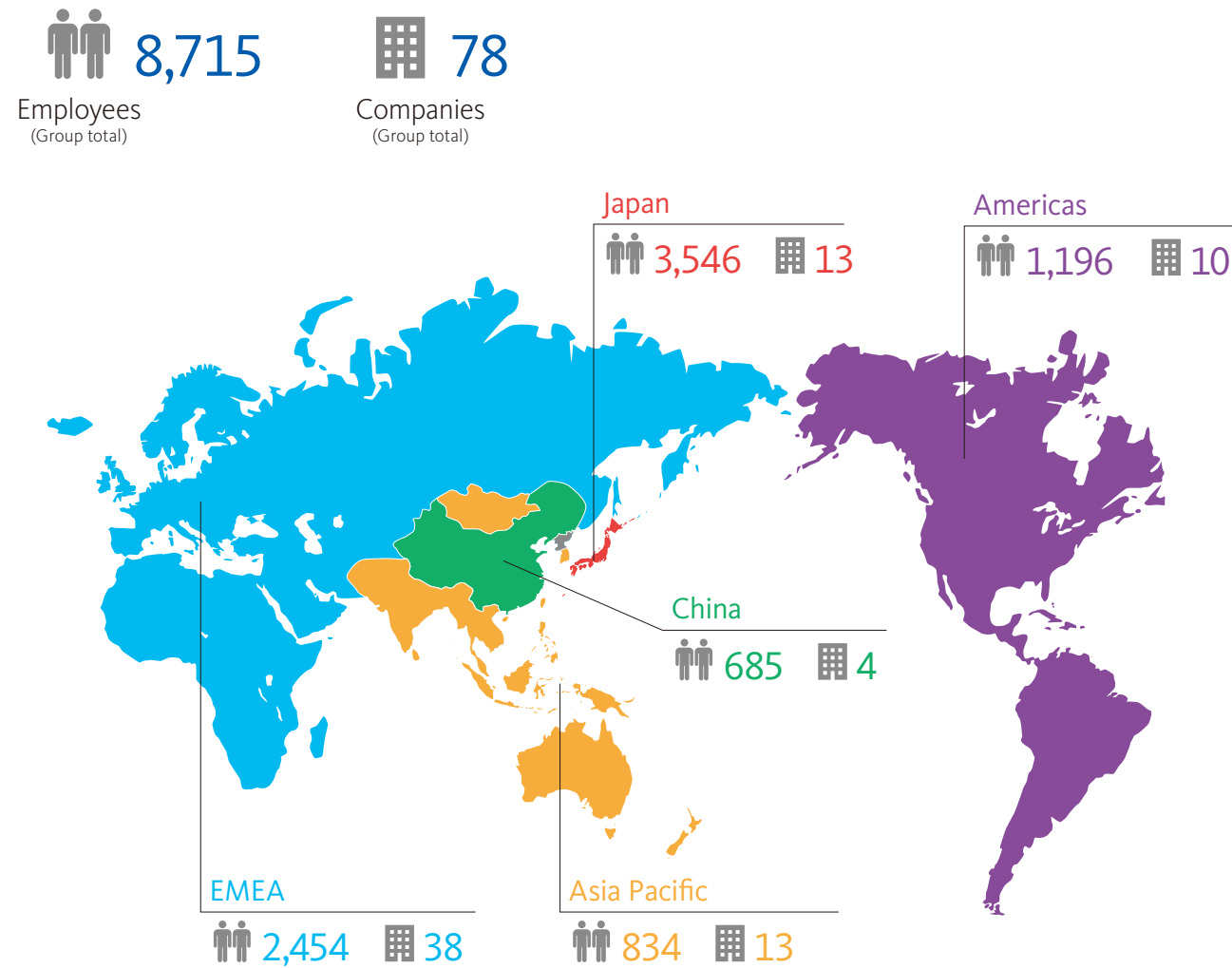
Business Activities and Strategies

We have formulated long-term management goals aimed at sustainable growth based on the “Sysmex Way,” the corporate philosophy of the Sysmex Group. In addition, in May 2019 we created a mid-term management plan concluding in the fiscal year ending March 31, 2022. The plan establishes important matters to be addressed in order to reach positioning targets based on its long-term vision. We are undertaking initiatives on these matters.

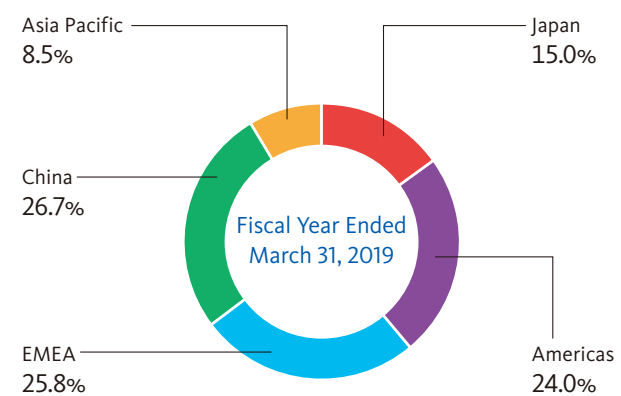


Performance Highlights (Fiscal Year Ended March 31, 2019)

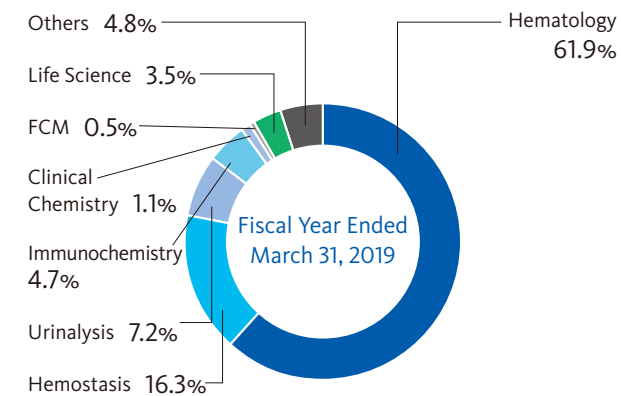
Global Business Expansion



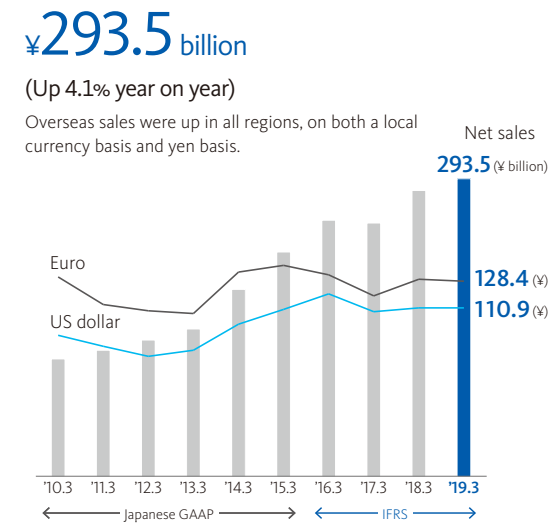
Net Sales by Destination



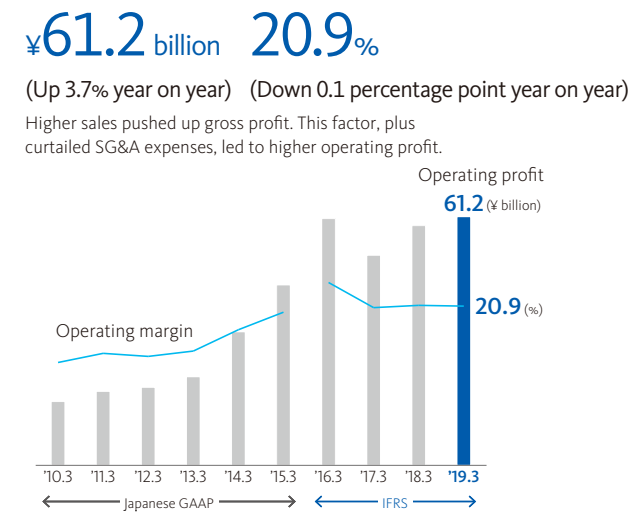
Sales by Business



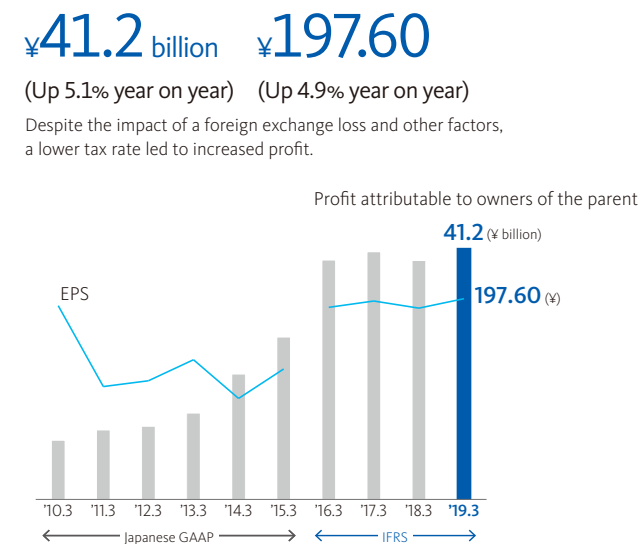
Net Sales



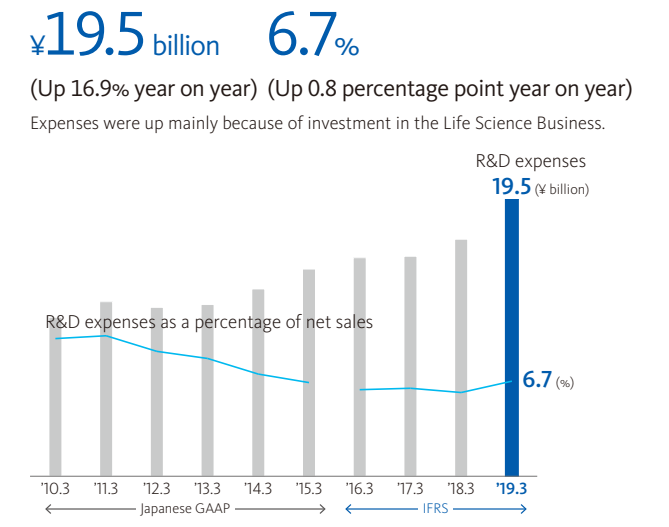
Operating Profit/Operating Margin



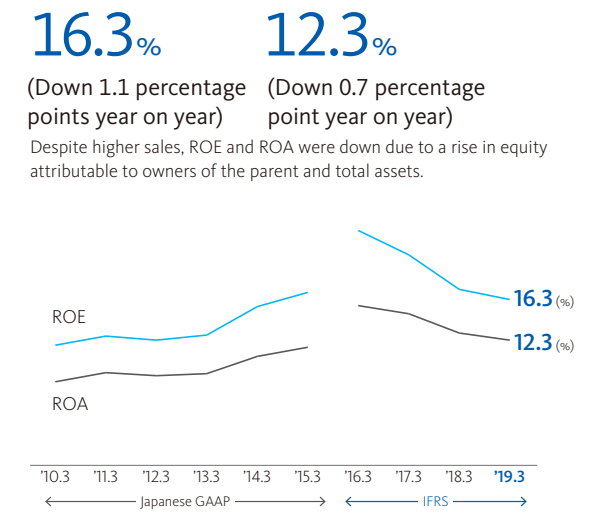
Profit Attributable to Owners of the Parent/Basic Earnings per Share (EPS)



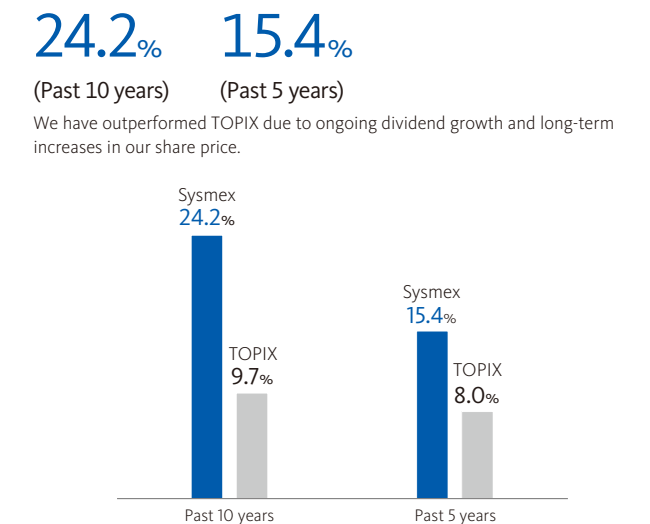
R&D Expenses/R&D Expenses as a Percentage of Net Sales



ROE/ROA



Total Shareholder Return (TSR) (Annualized Rate)



Sysmex's Business

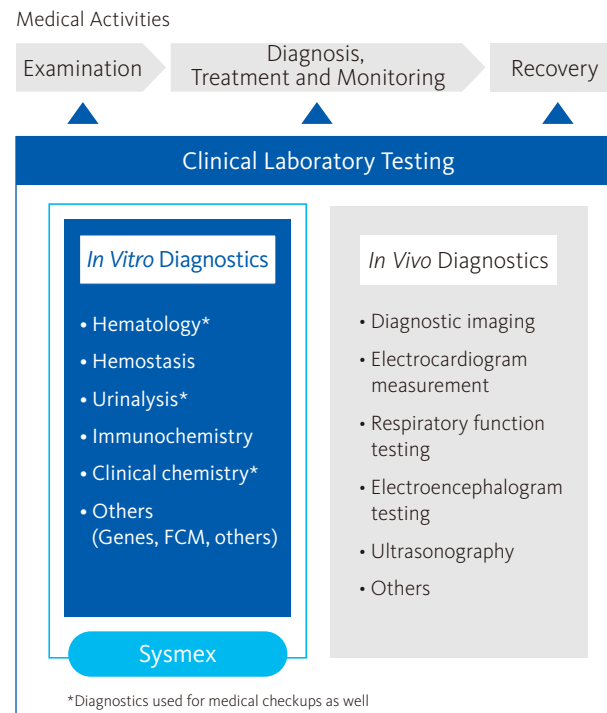
Business Domain and Business Model

The IVD Domain Growing in Importance to Healthcare

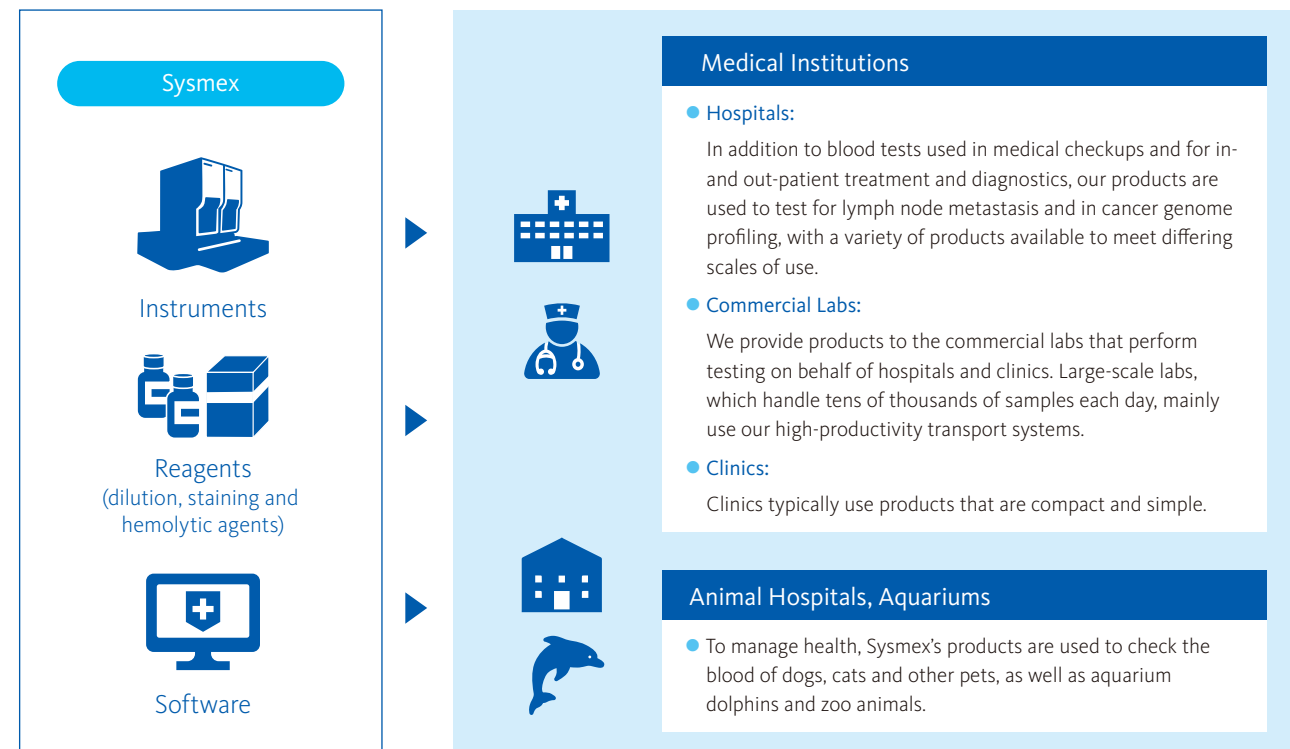
Clinical testing is essential to healthcare, where it is used in diagnosing illness, making treatment decisions, and aiding prevention, among other applications. Clinical testing can be broadly divided into two categories: *in vitro* diagnostics (IVD) that involve the examination of blood or urine samples 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. Around the world, we provide hospitals, commercial labs, clinics and other customers with instruments, reagents and software.

Recent years have seen progress in a host of technological innovations, their healthcare applications and commercialization. Of particular note is personalized medicine, which is expected to make it possible to select drugs and treatment methods based on individual patient characteristics. Realizing personalized medicine will require testing to confirm individual characteristics, so going forward, IVD is expected to play an even more important role in healthcare. In its aim to realize personalized medicine, Sysmex is working to create new testing and diagnostic value through liquid biopsy, cancer genomic medicine and other approaches.

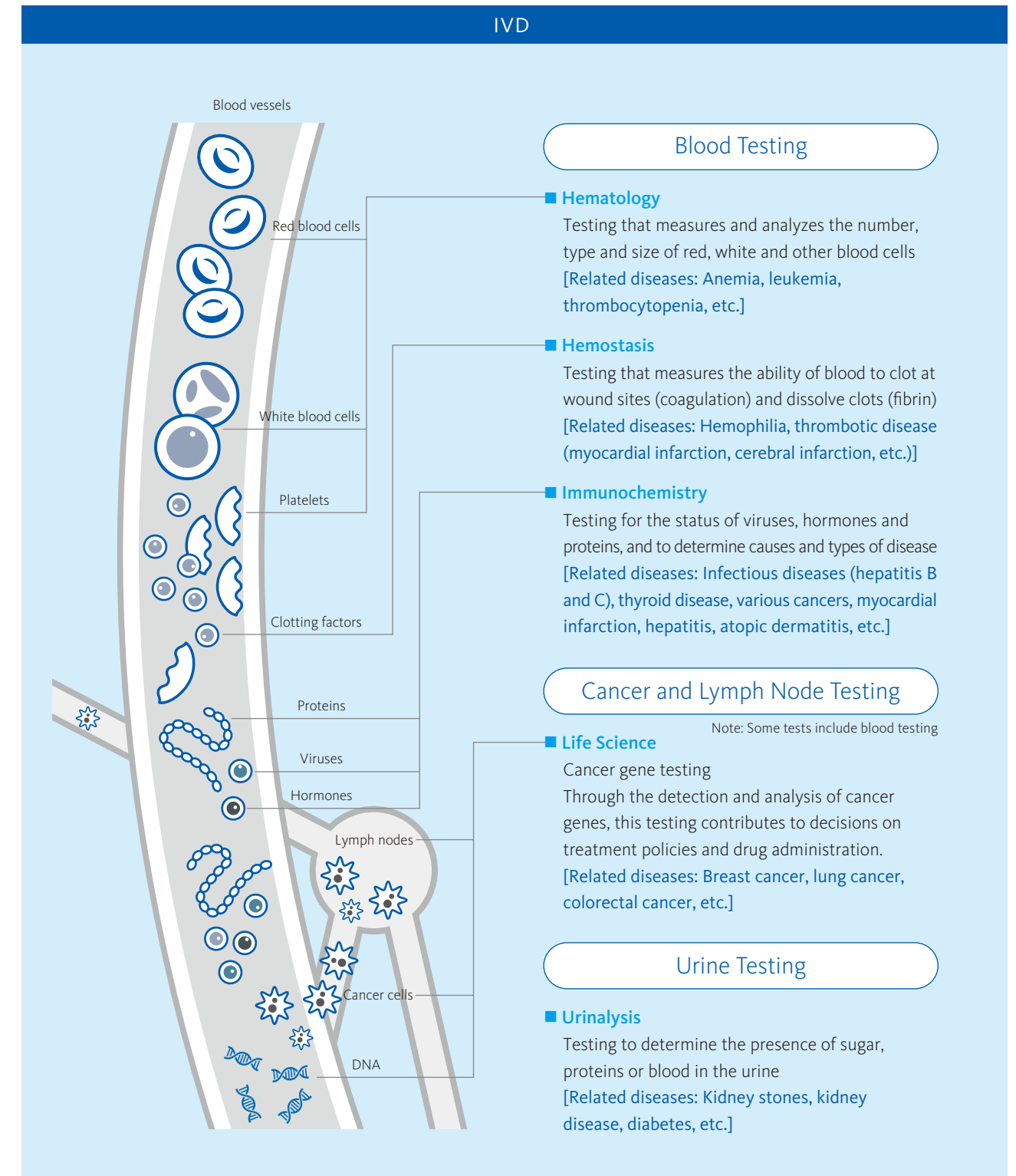
■ Sysmex's Business Domain



■ Sysmex's Products in Use



Principal Business Domains



Primary Products and Services

IVD Business: 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. In 2018, we also began selling the first products to have received CLIA-waiver certification to clinics and other small-scale facilities in the United States.



IVD Business: Hemostasis

Sysmex handles products offering a wide range of processing capacity to meet the needs of facilities of different sizes. In the fiscal year ended March 31, 2019, we launched the CN Series, which further advances the productivity, reliability and operability of Sysmex's conventional products.

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.



IVD Business: Urinalysis

In the field of urine sediment analysis*, we developed the UF Series formed sediment analysis system, the first instrument in the world to use the flow cytometry method. Furthermore, we have entered a business alliance with EIKEN CHEMICAL CO., LTD., to expand our portfolio of analyzers of urine chemistry, thereby responding to diverse urinalysis testing needs.

*Urine sediment analysis: A type of testing to analyze formed elements in the urine, such as blood and other cells. By contrast, chemistry analysis involves dipping a test paper into urine to determine the presence of sugar, proteins or blood.



IVD Business: Immunochemistry

We are working to develop our business in Asia, including Japan and China, through sales of the HISCL Series 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.



IVD Business: 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).

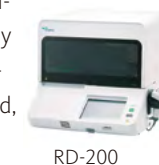


RF-500 flow cytometer

Life Science Business

Cancer Lymph Node Metastasis Testing System

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. Going forward, we expect to extend the types of cancer included as measurement targets to expand our scope of sales.



RD-200

Cancer Genome Profiling System

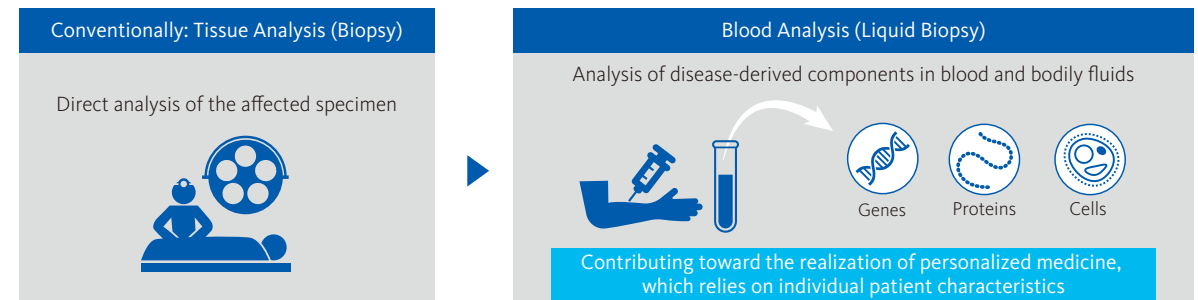
We developed the OncoGuide NCC Oncopanel System for cancer genome profiling in collaboration with the National Cancer Center. This was the first such system to be covered under Japanese health insurance, in June 2019. [»NCC Oncopanel System P42](#)

Other Lab Assay

We are developing a lab assay business, centered on affiliated companies Sysmex Inostics and RIKEN GENESIS that involves receiving samples from research institutions and pharmaceutical companies and providing them with the results of genetic analysis. We offer a service for research use to determine expression levels of genes related to breast cancer. We also provide a lab assay service using BEAMing technology to detect extremely small quantities of genes in the blood with a high degree of sensitivity.

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, increasing opportunities for testing and helping to determine treatment methods at an early stage. Sysmex is pushing forward with R&D aimed at realizing personalized medicine through liquid biopsy.



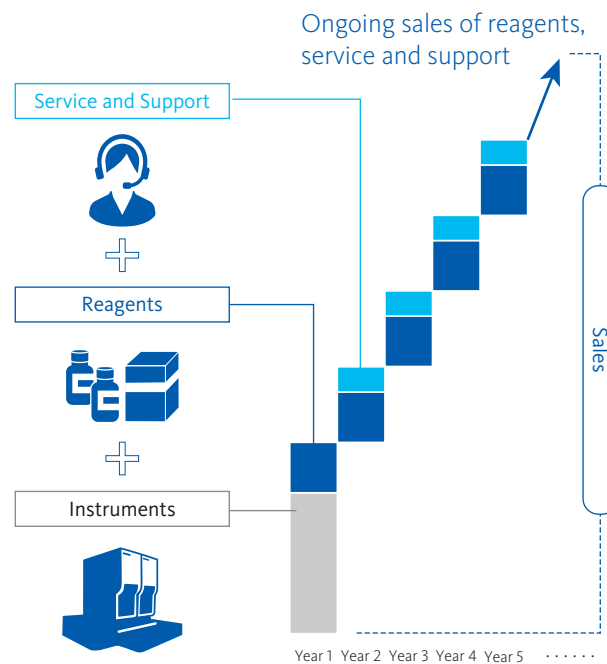
A Business Model for Achieving Steady Profitability

Reagents are required each time a diagnostic instrument is used to measure patients' blood or other samples. Service and support are also essential for ensuring the instruments can be used with confidence. Accordingly, even after customers purchase our instruments we continue to provide reagents, as well as service and support. Under this business model, the IVD Business generates earnings on an ongoing basis. In addition, demand for testing is relatively impervious to economic fluctuations, so the business can be expected to generate stable profitability.

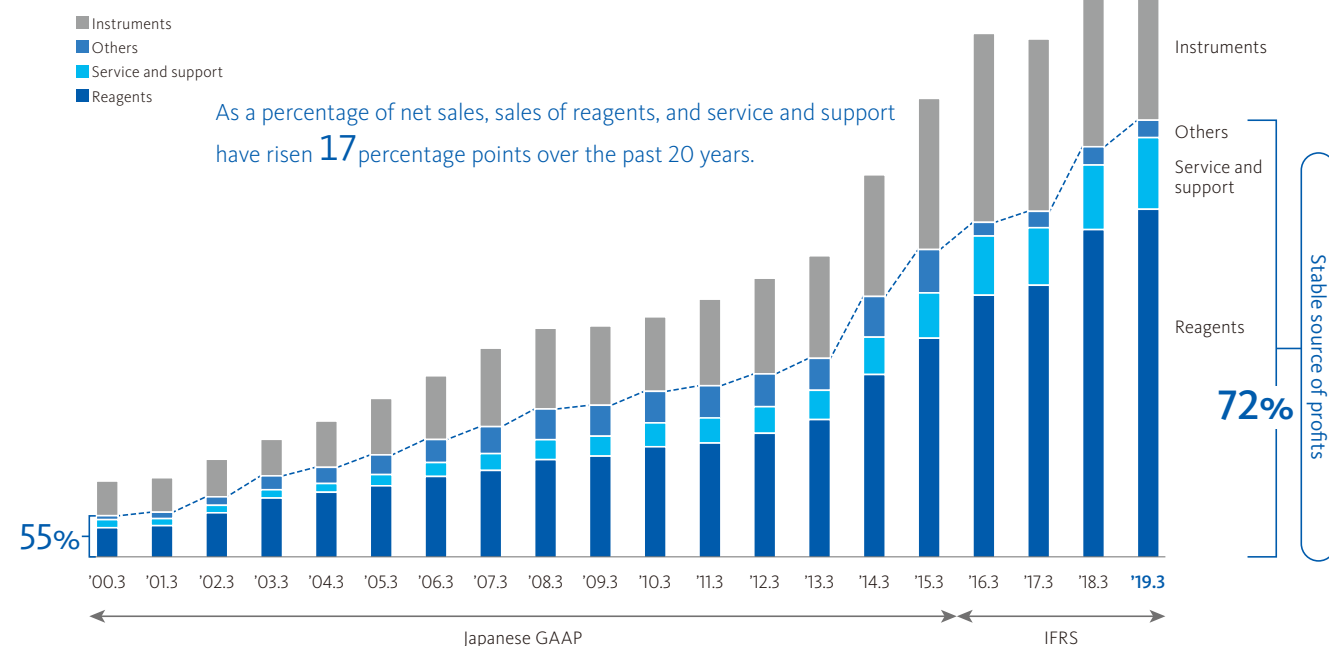
Furthermore, Sysmex's products and services provide high added value and enjoy high levels of customer satisfaction. For these reasons, earnings tend to grow steadily as customers continue to use our products and services.

Over the past 20 years, the contribution of reagents, services and support to net sales has grown by 17 percentage points, reaching 72% in the fiscal year ended March 31, 2019. 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



■ Sales of Reagents, Service and Support



Note: In the past, charges to customers based on the number of tests were included in "Other." From the fiscal year ended March 31, 2016, amounts are divided and presented in "Instruments," "Reagents" and "Service and Support." "Others" includes consumables.

Market Position

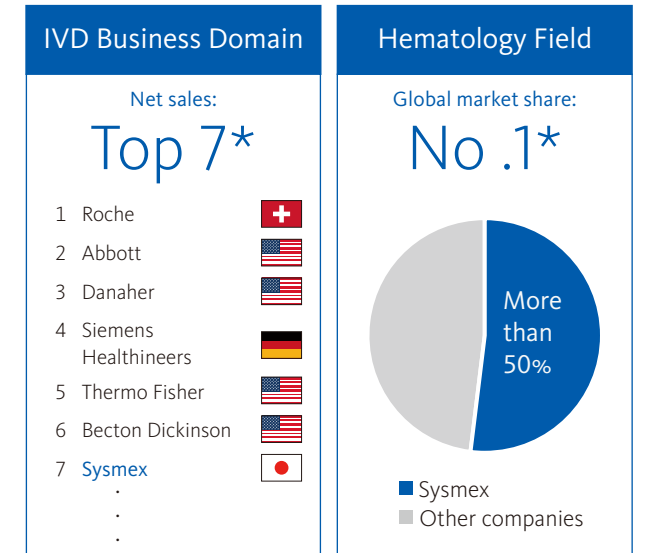
Sysmex provides products, service and support to customers in more than 190 countries. Globally, we rank among the top seven in the IVD domain. Most companies in this sector are based in Europe and the United States; Sysmex is the only top-10 company headquartered in Asia. Notably, we have a leading 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, particularly 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.

Responding to Increasingly Stringent Quality and Regulatory Systems

Developing business in the IVD domain means overcoming high barriers to entry, such as responding to various countries' laws and regulations and obtaining regulatory approvals. Examples include obtaining approval from the US Food & Drug



*Sysmex's estimates based on information disclosed for 2018

Administration (FDA), following the European IVD Directive, and complying with ISO 9001 (an international standard for quality management systems) and ISO 13485 (a quality management system related to medical devices).

Regulations are also becoming more stringent in developed countries, and emerging markets are increasingly introducing their own regulations as their markets grow. Responding swiftly to such changes is the key to market competitiveness. Utilizing the management resources it has amassed to date, Sysmex is building the global structures to ensure this rapid response.

■ Market Scale and Sysmex's Business Domains

Testing Field	Market Scale* (\$ million)	Market Growth Rate*	Sysmex's Sales Composition (Fiscal year ended March 31, 2019)	Peer Companies
IVD market	67,000	6%		
Hematology	3,900	5%	61.9%	Danaher, Siemens Healthineers, Abbott
Hemostasis	3,200	6%	16.3%	Instrumentation Laboratory, Stago
Urinalysis Of which, sediment urinalysis	1,150 500	4% 5%	7.2% —	Danaher
Immunochemistry	20,700	7%	4.7%	Roche, Abbott, Siemens Healthineers
Clinical FCM	1,000 (FCM overall: 3,400)	9%	0.5%	Becton Dickinson, Danaher
Others (Genes, etc.)	—	—	9.4%	

*Sysmex's estimates based on information disclosed for 2018

Demographic changes and accelerating technological innovation are giving rise to a host of medical issues and providing new market opportunities to address these issues.

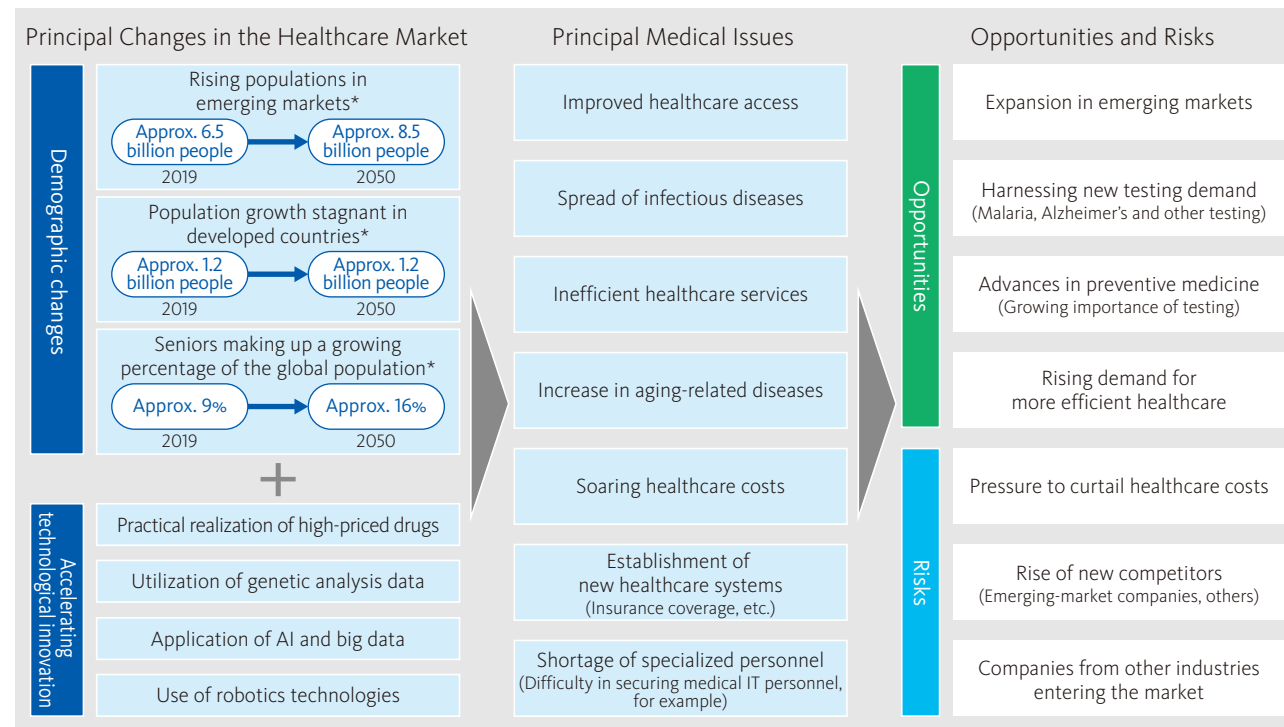
Accelerating Changes in the Global Healthcare Environment

Although the healthcare market is slated for robust growth, market needs are expected to change significantly. Around the world, populations in emerging markets are growing, while populations are aging more markedly in developed countries. These demographic changes are giving rise to a host of medical issues. In this regard, one of the United Nations' Sustainable Development Goals (SDGs) is to ensure healthy

lives and promote well-being for all. Governments also face the urgent need of putting legal and regulatory systems in place in response to new medical technologies.

Amid this changing market environment, healthcare companies are facing mounting pressure in relation to healthcare costs, and new competitors are entering the market. Despite these risk factors, new market opportunities are arising, such as the expansion of emerging markets, response to new testing demand and a growing need for more efficient healthcare. [»Principal Business Risks P74](#)

Opportunities and Risks Related to Market Changes



Increasingly Sophisticated Medical Issues in Developed Countries

Healthcare markets in developed countries are facing a variety of issues as their environments change. Population growth is falling off due to lower rates of childbirth and aging populations. Meanwhile, average lifespans are growing, and the issue of extending healthy lifespans is of growing importance in line with an emphasis on maintaining and improving the quality of life.

Technological innovation in the healthcare field is also prompting practical applications, such as the approval of expensive pharmaceuticals. While such drugs are expected to deliver high medical performance, they are expensive, and medical outcomes can differ depending on the patient, prompting demand for prognosis testing. Growing healthcare costs due to the spread of expensive drugs is becoming a major issue, and various countries are calling for the development of sustainable healthcare systems.

Under this scenario, healthcare companies are facing increasing calls to provide solutions that contribute to a higher quality of life and address healthcare costs.

Healthcare Infrastructure Being Put in Place in Emerging Markets and Developing Countries

Healthcare demand in emerging markets and developing countries is expected to continue growing in line with economic expansion and population increases. Individual governments are making the expansion of healthcare a priority, and many countries are putting medical insurance systems in place and investing in the establishment of healthcare facilities. At the same time, market demand is changing. In urban areas in particular, growing middle-income populations are spawning demand for healthcare services on a par with developed countries.

That said, economic growth is not benefiting all people equally. A large proportion of the world's population lacks sufficient healthcare access and faces the spread of infectious diseases and various other medical issues. In these areas, improving healthcare access by building and improving healthcare infrastructure is recognized as an important priority.

For these reasons, emerging markets and developing countries represent areas for future development. Healthcare companies are also being called on to undertake initiatives to help these markets achieve the same levels of life expectancy and healthy lifespans as in developed countries.

Causes of Death in High-Income Countries

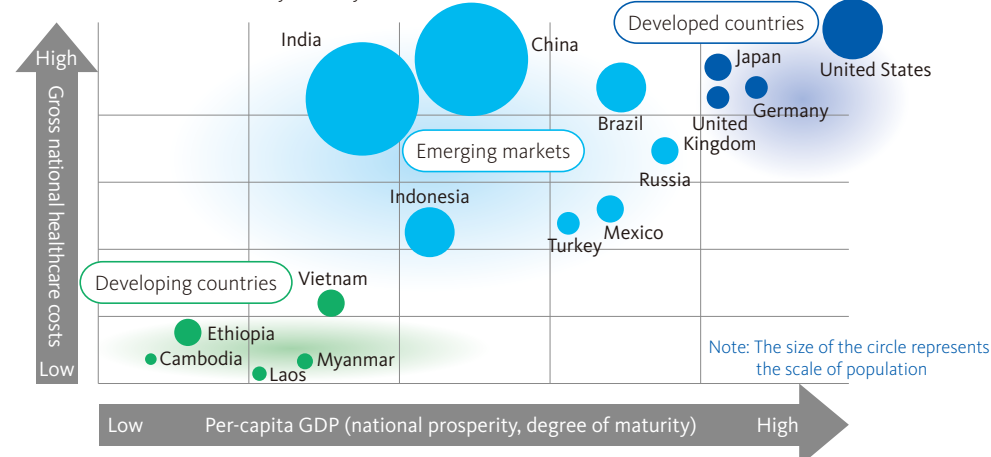
1	Ischemic heart disease (cardiomyopathy, angina, etc.)
2	Stroke
3	Alzheimer's disease and other types of dementia (including senility)
4	Trachea, bronchus and lung cancer
5	Chronic obstructive pulmonary disease
6	Lower respiratory infections
7	Colon and rectum cancers

Causes of Death in Low-Income Countries

1	Lower respiratory infections
2	Diarrheal diseases
3	Ischemic heart disease (cardiomyopathy, angina, etc.)
4	HIV/AIDS
5	Stroke
6	Malaria
7	Tuberculosis

Source: WHO fact sheet (2016)

GDP vs. Healthcare Costs, by Country*



*Sources: IMF statistical data, WHO statistical data, United Nations' World Population Prospects 2019



Mid-Term Management Plan

Looking Back on the Previous Mid-Term Management Plan

(Fiscal Years to March 31, 2018 to 2020)

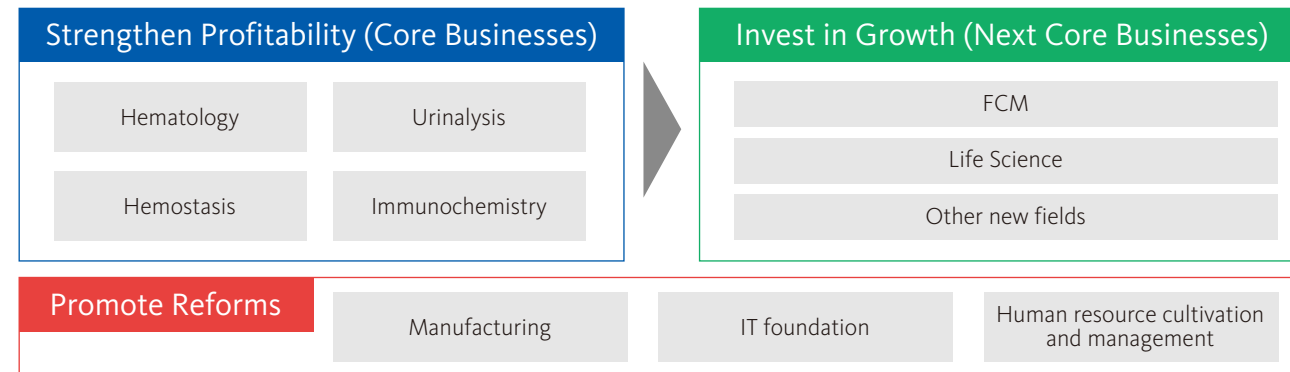
Ongoing Growth in Overseas Sales Leading to Higher Net Sales and Profit

Performance for the fiscal year ended March 31, 2019 was below our initial forecast. However, net sales and operating profit both reached historic highs, increasing 4.1% and 3.7% year on year, respectively. Sales rose in all overseas regions, thanks to consistent growth in sales of reagents for hematology and other fields. Operating profit also expanded, as the higher sales pushed up gross profit, and we worked to curtail selling, general and administrative (SG&A) expenses. Against a backdrop of stable reagent sales, the operating profit margin remained high, at 21.0% for the fiscal year ended March 31, 2018 and 20.9% for the fiscal year ended March 31, 2019.

We used the cash flow generated mostly through our IVD Business to establish a bio-diagnostic reagent base, reinforce our sales and service structure in emerging markets, and invest in the launch of new products in various fields. In these ways, we steadily undertook a variety of measures aimed at sustainable growth.

ROE was down year on year, however, at 16.3%, requiring measures to improve capital efficiency. In addition, a variety of other issues emerged, including temporarily sluggish sales of IVD instruments, a delay in commercializing the Life Science Business, and increasing difficulty in obtaining regulatory approvals in various countries. Going forward, we recognize the need to continue introducing important initiatives to achieve sustainable growth.

Overview of the Previous Mid-Term Management Plan (Fiscal Years to March 31, 2018 to 2020)



Performance under the Previous Mid-Term Management Plan

	(Year 1) Fiscal year ended March 31, 2018		(Year 2) Fiscal year ended March 31, 2019
Net sales	¥281.93 billion	➔ +¥11.57 billion (+4.1%)	¥293.50 billion
Operating profit	¥59.07 billion	➔ +¥2.20 billion (+3.7%)	¥61.28 billion
Profit attributable to owners of the parent	¥39.22 billion	➔ +¥2.00 billion (+5.1%)	¥41.22 billion
Earnings per share (EPS)	¥188.29	➔ +¥9.31	¥197.60
Return on equity (ROE)	17.4%	➔ -1.1%	16.3%

Note: Sysmex formulates three-year mid-term management plans, which it revises every two years.

Key Progress under the Previous Mid-Term Management Plan

Strengthen Profitability

- The XW-100, a fully automated hematology analyzer, became the first such instrument in the world to receive CLIA waiver approval.
- Sysmex launched the XS Series in China, employing the knockdown production method.
- We began offering Caresphere, a new network solution. »P56
- We launched new products in the hemostasis field, the CN Series.

Key Features of the CN Series (Compared with the CS Series)

- Achieves higher lab productivity (shorter measurement times, more space-saving, etc.)
- Enables the provision of more reliable test results
- Reduces the operating burden and costs
- Interfaces with Caresphere



CN Series

Invest in Growth

- We converted Oxford Gene Technology to a subsidiary to expand new business domains with a view to personalized medicine.
- Sysmex launched a new product, a cancer lymph node metastasis testing system, using the OSNA method.
- We received manufacturing and marketing approval for the NCC Oncopanel System for cancer genome profiling. »P42
- We developed clinical FCM equipment.

Promote Reforms

- Sysmex opened Technopark East Site, a bio-diagnostic reagent base. »Highlights
- We made progress toward planned reforms of business processes through digitalization.
- Sysmex Harmony Co., Ltd. was certified as a special subsidiary under the Act on Employment Promotion, etc. of Persons with Disabilities.

Highlights: Sysmex Opens Technopark East Site, a Bio-Diagnostic Reagent Base

—Strengthening diagnostic reagent functions through an integrated structure from the development of substances to the development, production and distribution of bio-diagnostic reagents—

In April 2019, Sysmex commenced operations of Technopark East Site, a bio-diagnostic reagent base located within Technopark, the Company's central R&D hub. We established this base to expand our business in the hemostasis, immunochemistry and life science fields. We intend to integrate at Technopark all processes from the development of substances to the development, production and distribution of bio-diagnostic reagents to improve our product competitiveness in reagents that utilize biotechnology and to provide a steady supply of such reagents. As a result, we aim to continue offering higher-quality, higher-value-added products to customers around the world.

Objectives for Establishing a Bio-Diagnostic Reagent Base

- Ensuring a steady supply of biological materials
- Providing higher quality and performance of bio-diagnostic reagents
- Accelerating development of new parameters
- Ensuring shorter manufacturing lead times



Technopark East Site

We have formulated a new Group mid-term management plan (announced in May 2019) for achieving our long-term vision as a “Unique & Advanced Healthcare Testing Company” and our positioning, based on “Shaping the advancement of healthcare,” the mission set out in the corporate philosophy of the Sysmex Group.

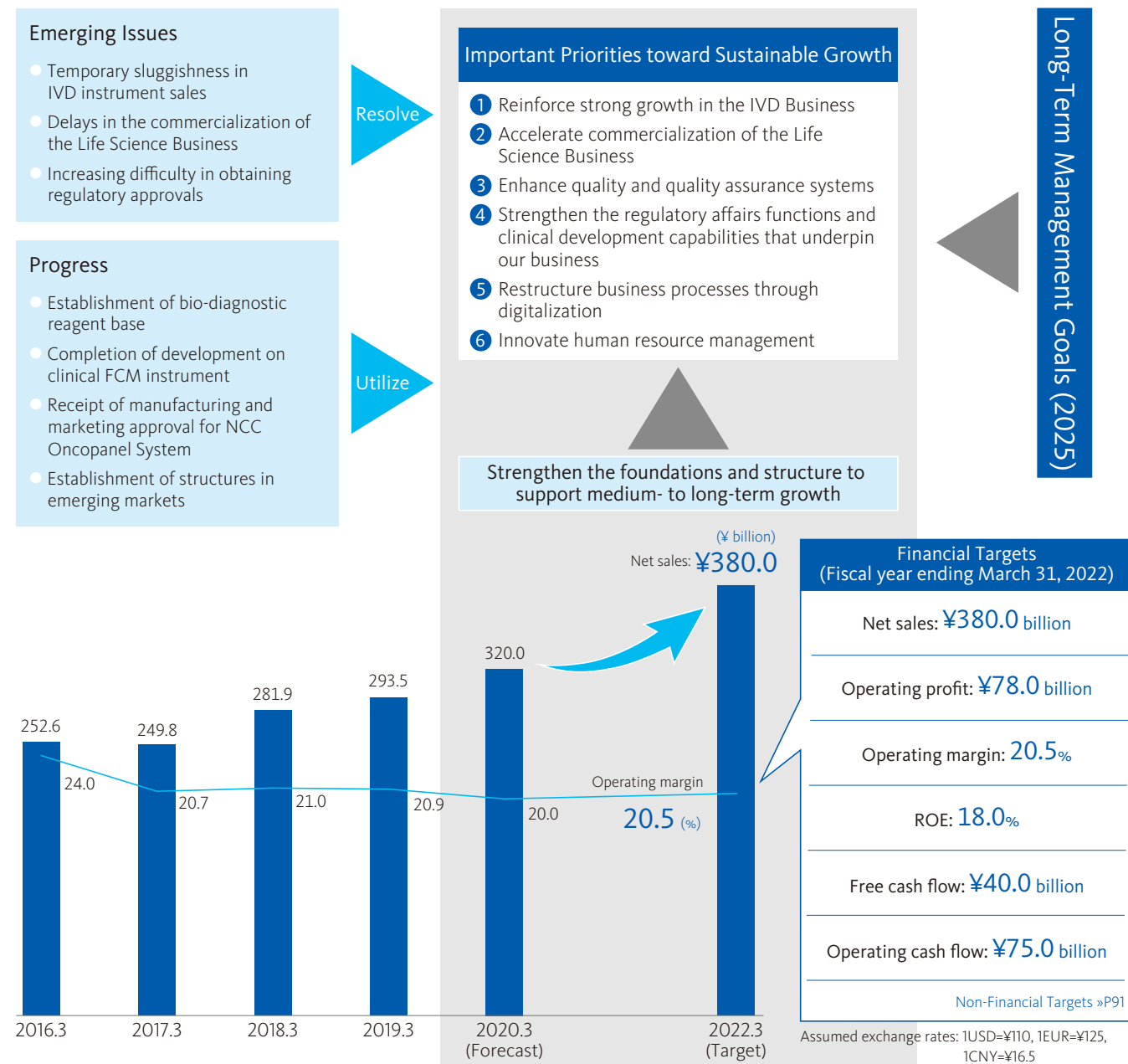
Sysmex formulated a new Group mid-term management plan, concluding in the fiscal year ending March 31, 2022, with the aim of sustaining robust growth for the Group and supporting this growth by reinforcing the management base. To reach positioning targets based on the long-term vision, this plan sets out important matters to be addressed over the next three years and targets net sales of ¥380.0 billion and operating

profit of ¥78.0 billion for the final year of the plan, the fiscal year ending March 31, 2022.

This mid-term management plan also sets materiality-related non-financial targets, through which we aim to achieve sustainable growth and contribute toward the realization of a sustainable society. »Long-Term Vision and Positioning P24 »Non-Financial Targets P91

■ New Mid-Term Management Plan (Fiscal Years Ending March 31, 2020 to 2022)

Make Steady Progress on Key Initiatives toward Achieving Our Long-Term Management Goals (2025)



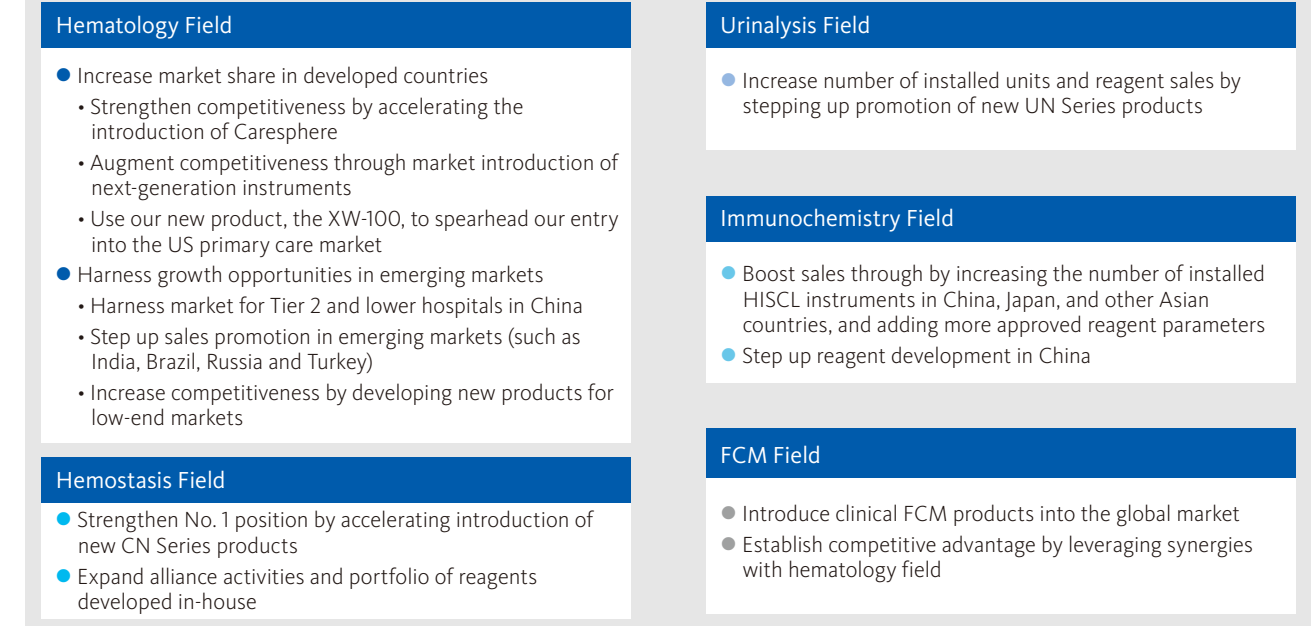
Important Priorities toward Sustainable Growth

1 Reinforce Strong Growth in the IVD Business

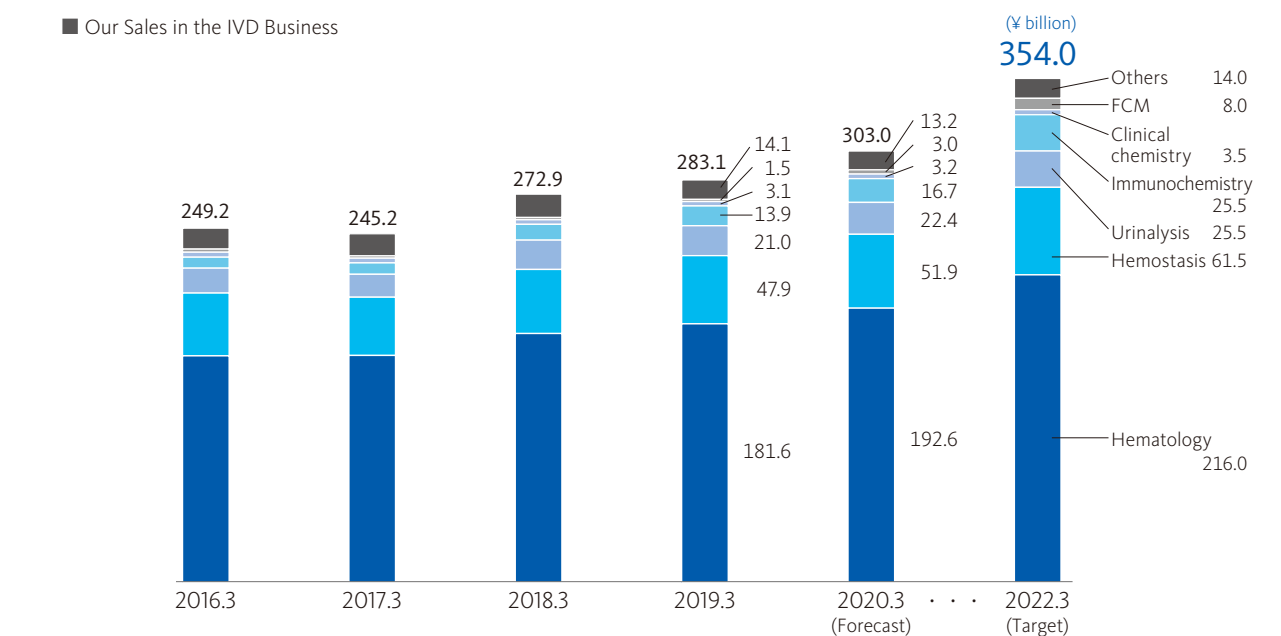
We aim to enhance our product development capabilities in the IVD Business, centering on our mainstay field of hematology.

Specifically, we will extend the technology roadmap in the IVD Business, increase the speed of new product development through design operation process reforms and step up resource allocation toward the IVD Business. By doing so, we aim to expand our share of the IVD market, which continues to grow globally.

■ Major Initiatives in the IVD Business



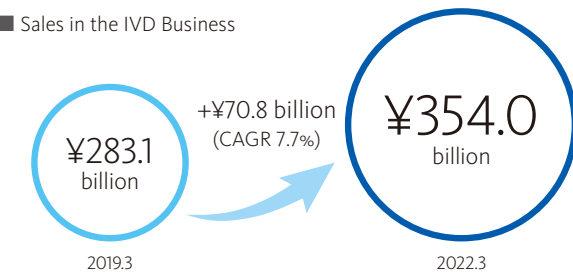
■ Our Sales in the IVD Business



Major Related Materiality Item

1 Resolution of medical issues through products and services

■ Sales in the IVD Business





Interview with Top Management of the IVD Business

We will further enhance our competitiveness in the IVD market, which continues to expand, driving Sysmex's growth.

Kenji Tachibana

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



Sales in the IVD Business have grown steadily over the past decade, rising by 2.5 times. What have been some key success factors?

I think the biggest factor has been the global growth of the IVD market itself and the fact that we have not let this opportunity pass us by. Looking at individual markets, emerging markets have been growing rapidly, particularly in China. Sysmex was an early entrant into various growth markets. As a result, we earned the confidence of our customers and achieved penetration of the Sysmex brand. We had already built the groundwork, which helped us meet demand. Another major contributor has been our ability to provide the market with competitive products in a timely manner. For instance, 2011 marked the global launch of our XN Series, a new product in our mainstay field of hematology. This introduction went a long way toward enhancing Sysmex's presence in the hematology market.



What changes do you anticipate in the IVD market?

In terms of scale, we anticipate growth in emerging markets and developing countries as they put healthcare infrastructure in place and expand insurance systems. In developed countries, on the other hand, the number of patients is rising as populations age. Also, healthcare is growing more sophisticated, necessitating more test information, so the number of tests is expected to rise. Test information is essential for diagnosis and deciding on treatment methods, monitoring treatment results, and for early-stage diagnosis and prevention, so the value of testing will continue to grow.



Given this background, what strategies do you consider important for reaching the objectives in the recently announced mid-term management plan?

Sysmex's core business is in the hematology field. Here, we will augment our portfolio to sustain our position as the company with the leading share of the global market. Rather than just selling products, we will raise our overall capabilities—including advanced service and support that utilizes IoT—to bolster customer satisfaction. In the urinalysis field, we are accelerating our rollout of the UN Series of products. We are also introducing a new product line in the hemostasis field, the CN Series. At the same time, we aim to increase market share by leveraging our alliance with Siemens Healthineers and expanding our portfolio of proprietary reagents.

To win out in the growth markets of emerging markets and developing countries, we plan to further augment our sales and service structure and reinforce production capacity to ensure a stable supply of reagents.



What business developments are underway in the immunochemistry and FCM fields?

Expertise in engineering technologies is central to Sysmex's strength in these fields. In the immunochemistry field, our HISCL Series has garnered an extremely strong reputation for its automation, high quality and ease of use. We also intend to expand the business by strengthening our product portfolio. We will leverage these technological capabilities to expand our instrument and reagent portfolios in the FCM field, as well, and leverage synergies with the hematology field.

As Sysmex is not yet the leader in these fields, we anticipate some difficulties, but by making the most of our engineering technologies and the strength of our global sales and service network, we believe we have an excellent chance of turning this into a major business. Sysmex has a culture of embracing challenges.



To achieve future growth, in what fields do you need to recruit human resources, and how will you cultivate these people?

Until just recently, global human resources were something we talked about. Now they have become commonplace. By this, I do not just mean having language skills and being good at communication. Rather, we aim to increase the number of people who can plan and promote businesses from a truly global perspective. We want to recruit and cultivate human resources who have a superior business sense, technical knowledge and specialized skills.



What closing message would you like to leave with shareholders?

Sysmex's main customers are medical institutions rather than general consumers. Our customers are professionals, and they are careful when selecting products. Long-term relationships are very important to the business of getting customers like this to purchase our products and services, use them for many years and again select Sysmex products when it becomes time to upgrade. To build long-term, trust-based relationships, I believe it is extremely important to enhance our service and support levels—also utilizing IoT—and provide new added value for the people who manage testing, as well as doctors. Doing so is vital to our ability to maintain high customer satisfaction by continually exceeding customer expectations. Our true customers, meanwhile, are the individual patients who are one step beyond medical institutions. By providing these patients with high-value-added test results, we have continued with the IVD Business, believing in its importance in extending healthy lifespans. I would like to ask our shareholders to support us from a long-term perspective as we work in tandem with society to resolve medical issues.

Important Priorities toward Sustainable Growth

2 Accelerate Commercialization of the Life Science Business

In the Life Science Business, we are further augmenting existing businesses, such systems that use the OSNA method to test for cancer lymph node metastasis or testing that uses FISH reagents. In addition, we are strengthening our presence in cancer genomic medicine and entering the market for liquid biopsy testing. In these ways, we aim to further expand our business and increase profitability.

■ Initiatives in the Life Science Business

● Increase OSNA value and global rollout

- Increase the types of cancer to which applicable
- Strengthen promotion of a new product, the RD-210, in EMEA
- Enter the Chinese market



RD-210 (for Europe)



LYNOAMP CK 19

● Increase FISH reagent sales through synergy with Oxford Gene Technology

- Expand sales area for FISH reagents (Japan, China, etc.)
- Enter global market for Flow FISH

● Bolster presence in cancer genomic medicine

- Obtain health insurance coverage for NCC Oncopanel System to increase number of assay customers

● Enter the market for liquid biopsy testing

- Obtain OncoBEAM RAS IVD^{*1}, launch the PSS as LDT^{*2}, etc.
- Increase clinical applications for ultrasensitive HISCL
- Launch of system for measuring circulating tumor cells (CTCs) as LDT

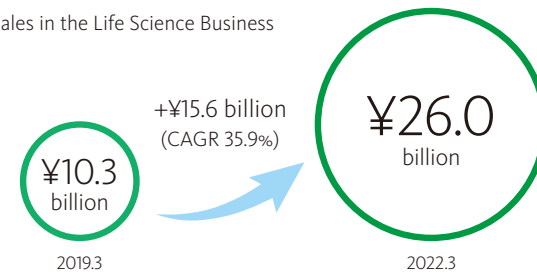
^{*1} In August 2019, we received manufacturing and marketing approval for an RAS gene mutation testing for colorectal cancer.

^{*2} LDT: Laboratory developed test

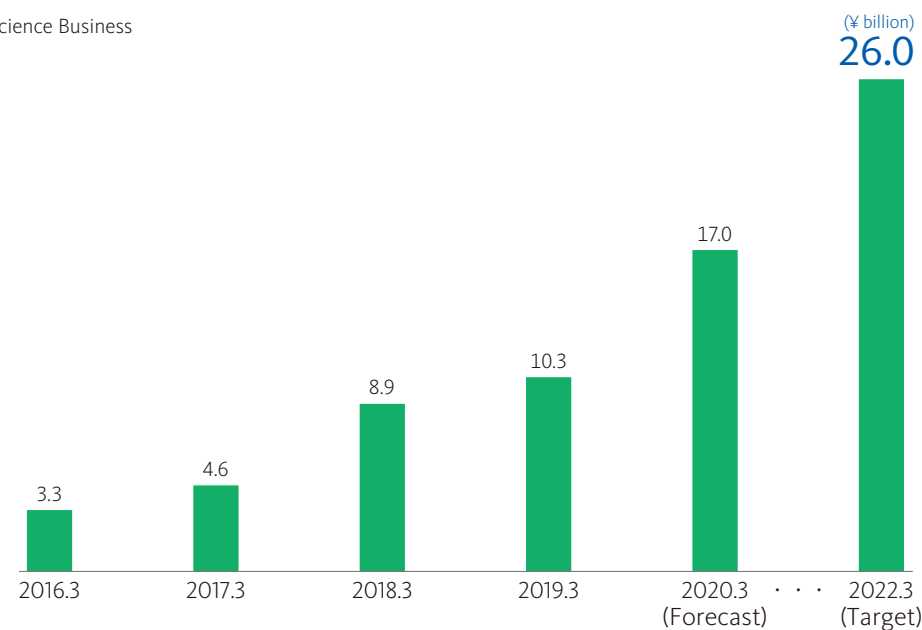
Major Related Materiality Item

1 Resolution of medical issues through products and services

■ Sales in the Life Science Business



■ Sales in the Life Science Business



Sysmex's Business Progress in the Domain of Cancer Genomic Medicine

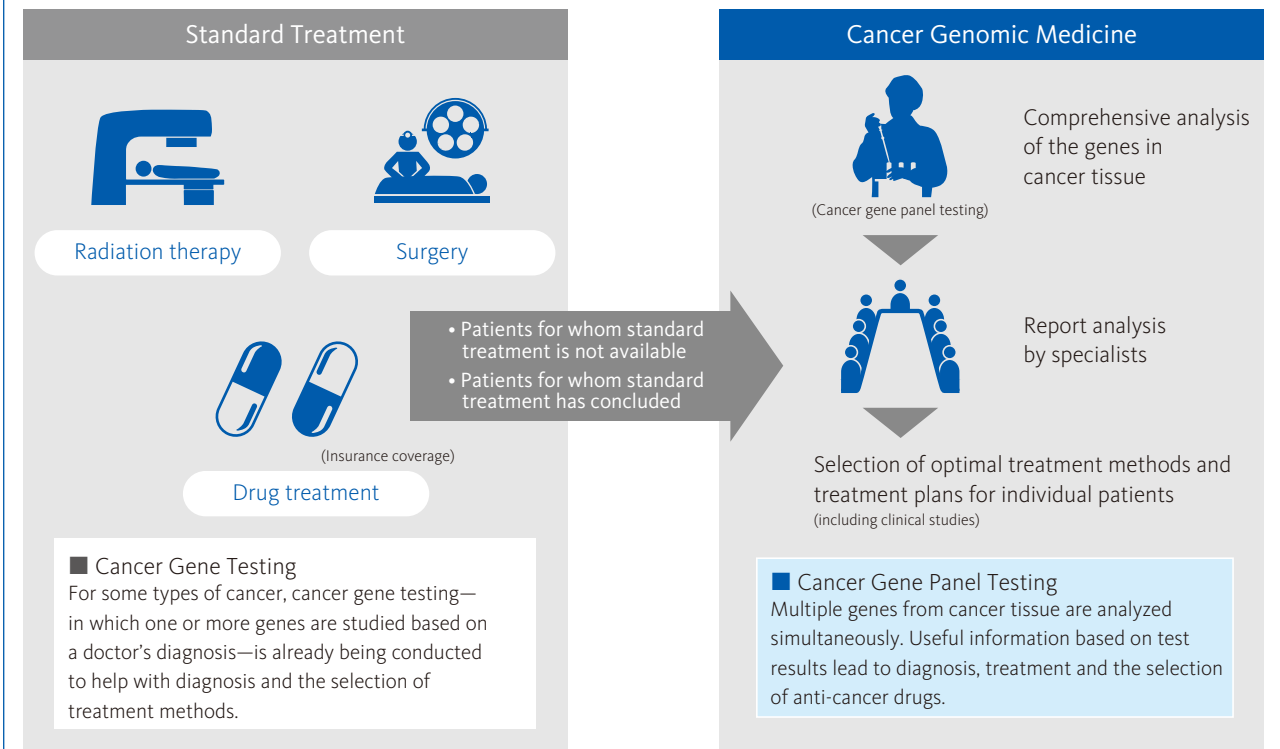
In December 2018, the OncoGuide NCC Oncopanel System for cancer genome profiling became the first cancer genome profiling in Japan to receive manufacturing and marketing approval. Sysmex developed this system in collaboration with the National Cancer Center with the aim of early clinical implementation of cancer clinical sequencing. In June 2019, this system also became the first to be covered under Japanese insurance.

By comprehensively analyzing the genes in the solid tumor tissue of patients for whom standard treatment has been concluded, this system facilitates the determination of treatment methods based on gene mutations, the

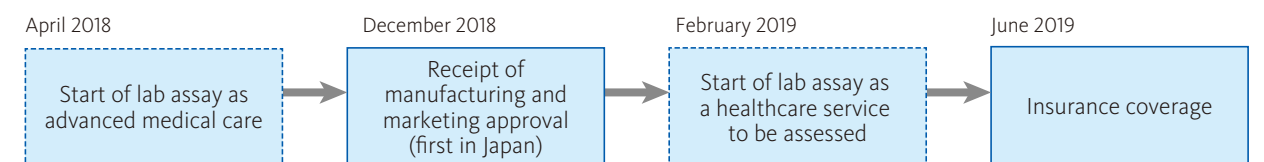
selection of anti-cancer drugs and drug administration, allowing healthcare to be optimized for individual patients. Insurance coverage means that the system can be used for testing an even greater number of patients.

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. We are thus contributing toward the introduction of cancer genomic medicine in Japanese clinical settings.

■ Personalized Treatment Based on Cancer Patient Genetic Information (As of March 31, 2019)



■ Steps Leading to the Launch of the NCC Oncopanel System



Interview with Top Management of the Life Science Business

We are moving forward with R&D, commercialization and the popularization of new tests to increase the number of people who are happy they underwent testing.



Kaoru Asano

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



The Life Science Business got its start with the establishment of the Central Research Laboratories in 2000, and around 10 years have passed since commercialization. Would you describe some of your progress and successes to date?

We have succeeded in building our business to a certain scale; in the fiscal year ended March 31, 2019, the Life Science Business delivered sales of ¥10.0 billion. We have taken the first steps, and the business is finally beginning to gain traction. In our business development to date, we have faced the question of how to go about the Life Science Business, which is different from our traditional area of IVD. It took us 10 years to understand such things as the regulatory approval process and how to meet regulations, as well as to build points of contact with different customers than in the past.



The market has changed significantly in recent years, due to the commercialization of technological innovation in healthcare. How do you think the market environment will unfold as we move forward?

In recent years, expensive drugs have been approved and new healthcare methods have been commercialized. On the flip side, soaring healthcare costs have become a social issue. To achieve the dual objectives of curtailing healthcare costs and raising patient quality of life, demand for deciding on treatment methods based on personalized diagnoses and achieving higher levels of efficiency is increasing. At present, cancer gene testing is at the heart of personalized diagnosis, but going forward we expect personalized diagnosis to expand to include a broader spectrum of patients, such as those with dementia or other central nervous system disorders or patients with circulatory diseases. We believe a broader technology base will be required in order to make such diagnoses on the basis of patients' proteins and cells.



The mid-term management plan sets a target of ¥26.0 billion in sales in the Life Science Business. How do you plan to reach this goal?

We will achieve this in three ways. First, we will expand our sales region for products we have already commercialized, such as the cancer lymph node metastasis testing system using the OSNA method and FISH reagents. Second, we will augment our presence by steadily increasing the number of tests we handle in the area of cancer genomic medicine, particularly with regard to the NCC Oncopanel System, which has received insurance coverage in Japan. Third, we will harness the technologies we have established to date to commercialize liquid biopsy.



What are some of the issues you face on such new initiatives as cancer genomic medicine and liquid biopsy?

Our ultimate goal for cancer genomic medicine is to develop it for IVD, so that medical institutions will be able to perform their own testing. Many companies that have entered the area of cancer gene testing have adopted a business model based on gathering samples and returning test results. Currently, Sysmex is doing the same. In the future, in addition to this approach we will move toward a business model of providing individual medical institutions with products and services, quality control methods and expertise in genetic analysis. Insurance coverage is just the first step. Future developments will be important to the spread of cancer genomic medicine.

In liquid biopsy, we believe the ability to launch the business agilely is important. We need a process for obtaining customer feedback at an early stage and raising the completion level of our products. Moving forward, we plan to push ahead simultaneously with development and market development. Rather than assessing products once development is complete, we will involve customers from the development stage in a process of "co-creation."



To expand the Life Science Business further, what sort of human resources do you need to recruit and cultivate?

It is important to create an environment that provides young employees with freedom as they go about their activities. Becoming more agile means increasing the number of customer contact points to accelerate product development and instill a spirit of taking on new challenges. I would like to see our employees make their experience more valuable by building up a track record with development partners, researchers and doctors. Currently, Sysmex is actively recruiting foreign nationals; I think we are progressing faster than other Japanese companies in this regard. In addition to calling people to Japan to work, we want to make use of different time zones to efficiently cover Japan, the Americas and Europe 24 hours a day. We have entered an era of searching for human resources all around the world.



What closing message would you like to leave with shareholders?

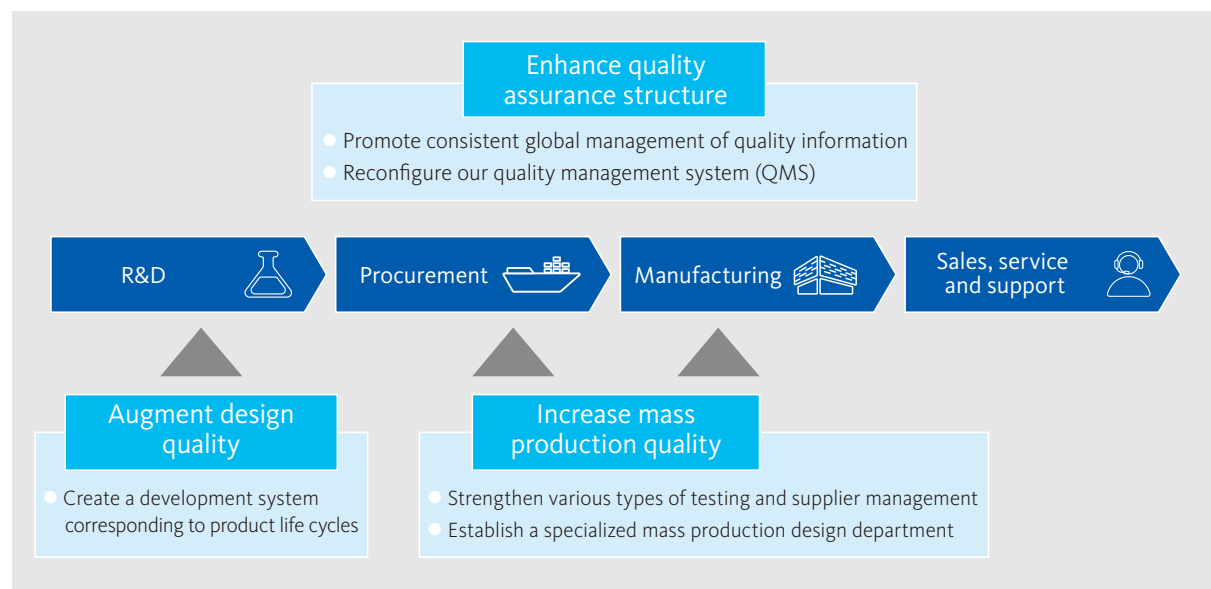
Through the selection of treatment methods and the prognosis of side effects, the Life Science Business can help extend the healthy lifespans of patients. In that sense, our contribution to patients is clear, which leads to high employee motivation. In line with Sysmex's mission of "shaping the advancement of healthcare," I would like to see an increase in the number of people who are happy they underwent testing. I ask our shareholders for their continued support as we develop our business from this perspective.

Important Priorities toward Sustainable Growth

3 Enhance Quality and Quality Assurance Systems

Major Related Materiality Item
 2 Responsible provision of products and services

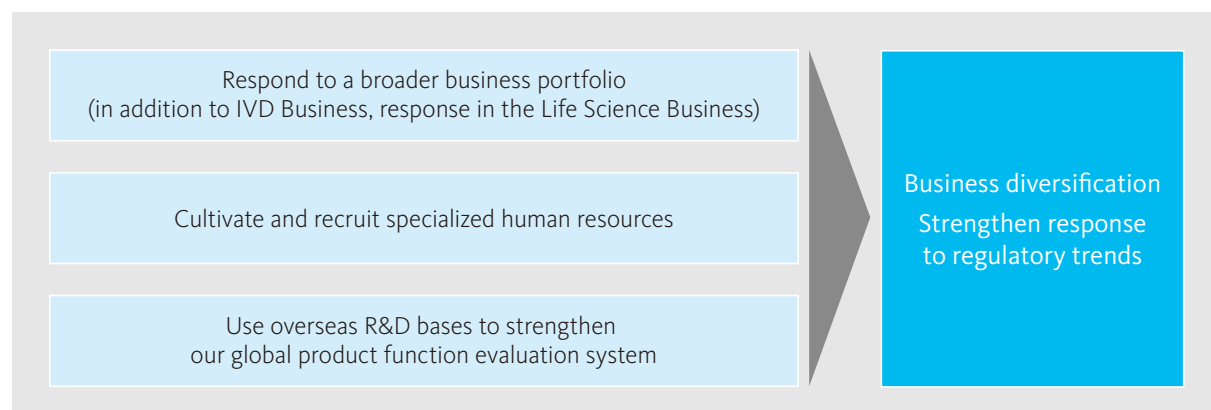
To continue earning the trust of our customers by strengthening our structure for the stable provision of high-quality products, we will reinforce our quality assurance system, augment design quality at the product development stage and further heighten mass-production quality. In addition, we will continue to further reinforce the quality function across the manufacturing spectrum. As a manufacturer that provides products and services in more than 190 countries, we recognize our ongoing supply responsibility, and we also aim to uphold the "Sysmex quality" that is the wellspring of our competitiveness.



Major Related Materiality Item
 2 Responsible provision of products and services

4 Strengthen the Regulatory Affairs Functions and Clinical Development Capabilities That Underpin Our Business

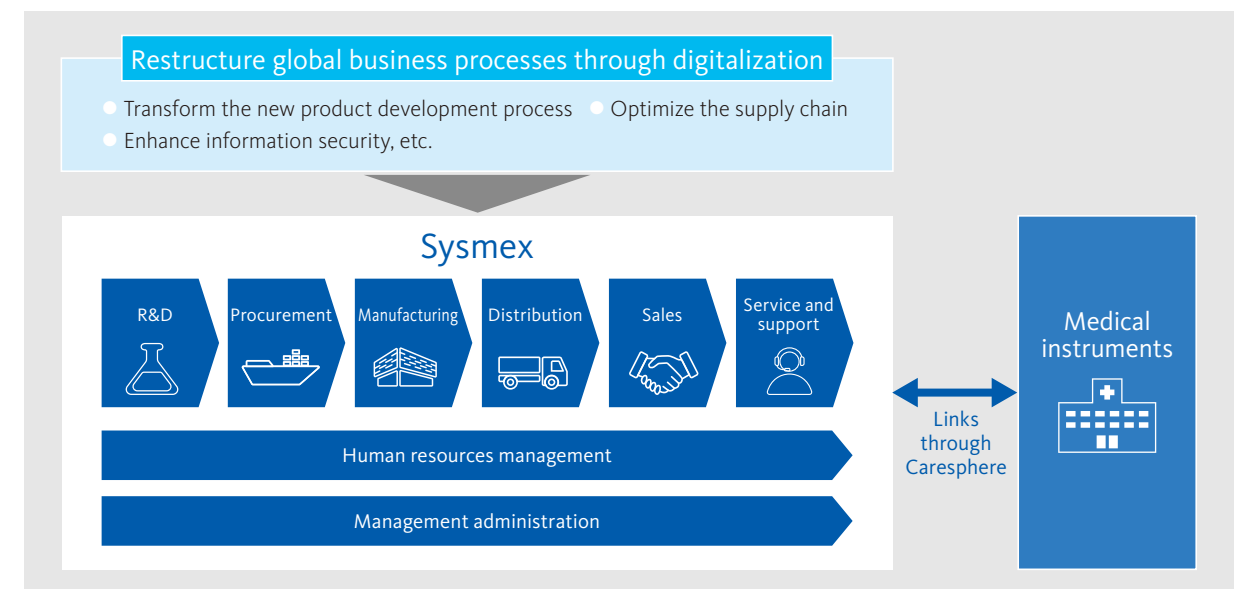
To launch new products in a timely manner even in an environment where related legislation is growing increasingly stringent, as well as to take advantage of opportunities at an early stage, we will strive to reinforce our regulatory affairs and clinical development functions. For instance, we will achieve business diversification and strengthen our response to regulatory trends by enhancing our structure for product evaluation functions on a global basis and recruiting and cultivating specialized human resources.



5 Restructure Business Processes through Digitalization

Major Related Materiality Items
 2 Responsible provision of products and services
 3 Realization of an attractive workplace

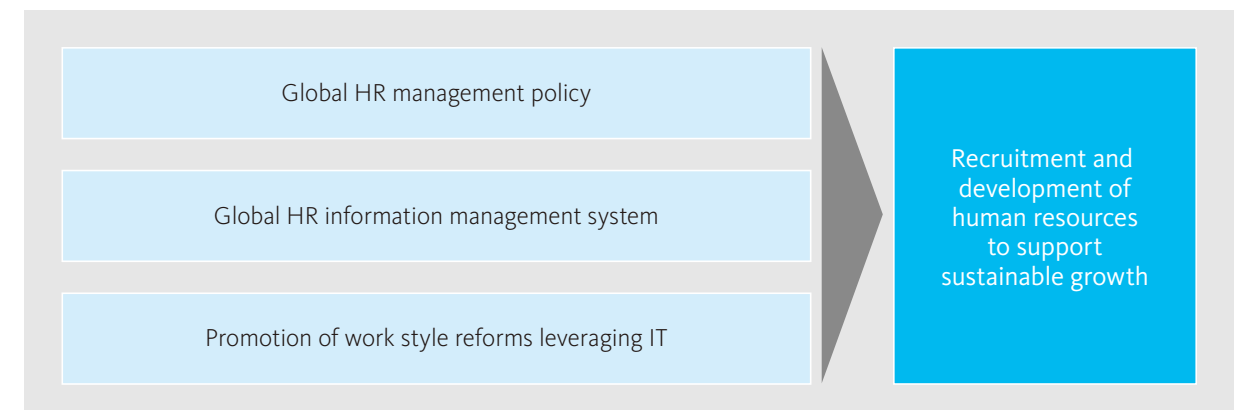
We will promote the restructuring of business processes on a global basis with a view to reinforcing our corporate foundations and creating new value. To this end, we are putting in place a next-generation core system and renovating our digital foundations. In addition to the corporate management function that underpins the Group management foundation through the introduction of best practices, we aim to optimize and improve the efficiency of our existing business by building digital foundations across the value chain. We will also provide value to our customers by linking them with Caresphere, our network solution.



Major Related Materiality Item
 3 Realization of an attractive workplace

6 Innovate in Human Resource Management

To step up the recruiting and cultivation of sophisticated and specialized human resources and next-generation leaders who will support sustainable growth, we will formulate global policies and promote the transformation of our human resource management. We also intend to ensure our ongoing attractiveness as a workplace through business and technological diversification and by providing an environment that the assists human resources efforts to support greater management sophistication.





Interview with the CFO

Sysmex will direct the cash flow it generates in the IVD Business toward further profitability increases and investment in growth businesses. In addition, we will generate new value by promoting advances in digitization and invest actively in human resources, which are the source of corporate competitiveness.

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

Q Please provide us with an overview of the fiscal year ended March 31, 2019.

Although net sales and profit both reached historic highs, performance fell short of our initial forecasts, which we recognize as an issue. Numerous one-off factors were in play, such as a temporary slump in instrument sales, but I believe we need to make every effort to invest in the ability to act swiftly to resolve such issues as they emerge.

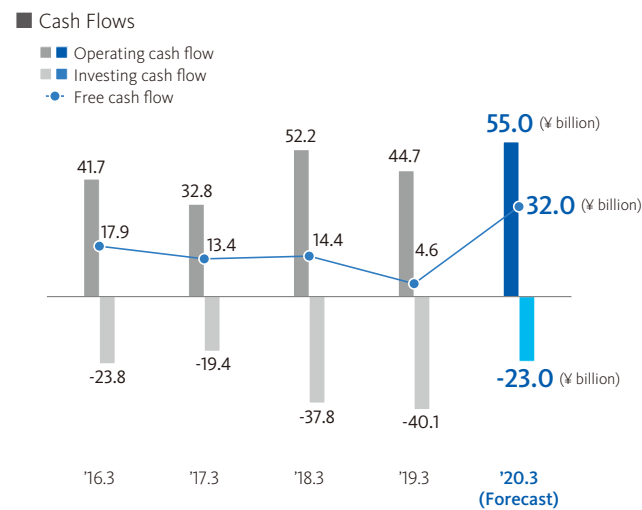
We generate stable cash flows in fields where we are highly competitive: hematology, hemostasis and urinalysis. By establishing a bio-diagnostic reagent base and promoting the Life Science Business, we are investing aggressively in the next phase of growth and steadily building our foundations for the future.

Q Would you share your thoughts on the financial aspects of the new mid-term management plan?

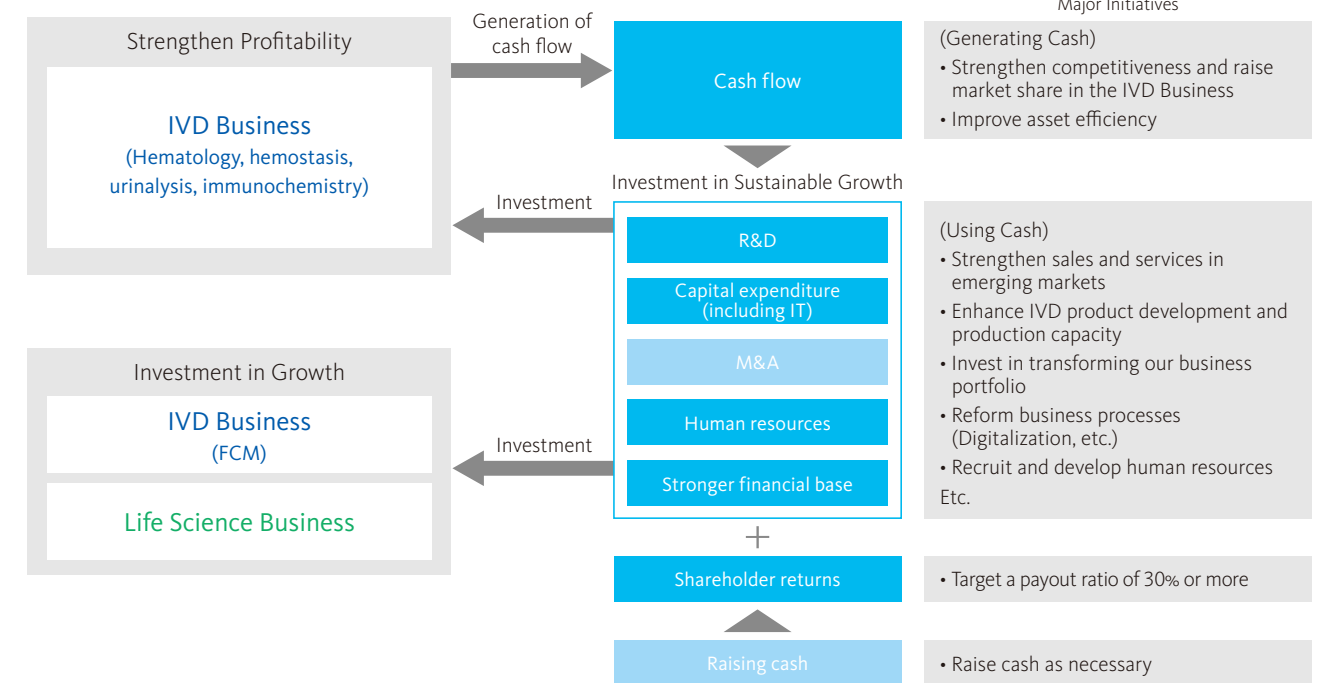
Our fundamental approach remains unchanged. In the IVD Business we will continue to generate a steady flow of cash that we can invest in our next growth fields. That said, reinforcing strong growth in the IVD Business is a theme of our current mid-term management plan. By shortening the new product launch cycle and generating products that are more competitive, we will further augment profitability in existing fields. Simultaneously, we will continue to expand our business portfolio through ongoing investments in the immunochemistry and FCM fields and the Life Science Business.

Q How will profitability change as sales grow in new fields, such as immunochemistry, FCM and life science?

Profitability in new fields and businesses is currently lower than in the existing IVD Business, so these sales may depress profit margins in the short term. However, market growth in the hematology field and other existing IVD Businesses is expected to sustain growth. The establishment of a bio-diagnostic reagent base will strengthen our development of reagent materials and accelerate the product conversion process. Also, business process reforms such as investing in internal digitalization should boost profitability.



Perspective on Investment



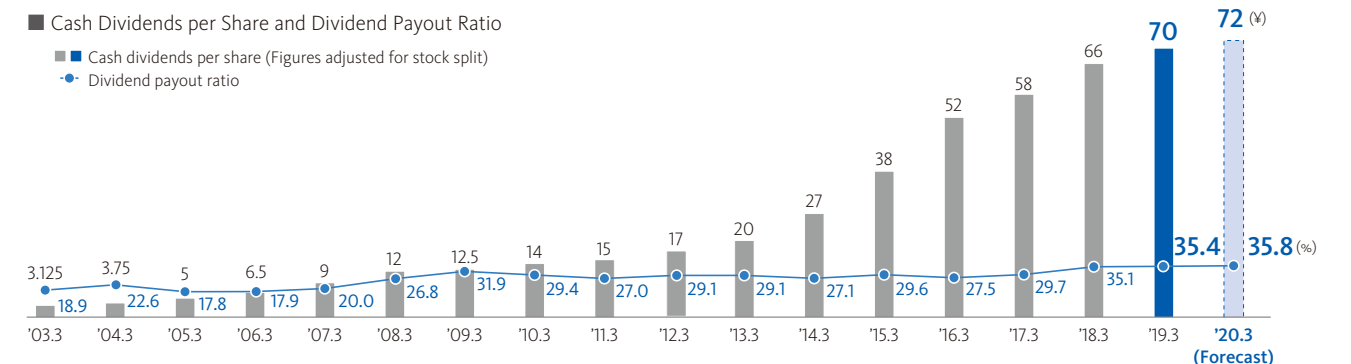
Q What other investments will be necessary for achieving sustainable growth?

“Realization of an attractive workplace” is one Sysmex’s materiality items aimed at sustainable growth and an area where I believe investment is important. We will provide a working environment that inspires diverse human resources to fulfill their potential, recruit next-generation leaders and people with sophisticated specializations, and enhance our efforts to cultivate human resources. Through global human resource management reforms, we will bolster our corporate competitiveness, which should further enhance our ability to achieve sustainable growth.

Q Please explain your perspective on shareholder returns.

Sysmex has raised dividends for 17 consecutive fiscal years. Going forward, we will continue to strike the necessary balance between shareholder returns and investing in ongoing business growth. Given our stable cash flow, we aim to return profit to investors via a dividend payout ratio of 30% or more. I also recognize the importance of earning high market acclaim by increasing corporate value. (Sysmex’s total shareholder return over the past decade has been 24.2% per year. »TSR P96)

I would like to ask our shareholders for your continued support.



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

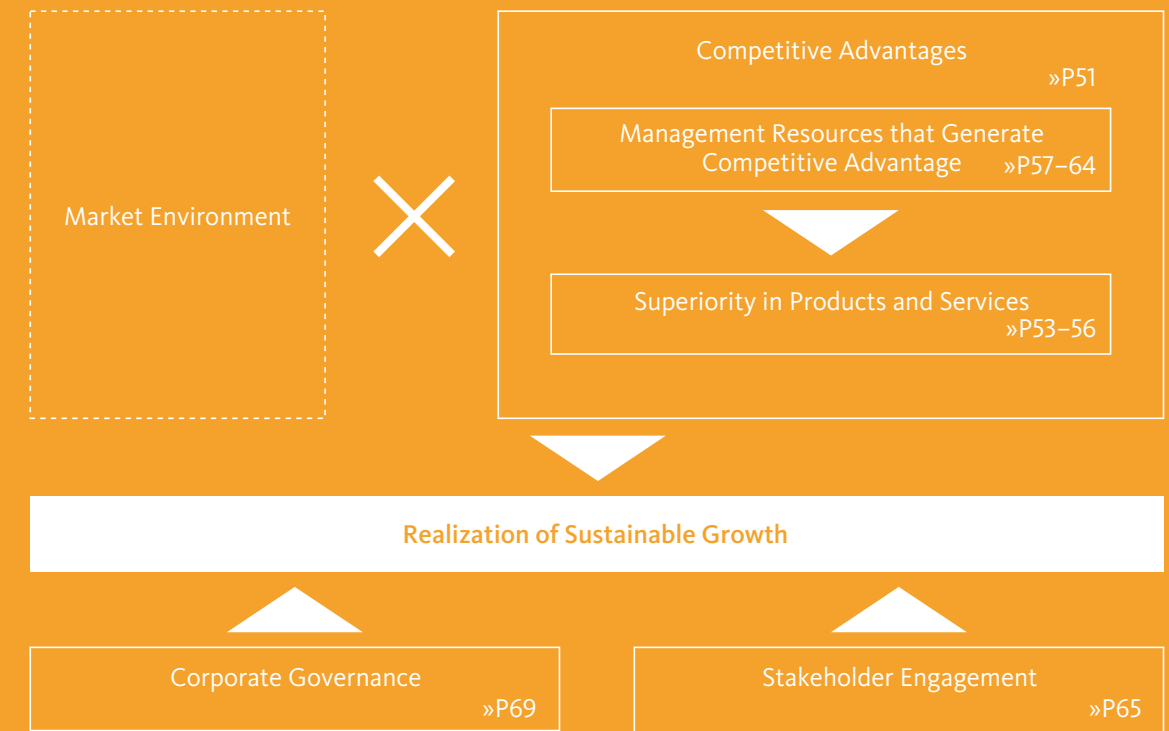


SUSTAINABLE GROWTH



Initiatives to Support Sustainable Growth

Sysmex has built up its market share by establishing a competitive advantage and through differentiation. We are undertaking initiatives to strengthen our ability to grow our businesses and enhance our management base and corporate foundations.



Competitive Advantages

By utilizing our management resources, we help customers resolve the true issues they face. At the same time, we are establishing competitive advantages. »P51

Stakeholder Engagement

Through proactive dialogue, we build better relationships, promote engagement and increase the effectiveness of our strategies. »P65

Corporate Governance

We aim to increase management soundness and transparency and maximize corporate value throughout the Group. »P69

Competitive Advantages

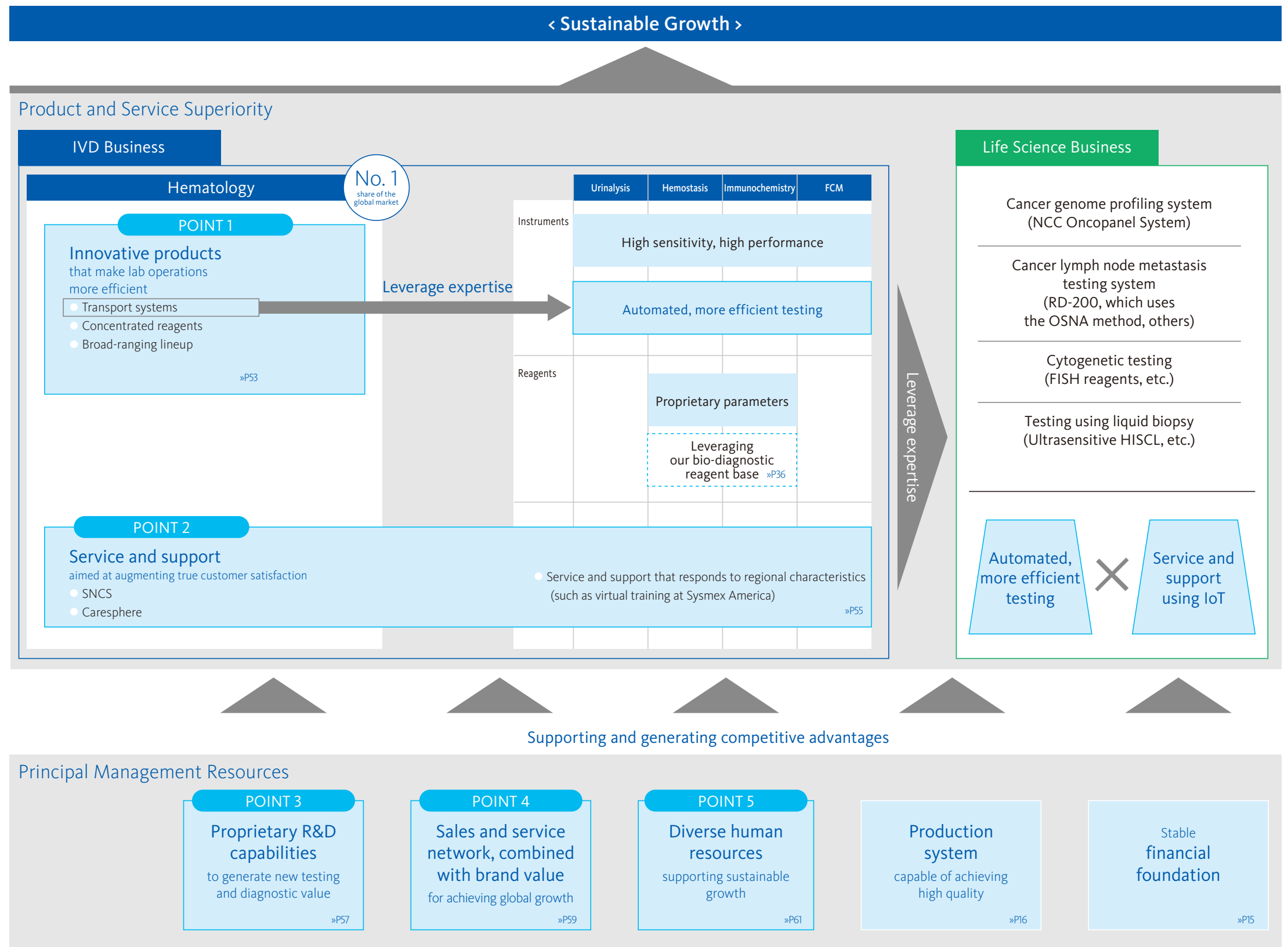
Competitive Advantages that Promote Sustainable Growth

Since the time of its founding, in addition to utilizing its management resources to provide accurate testing data, Sysmex has offered products and services aimed at helping customers address the true problems they face.

Starting out in its mainstay field of hematology, Sysmex concentrated on innovative products that help make lab operations more efficient and the provision of service and support designed to enhance true customer satisfaction. As a result, we garnered a leading share of the global market in 2007, and our market share has continued to increase since.

We are expanding into other markets by focusing on the automated, more efficient testing we cultivated in the hematology field and developing service and support utilizing IoT.

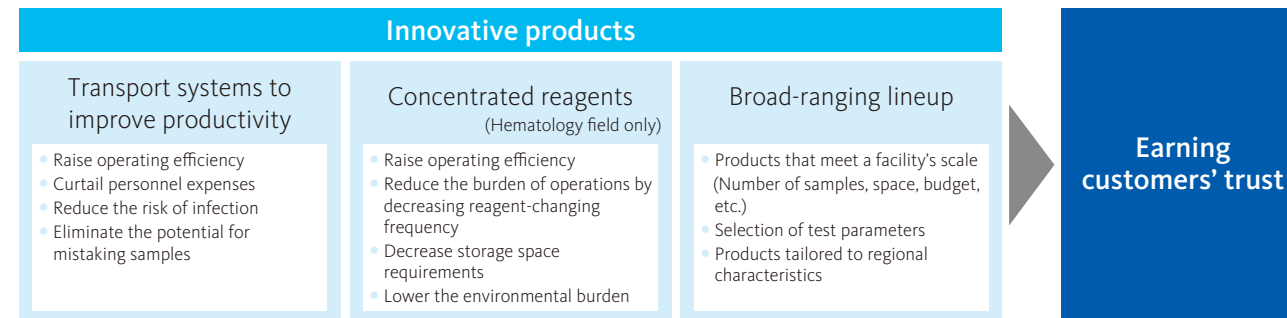
By maximizing our management resources going forward, we will help customers resolve the true issues they face. At the same time, we will establish competitive advantages to differentiate ourselves from other companies.



Innovative Products That Make Lab Operations More Efficient

By providing products that make testing more efficient and take usability into consideration, we help make lab operations more productive and management more efficient. As a result, we have earned the support of a wide range of customers, and our market has continued to grow.

■ Products that Help Address the Issues Customers Face



Using Transport Systems to Automate Testing

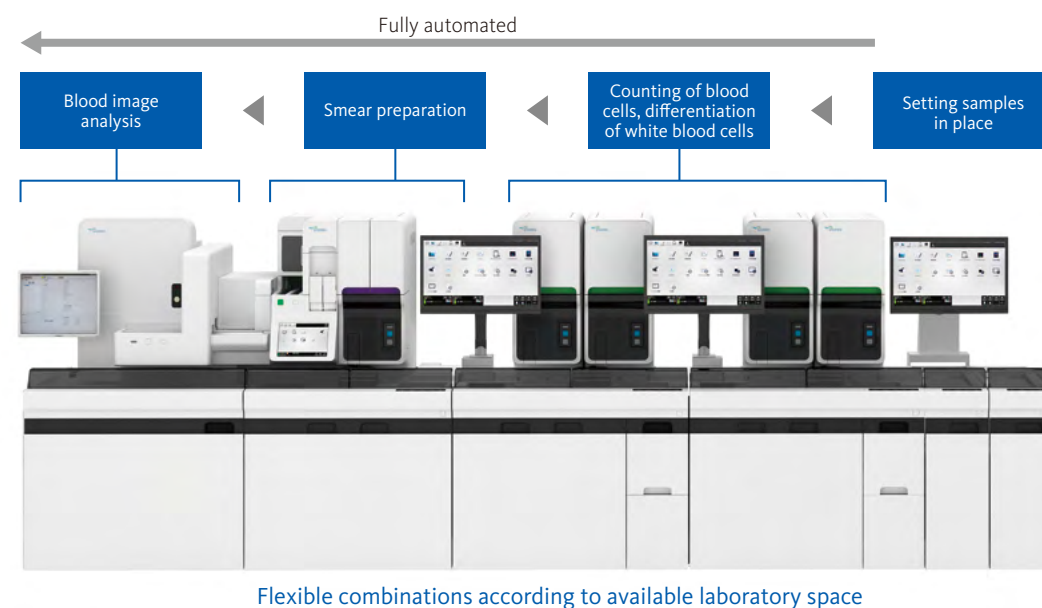
In the 1980s, numerous medical institutions were searching for ways to make testing more efficient, to curtail healthcare costs as demand for testing increased. Against this backdrop, Kochi Medical School was looking for ways to reduce laboratory labor requirements and speed up operations. Sysmex addressed these issues by pioneering the development of a transport system that connected diagnostic instruments via a conveyor belt and delivering this system to the medical school. After that point, we took the lead from other companies in commercializing the business of clinical testing transport systems. In 1990, we succeeded in developing the world's first hematology transport system. By connecting multiple instruments,

the system succeeded in automating testing, reducing manual labor as much as possible.

In addition to lower personnel costs, the development of transport systems reduced the potential for infection when handling samples and eliminated the mishandling of samples.

To raise productivity further, in 2011 we launched the XN Series, which made transport lines more compact and the instrument footprint smaller. The ability to include more instruments on a single transport line boosted sample throughput for a given amount of space. We also introduced flexible transport designs that could be tailored to the number of samples and laboratory space, making it possible to install such systems even at customer locations where space was limited.

■ The XN Series Making Testing More Efficient



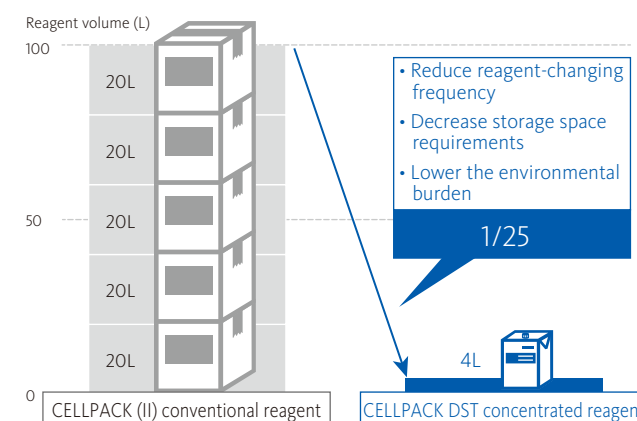
Concentrated Reagents Taking Usability into Consideration

As a part of testing, reagents need to be changed periodically. However, instrument operation needs to be halted while reagents are being changed, which hinders efforts to boost testing productivity. Also, changing heavy reagent packages can be a physical burden for laboratory technicians, many of whom are women, and hospitals and commercial labs need to maintain stocks of reagents for switching, so require space for storing the reagents.

Sysmex addressed these issues by developing and commercializing concentrated reagents—a world-first in the hematology field. The use of concentrated reagents greatly reduces reagent-changing frequency, which makes operations more efficient, reduces the physical burden on laboratory technicians and greatly decreases the space required for reagent storage.

Taking the environment into consideration, this approach reduces the amount of waste generated at customer sites and decreases reagent-distribution frequency, which helps lower CO₂ emissions. »Environmental Activities P68

■ Reagent with 25 Times Concentration



Broad-Ranging Lineup

Needs differ, depending on the healthcare setting in which testing is performed. Large-scale hospitals in developed countries require higher-performance products, whereas medium-sized and smaller hospitals in emerging markets and developing countries need products that are simpler and more compact. Sysmex offers a broad-ranging lineup, providing products that meet a wide range of customer needs.

In the hematology field, for example, our extensive product offerings range from the XN Series (a high-spec model that features high performance and high processing capacity) to the XP Series, targeted at small hospitals.

We are also applying to other fields the transport system know-how we have cultivated in hematology. In the urinalysis field, the UN Series performs primary screening (urine chemistry testing), secondary screening (sediment urinalysis) and microscope imaging on a single transport line, successfully raising productivity through automation.

Steadily increasing the sale of products to meet such needs supports the Group's sustainable growth.

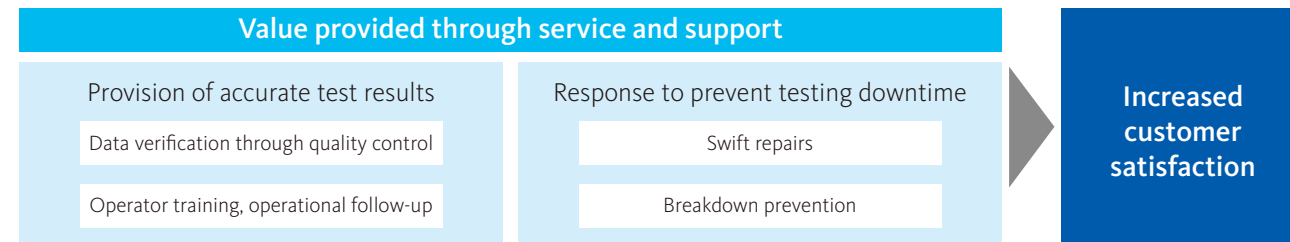
»Principal Products P29



Service and Support Aimed at Augmenting True Customer Satisfaction

We earn the trust of our customers by offering innovative service and support tailored to regional characteristics, instilling confidence and helping to create an environment for high-quality testing.

Principal Value We Provide Customers through Service and Support



Innovation in Service and Support

In healthcare settings, diagnosis is largely based on test 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 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 realize personalized medicine.

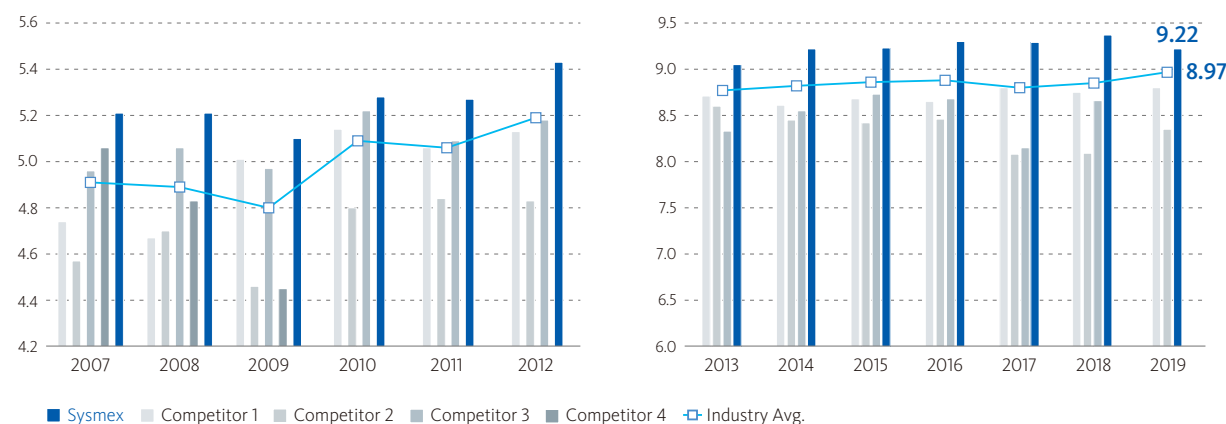
Service and Support Tailored to Regional Characteristics

Sysmex tailors its service and support to the characteristics of individual regions. For instance, we have introduced virtual training in the United States, where medical institutions are spread across a large area. Sysmex America has set up a studio that connects with customer facilities over a network, allowing customers to undergo training when necessary without having to visit a Sysmex training facility in person. The ability to receive training in real time and to their own levels of experience and proficiency has proven a great time-saver for customers in remote locations.

In the United States, Sysmex also provides the "My Sysmex" service, using tablet-based tools. In China, we offer a service linked to WeChat.

Customer Assessment in the United States (Overall Service Performance)

System earns highest customer satisfaction rating for the past 13 years



*Scale of 1 to 6 from 2007 to 2012, scale of 1 to 10 from 2013 to 2019

Source: IMV ServiceTrak™ 2019 Hematology



To ensure the high quality of services, whether direct or indirect, we are thorough in our training of maintenance service, call center and customer training personnel, as well as other service and support staff. Specialists from Japan provide training directly, with trainers delivering lectures at various regional headquarters. By taking this approach, we communicate the technologies and knowledge we have learned to service and support staff at local subsidiaries and distributors, enhancing engineers' skills.

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



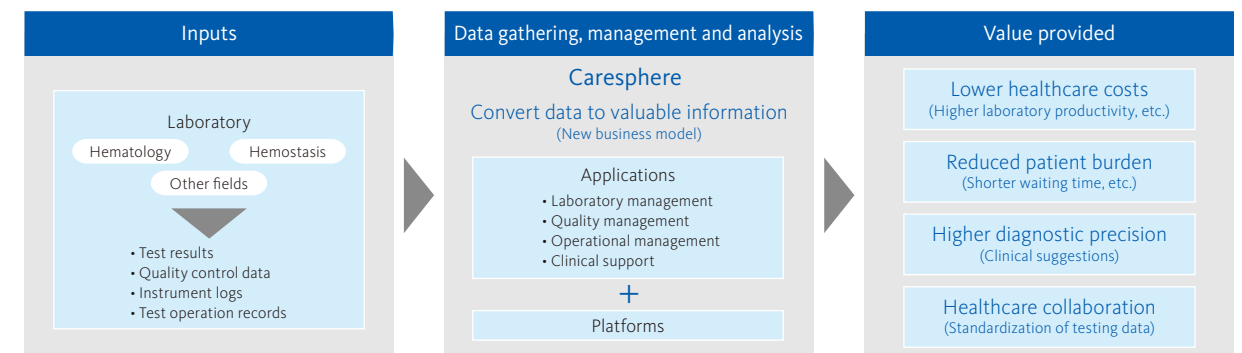
Scientific support via virtual training when an instrument is delivered
Case study: In this example, virtual training helped to reduce the total time requirement to 13 hours per customer. (Amounts differ by project, due to transportation time and other factors.)

Caresphere, a New Network Solution

In 2018, Sysmex began offering Caresphere, a new network solution aimed at increasing the working efficiency of people involved in testing and healthcare, augmenting quality and enhancing patient satisfaction.

Caresphere manages centrally the various information obtained from diagnostic instruments and healthcare information systems, using IoT and the cloud to link and

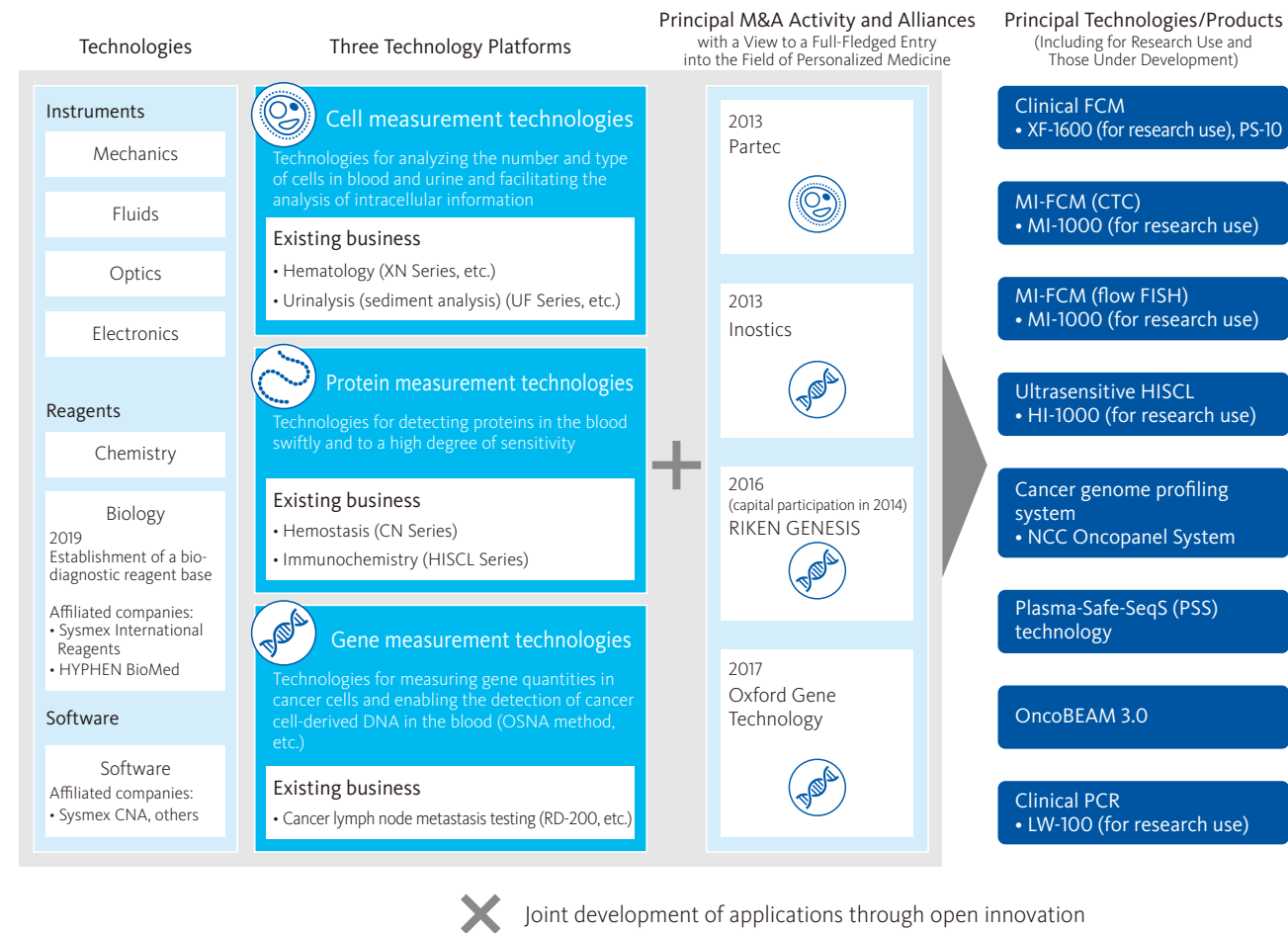
analyze this data in real time on a platform that is safe and standard globally. The various applications and services of this platform provide information that augments operational efficiency and quality control at hospital laboratories and commercial labs, all with the aim of resolving customers' issues.



Proprietary R&D Capabilities to Generate New Testing and Diagnostic Value

Based on three technology platforms, we are further expanding our technological capabilities through M&A and other methods as we work to strengthen our competitiveness in existing businesses and create new testing and diagnostic value.

■ Sysmex's Technologies for Generating New Value



Collaboration with other companies and alliances
(Universities, medical and research institutions, pharmaceutical companies, etc.)

Providing Added Value through Instrument, Reagent and Software Technologies

Over the many years since its founding, Sysmex has obtained technologies related to instruments, reagents and software. Leveraging this technological expertise has enabled us to provide accurate testing data, which is of key importance in testing. We also provide added value by responding to customers'

needs, such as swiftly determining the source of any errors that are generated.

One example of this value is Caresphere, a network solution we began providing in 2018. Going forward, we will continue developing new applications and services by utilizing the information and know-how we have accumulated to improve the efficiency and quality of testing tailored to individual regions. »Caresphere P56



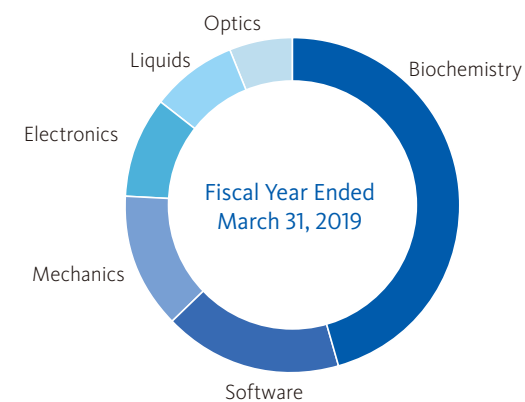
[Competitive Advantages]

A Global R&D Structure and Diverse Human Resources

One of Sysmex's biggest strengths in R&D is the diversity of its R&D personnel. Our R&D divisions, which have people with diverse backgrounds, develop our own instruments, reagents and software. The synergies between these people are a source for creating new technologies.

Our R&D hub is Technopark (Kobe), the locus of a global R&D structure we have built to include bases in Europe, North America, China and other locations. Having bases in global locations enables us to strengthen relationships with affiliated institutions in individual regions, quickly obtain new technologies and provide clinical trial support.

■ Breakdown of Specializations among R&D Personnel



Technology Platforms for Creating New Value

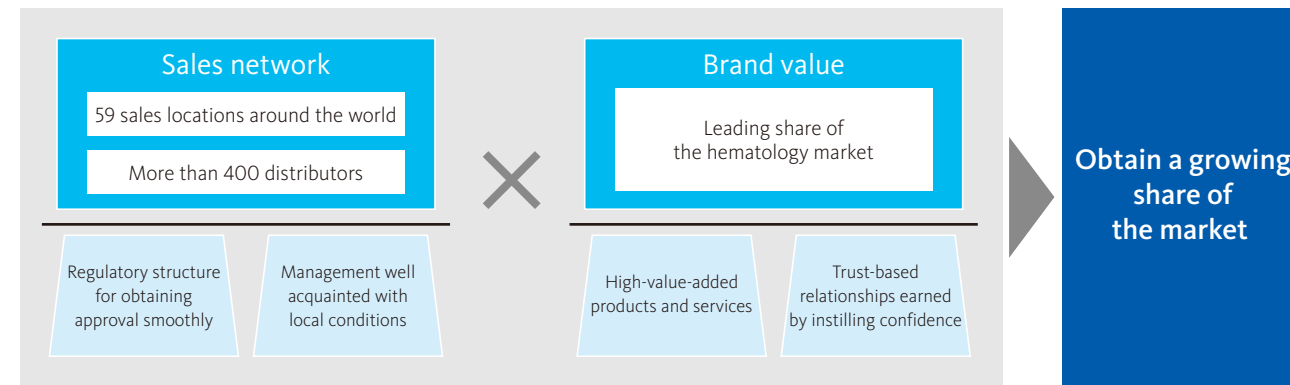
Another of Sysmex's R&D strengths is its three technology platforms: genes, proteins, and cells. Our gene measurement platform includes technologies for measuring the quantities of genes in cancer cells and detecting cancer-cell-derived DNA in the blood. In our protein measurement platform, we are developing technologies for the swift and highly sensitive detection of proteins in the blood. 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. We also engage in M&A to strengthen our platforms. In recent years, we have made Sysmex Inostics, Sysmex Partec, RIKEN GENESIS, and Oxford Gene Technology subsidiaries. By combining the new technologies we obtain with the technological expertise we have cultivated through our existing business, we aim to generate new value unique to Sysmex.

As we operate in an environment where the healthcare domain is changing at a dizzying pace, developing and commercializing technologies quickly is of key importance. For this reason, Sysmex makes active use of open innovation. By combining the technologies and knowledge of medical institutions, research institutions, pharmaceutical companies and other third parties with our own management resources, we aim to generate new value quickly and bring products to market in a timely manner.

Sales and Service Network, Combined with Brand Value for Achieving Global Growth

Since the time of our founding, we have built up a sales network covering more than 190 countries. This network and the trust we have earned from our customers has gained us the leading share of the hematology market. We are leveraging our sales network and brand power to gain traction in new markets, continue increasing our market share and achieve sustainable growth.

■ Sales Scheme for Achieving Sustainable Growth



A Network Covering More Than 190 Countries

Sysmex began pursuing global developments soon after its establishment. Currently, we provide products and services in more than 190 countries, and our overseas sales ratio is 85%. The main reasons for our growth in global markets have been our ability to anticipate the needs of the times and quickly build business foundations in individual regions. To date, we have established affiliated companies in 43 countries, setting up direct sales, service and support structures. We have also expanded our sales network by effectively utilizing alliances, such as with distributors that can respond to local conditions. In addition to cultivating new markets, our stable provision of reagents and extensive service and support have also earned trust from our customers. »Service and Support P55

In recent years, we have established a subsidiary in Egypt and revised our sales structure in India. Going forward, we will continue to rapidly build sales and service and support networks in emerging markets, which are expected to grow.

Building Structures to Obtain Regulatory Approval and for Quality Assurance

The healthcare domain is characterized by stringent regulatory systems, and meeting laws and regulations in individual countries and obtaining regulatory approvals is essential. Sysmex's Regulatory Affairs Division utilizes expertise built up through our track record to date, providing a structure that facilitates accurate responses.

In addition to being essential to earning the trust of our customers, maintaining and improving quality helps lower service costs and enhance product competitiveness, making it a key theme for achieving sustainable growth. For this reason, from the development stage we concentrate on meeting the safety regulations of countries around the world, and we engage in Groupwide activities to maintain and enhance product quality. For example, to prevent quality problems we conduct thorough pre-sale quality audits. Our complaint processing system gathers quality-related feedback from the market in a global and timely manner. We quickly isolate the source of problems and prevent any non-compliant products from entering the market.



Ralph Taylor
CEO,
Sysmex America, Inc.

Peng Zuo Hui
Executive Officer,
Sysmex Corporation
President and CEO,
Sysmex Shanghai Ltd.

Iwane Matsui
Member of the Managing
Board and
Senior Executive Officer
Managing Director
Global Marketing
Sysmex Corporation

Frank Buescher
Executive Officer,
Sysmex Corporation
CEO,
Sysmex Asia Pacific
Pte Ltd.

Alain Baverel
CEO,
Sysmex Europe GmbH

Administration and Sales Management Attuned to Regional Characteristics

Sysmex manages its global sales by dividing them into five regions. Rather than sending people from Japan to head these regions, we localize management, putting people in charge who are well acquainted with those regions. This approach facilitates swift decision-making that is suited to local conditions and has led to the substantial growth of our overseas business. We also promote management that respects the cultures and values of individual regions. Providing comfortable working environments that help ensure high performance from our employees drives our global business expansion.

While localizing management, we share information on regional business conditions in a timely and accurate manner through the Group Management Report Committee. This committee meets once every three months to report on the progress of important activities related to Group business execution. At these meetings, the management team and division managers discuss global issues affecting each region and division and work to draw up optimal measures for addressing them.

■ Regional Overview (As of March 31, 2019)

	Americas	EMEA	China	AP	Japan
Net sales by destination (¥ billion)	70.5	75.6	78.2	25.0	44.0
Percentage of sales in emerging markets (%)*	10.3	21.5	100.0	56.6	—
Direct sales ratio (%)*	70.9	70.8	1.2	56.7	100.0
Indirect sales ratio (%)*	29.1	29.2	98.8	43.3	—
Employees	1,196	2,454	685	834	3,546

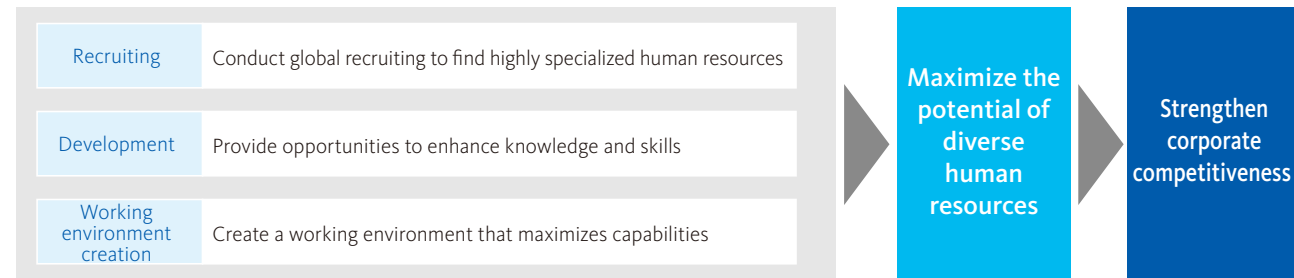
*Local currency basis



Diverse Human Resources Supporting Sustainable Growth

An organizational culture where diverse human resources can work with a sense of unity is essential to enhancing corporate competitiveness and achieving sustainable growth. Sysmex takes a long-term perspective as it recruits and develops human resources and creates their working environment.

HR Initiatives to Bolster Corporate Competitiveness



Recruiting Human Resources to Support and Propel Corporate Growth

As our business has become global and our portfolio has expanded, our human resource requirements have become more sophisticated. At the same time, the need for people with diverse specialties and a global perspective has grown ever more important. »R&D Structure and Diverse Human Resources P58

To maintain sustainable growth amid these conditions, Sysmex takes a long-term perspective to human resources, conducting recruiting with a clear picture of the people the Group requires.

For example, Sysmex Corporation was an early proponent of year-round recruiting. The Company holds seminars and interviews around the world, in person as well as over the Internet. In the fiscal year ended March 31, 2019, we recruited human resources through recruiting seminars and screening meetings in four countries, centered on Asia and Europe.

We actively welcome student interns from overseas. Since the fiscal year ended March 31, 2014, we have accepted interns from India, which has many people with high levels of IT proficiency, broadening our recruiting activities. In the fiscal year ending March 31, 2020, we plan to host student interns from seven countries.

After hiring, we seek to lower language barriers by providing language classes. We have put in place a consulting desk to support employees from other countries, and our cafeterias offer vegetarian and halal meals. By doing our best to create an environment that fosters performance, we have built a team of people from many countries, particularly in our R&D hub.

Cultivating Next-Generation Managers and Leaders

In accordance with the core behaviors in the corporate philosophy of the Sysmex Group, we value a spirit of independence

and challenge among our employees, and we provide them with opportunities for self-fulfillment and growth. Specifically, we concentrate on the early-stage cultivation of next-generation managers and leaders who will take on challenges and promote transformations over the medium to long term, as well as on building their knowledge and skills.

In 2009, we introduced the Sysmex Academy, aimed at the early-stage cultivation of next-generation managers. The CEO and other members of the management team serve directly as lecturers, passing on the 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 nine fiscal years since it began. Many members of the Managing Board and executive officers are graduates of the academy, now taking charge of Sysmex's management.

We have also introduced the Global Onboarding Program as a Groupwide development program to foster early strength among new recruits to drive next-generation growth. The program is designed to foster a better understanding of Sysmex and build support across a wide range of divisions.

We conduct level-based training and training aimed at enhancing business skills at overseas subsidiaries, as well as providing a human resource development program tailored to regional characteristics.

Principal Programs for Cultivating Next-Generation Leaders in Individual Regions

System Management Academy (Americas)	Training over a six-month period for selected employees targeted for new appointments as managers
Tsunagari Program (EMEA)	This is a program to cultivate next-generation leaders and foster alliances in the EMEA region. The program includes training in business planning and strengthening coaching skills.
LinkedIn Learning (Asia Pacific)	Online training for all employees to strengthen business skills
Training for newly appointed managers (China)	This training aims develop management skills among newly appointed managers.



Competitive Advantages

Creating a Comfortable Working Environment

In addition to recruiting superior human resources, achieving sustainable growth requires discouraging them from leaving the Company. Sysmex strives to create a working environment where people can make the most of their capabilities and promotes workstyle reforms to secure excellent human resources

and enhance employee satisfaction.

We have proactively introduced programs tailored to the needs of individual regions that support a work-life balance. These initiatives and the high levels of employee satisfaction that have resulted have attracted a variety of praise and commendations from outside the Company.

Programs to Support Work-Life Balance in Different Regions and Key Evaluations

<p>Sysmex America</p> <p>Programs and Initiatives</p> <ul style="list-style-type: none"> Flex-time system Work-at-home system Enhanced leave system Family support system (such as the provision of assistance payments when making use of third-party support) <p>Third-Party Awards</p> <ul style="list-style-type: none"> Selected for the "Companies that Care Honor Roll" for 11 consecutive years (Center for Companies That Care, a US NPO) 	<p>Sysmex Europe</p> <p>Programs and Initiatives</p> <ul style="list-style-type: none"> Flex-time system Work-at-home system Establishment of in-office daycare centers <ul style="list-style-type: none"> Enhanced leave system Child-rearing support program (Provision of assistance payments when making use of third-party support) <p>Third-Party Awards</p> <ul style="list-style-type: none"> Received the "Family Friendliness" award (German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth) Selected as "Top Employer SME 2019" (sponsored by FOCUS-Business) 	<p>Sysmex Asia Pacific</p> <p>Programs and Initiatives</p> <ul style="list-style-type: none"> Flex-time system Work-at-home system Child-rearing support program (medical insurance assistance, etc.) <p>Third-Party Awards</p> <ul style="list-style-type: none"> Selected for the second time as "HR Asia Best Companies to Work for in Asia" (Malaysia) (sponsored by HR Asia) Selected as a "Great Place to Work" (South Korea) 	<p>Sysmex Corporation</p> <p>Programs and Initiatives</p> <ul style="list-style-type: none"> Flex-time system System for working shorter hours Work-at-home system Enhanced leave system (leave for child-rearing or providing nursing care to children, leave for fertility treatment, parental leave) Establishment of in-house daycare center <p>Third-Party Awards</p> <ul style="list-style-type: none"> Selected for three consecutive years for "Companies That Excel in Health Management" (White 500) (Ministry of Economy, Trade and Industry) Top ranking (level 3) for "Eruboshi" certification as an excellent company based on the Act on Promotion of Women's Participation and Advancement in the Workplace Next-generation support certification logo ("Kurumin") (Ministry of Health, Labour and Welfare)
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Diversity and Inclusion (D&I)

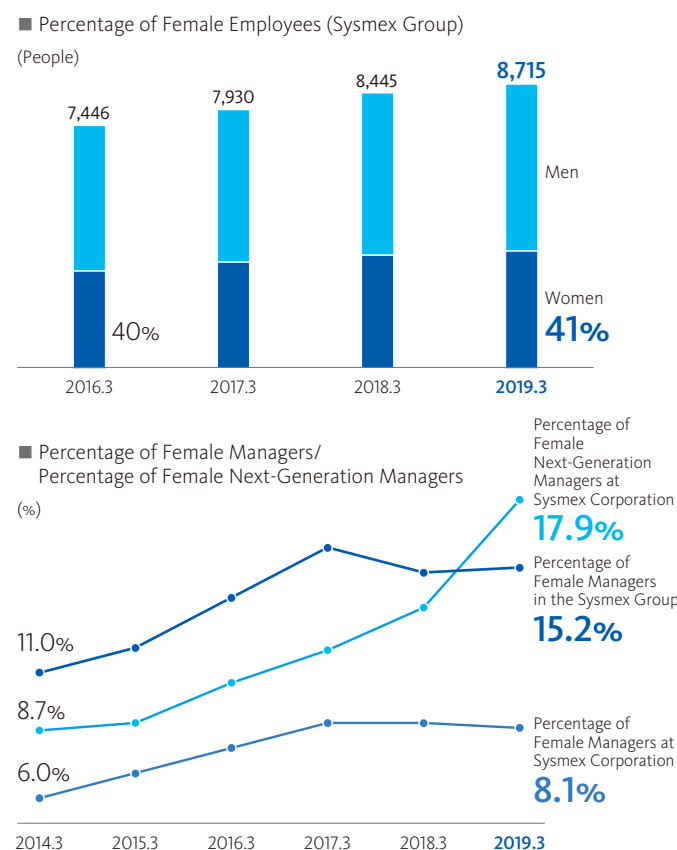
Systemex welcomes employees from diverse backgrounds, including those of different nationalities, cultures and religions. To maintain sustainable growth going forward, we need to work in unison as "One Systemex." To do so, we recognize the importance of diversity and inclusion and are engaging in initiatives to this end.

For instance, Systemex Corporation holds various workshops aimed at cultivating an organizational culture that fosters an understanding of diversity and encourages individual capabilities. In the fiscal year ended March 31, 2019, we held sessions on men taking part in child-rearing, LGBT issues, and understanding people from different cultures and religions. As a Groupwide activity, we held the Global Exchange Program at three locations around the world, inviting selected people from Group companies in Japan and overseas to take part, fostering mutual understanding.

We recognize the promotion of women's participation and advancement in the workplace as an important aspect of diversity and inclusion activities. In Japan, where having a lower percentage of female managers than in other regions is an issue, we have introduced a work-at-home system and established an in-house daycare center. Through these efforts, we aim to create an environment that encourages men and women to take part in both work and home life. In the fiscal year ended March 31, 2019, the percentage of female managers was up two percentage points from five years earlier, but the percentage of female next-generation managers was up by nine percentage points, showing steady progress.

In addition, we established Systemex Harmony Co., Ltd. in

the fiscal year ended March 31, 2018, which was also recognized as a special subsidiary that year. Currently, the Company is creating a workplace where people with intellectual and psychological disabilities can work in keeping with their characteristics and disabilities, handling operations on manufacturing lines.



Employee Interview



Galvin Casey, Ph.D.
Research Manager
Bio Device Development,
System Technologies Laboratory
Systemex Corporation

Systemex is creating an environment that enables diverse human resources to maximize their capabilities.

I first came into contact with Systemex through a collaborative research project while I was working as a post-doc. I found the Company's vision of "shaping the advancement of healthcare" compelling, and I ultimately decided to join the Company.

Systemex's employees hail from different professional backgrounds and have diverse problem-solving skills. The

Company has a friendly and relaxed working environment, which is ideal for generating new technologies. For instance, when a team of people with different perspectives approach a technological problem, the end result is often a creative approach that one person alone would probably not have considered and could not implement with the same speed as a well-functioning group. Also, in addition to learning the expertise and skills that projects require, I am provided the opportunity to continue honing my capabilities. Likewise, as a manager I structure tasks for my team in a way that promotes individual growth while satisfying project goals.

Going forward, I look forward to using my skills to provide good value to patients and generate products that contribute to innovation in healthcare.

Practicing the "Systemex Way"

Systemex has 43 affiliated companies around the world, and in the fiscal year ended March 31, 2019, overseas employees accounted for 59% of the total. We conduct activities that encourage the understanding and practice of the "Systemex Way," the corporate philosophy of the Systemex Group, thereby fostering synergies among employees working together who have diverse values, perspectives and specialties and encouraging the entire Group to engage in business activities with a sense of speed. The "Systemex Way" goes beyond the boundaries of countries, regions and divisions, expressing directions to pursue, important values to be shared and behavioral guidelines for all employees.

To instill an understanding among employees, we provide

opportunities for dialogue among divisions and directly with top management on the "Three Aspects of Confidence," which are values we have held dear since the time of our founding, and the "Systemex Way." In this way, we encourage employees to think and act for themselves.

We have introduced the CEO Award system for recognizing initiatives for putting the corporate philosophy into practice and enhancing corporate value. With this award, we highlight superior achievements and processes and recognize activities on a Groupwide basis, helping to strengthen a sense of unity throughout the Group, promote an understanding of our corporate philosophy and management policies and bolster employee motivation. »The Three Aspects of Confidence P5
»Systemex Way P6

Comments from a Group CEO Award Recipient

NCC Oncopanel System receives Japan's first manufacturing and marketing approval

Genomic medicine project team

Award Details

By developing the NCC Oncopanel for IVD and making steady progress on building a high-quality lab assay system, in December 2018 the system received Japan's first manufacturing and marketing approval for a cancer genome profiling system. The system's ability to measure non-tumor tissue, as well as genes and tumor tissue, enables the detection of gene mutations in germline cells, providing an aspect unique to Systemex.

This panel contributes to the provision of new treatment methods especially to patients for whom standard treatment has been concluded. Furthermore, providing total quality assurance of both IVD products and lab assay operations instills confidence among hospitals, commercial labs and healthcare personnel.

This manufacturing and marketing approval marks an important turning point in genomic medicine in Japan and is truly in keeping with the mission stated in the corporate philosophy of the Systemex Group: "Shaping the advancement of healthcare." »NCC Oncopanel System P42

Comments from an Award Recipient

The NCC Oncopanel System is the first combination medical device in Japan for obtaining genome profiles on patients with solid tumors. As we began with putting in place the infrastructure in Japan and moved forward with product development under the *Sakigake* Designation System, we encountered many firsts and experienced numerous hardships. The extensive support we received from people both inside and outside the Company led us to work as a team to overcome these difficulties.

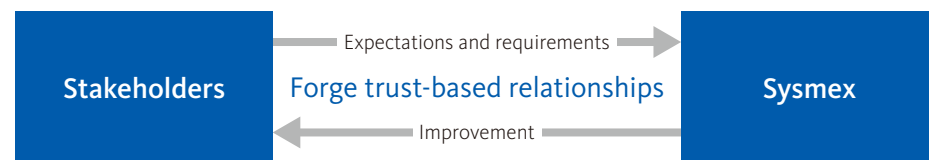
This development opens the door to genomic medicine in Japan. Going forward, we hope it will lead to new treatment possibilities for patients and contribute to a revolution in cancer treatment. (April 2019)



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 enhance the effectiveness of our strategy and strive to realize a sustainable society.

Stakeholder Engagement



Main Dialogue Achievements (Fiscal Year Ended March 31, 2019)

We engage in dialogue in the aim of providing value to stakeholders in line with the core behaviors of the corporate philosophy of the Sysmex Group.
»Corporate Philosophy for the Sysmex Group and Our Core Behaviors P6 »Non-Financial Targets P91
»Principal Stakeholders, Materiality P19 »Sustainability Data Book > Management and CSR > CSR Management

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 service 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

»Service and Support P55
»Scientific Seminars P60
»Sustainability Data Book > Society > Responsible Provision of Products and Services

Customer center contacts (non-consolidated basis)
Approx. 86,900
Number of VOC contacts (non-consolidated basis)
Approx. 17,600



Scientific seminar (Indonesia)

Business Partners (Suppliers, Distributors, 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 supplier briefings
- Held supplier awards
- Conducted CSR surveys
- Held meetings for distributors

»Sustainability Data Book > Society > Responsible Provision of Products and Services

CSR Survey Results
Existing business partners
Approx. 230 companies
New business partners
Three companies

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
»Practicing the "Sysmex Way" P64
- Introduced an internal award system »Group CEO Award P64
- Constructed an internal reporting system »Compliance P72
- Conducted corporate culture surveys (Human Resources Division provides individual divisions with advice on making improvements, based on the results of employee satisfaction)

Corporate culture survey score **72%**
Note: The survey is conducted every other year; the score indicated here is for the fiscal year ended March 31, 2018.

«Activity to Commemorate Our 50th Anniversary of Establishment» Future Project (MIRAI LABO)

We conducted the Future Project (MIRAI LABO), with participants including employees from all regions in the world. Themed "Workplace Communication: Taking on the Challenge toward the Future of Sysmex," the MIRAI LABO involved discussions within individual divisions and across divisions, including about the roles of employees themselves and their advice to the Company as they looked 10 years into Sysmex's future. This effort helped to invigorate communication and give employees themselves a chance to reflect. These opinions and proposals were shared via an internal social network put in place for the 50th anniversary project. In this way, we encouraged new communication going beyond national and divisional boundaries.



Discussions underway

»Diverse Human Resources P61 »Sustainability Data Book > Society > Realization of an Attractive Workplace

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.

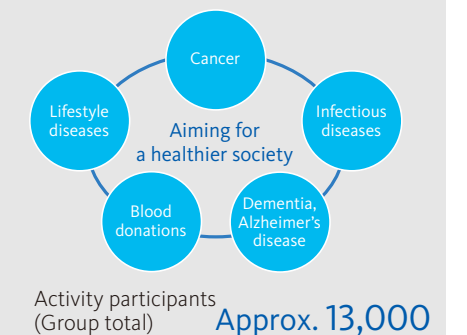
- Participated in activities to engage with patients, fostered communications with patients
- Held seminars about blood donation and hematology, and sent lecturers to provide seminars about preventing lifestyle diseases
- Participated in corporate citizenship activities and engaged in dialogue with members of local communities
- Held event for local communication at Technopark (Kobe), our R&D hub



Technopark Festa (Japan)

«Activity to Commemorate Our 50th Anniversary of Establishment» Global Corporate Citizenship Activities

Under the theme of "Aiming for a Healthier Society," we conducted global corporate citizenship activities around the keywords of cancer, infectious disease, lifestyle diseases, dementia/Alzheimer's disease and blood donation. A total of 13,000 people took part. We held numerous activities around the world. In Japan, we participated in the Relay for Life, sponsored by the Japan Cancer Society. Around 100 employee volunteers participated in this charity event, when was held at 10 locations around Japan to support patients fighting cancer.



»Sustainability Data Book > Society > Corporate Citizenship Activities

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.

At meetings with institutional investors and analysts, we engage proactively on such themes as our management strategies, business model and medium- to long-term management plans, as well as R&D, shareholder returns capital policies and ESG. Although headquartered in Kobe, Sysmex visits locations including Tokyo, the United States, and European and Asian countries to conduct IR meetings.

In terms of information disclosure, in addition to business results briefings and conference calls, in the supplements to its financial data Sysmex proactively discloses voluntary information such as operating performance by region, type of business and product type. To foster a deeper understanding of our management strategy and business activities, we hold IR events to provide opportunities for a direct look at our activities, through facility tours and tours of offices in Japan and overseas. In the fiscal year ended March 31, 2019, some 80 people attended a technology briefing at Mediaroid Corporation, a joint venture with Kawasaki Heavy Industries, Ltd. In addition, each year we hold a technology presentation in which people in charge of R&D divisions provide explanations about R&D progress. In the fiscal year ended March 31, 2019, we encouraged fair disclosure at these events by providing simultaneous interpretation in English.

Targeting individual investors, we conduct briefings in combination with securities companies, and through our shareholder newsletter and website we endeavor to introduce our business activities in an easy-to-understand manner. Every year, we invite individual investors to tour our business sites. In the fiscal year ended March 31, 2019, we increased the number of lottery spaces available on the tours to coincide with our 50th anniversary of establishment.

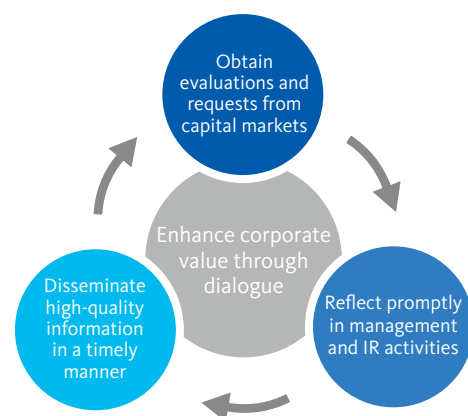
At our ordinary general meeting of shareholders, we value opportunities for frank discussion, and along with these meetings we hold social gatherings attended by the Company's members of the Managing Board. Shareholders who are unable to attend the general meeting can exercise their voting rights in writing or over the Internet.

Attendees of the 52nd Ordinary General Meeting of Shareholders **Approx. 400 people**

Meetings with institutional investors and analysts **Approx. 400 meetings**

Participants in company tours for individual shareholders (held three times) **Approx. 190 people**
(Fiscal year ended March 31, 2019)

Objectives of Sysmex's IR Activities



Major Awards Received for IR Activities (Fiscal Year Ended March 31, 2019)

Sponsor	Awards
WICI Japan	Received the Encouragement Prize in the 6th WICI Japan Award for Excellence in Integrated Reporting
Securities Analysts Association of Japan	Selected for excellence in disclosure at the 2018 Awards for Excellence in Corporate Disclosure, sponsored by the Securities Analysts Association of Japan, ranking second in the pharmaceuticals category
Institutional Investor	Ranked in five categories in Institutional Investor 2019 in the Japanese Medical Technologies and Services division, including first in "Best CEOs," first in "Best CFOs" and second in "Best IR Professionals"

Highlight: Environmental Activities Promoting Initiatives to Achieve Sysmex Eco-Vision 2025

We recognize that mitigating climate change; using water, mineral and other resources; and protecting biodiversity are critical to the sustainability of the global environment. At the same time Sysmex, which conducts business globally, recognizes that large-scale natural disasters stemming from climate change present management risks, such as halting the procurement of substances and manufacturing functions. We also believe that environmental activities encourage coexistence with local communities and help us gain support from stakeholders.

Along with the Sysmex Group's long-term management goals, we have formulated Sysmex Eco-Vision 2025, which concludes in the fiscal year ending March 31, 2026. We have defined "environmental conservation" as a materiality item and are conducting environmental preservation activities accordingly. Furthermore, we disclose information as recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

■ Sysmex Eco-Vision 2025

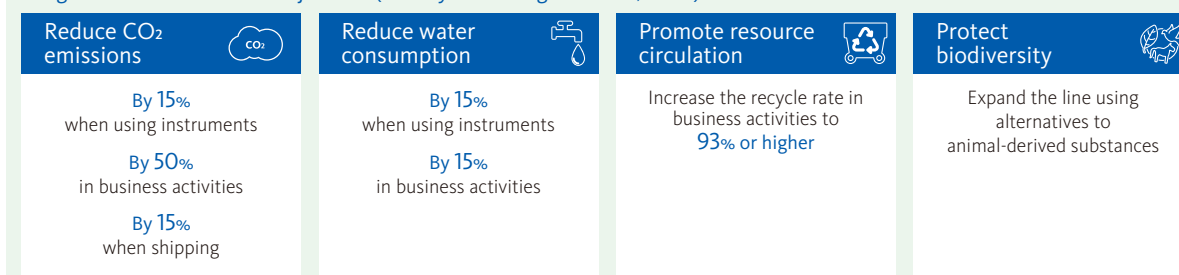
Long-Term Environmental Vision

Sysmex remains committed to protecting the global environment by setting environmental objectives for the product/service life cycle and the value chain of its business activities through the fiscal year, ending March 31, 2026.

1. We reduce CO₂ emissions to contribute to prevention of climate change.
2. We promote resource consumption reduction and resource circulation to help to enhance sustainability of natural resources.
3. We contribute to biodiversity protection under a full awareness of the impact of our business activities on the natural environment.

Long-Term Environmental Objectives (Fiscal year ending March 31, 2026)

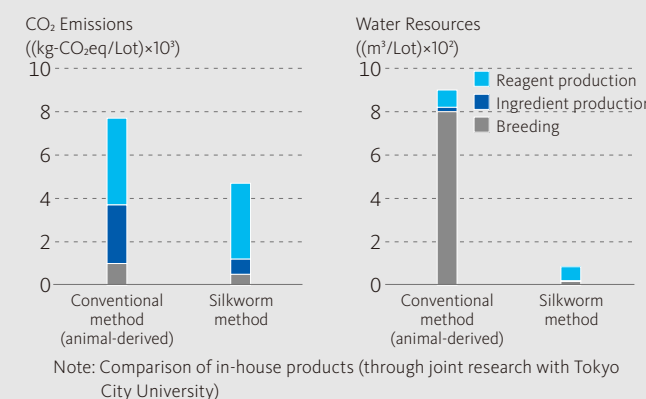
(Base year: Year ended March 31, 2017)



<Activity Case Study> Environmental Consideration in the Production of Raw Materials

To curtail the use of natural resources, Sysmex has established a production method using recombinant silkworms as an alternative to the use of animal-derived proteins in its reagents. In the past, producing these substances required substantial amounts of energy. However, as gene recombinant silkworms can be cultivated in typical rooms, we anticipate a stable supply, as well as energy savings and waste reduction. We use proteins produced by silkworms in Revohem PT, a hemostasis reagent. This is the first such product to obtain regulatory certification for production in Japan. We have begun utilizing this technology in our contract manufacturing services.

■ Comparison of Method Using Silkworms and Conventional Method (Revohem PT)



»Sustainability Data Book > Environment

Corporate Governance

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

Management Organization

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 corporate value of the overall Group by enhancing management soundness and transparency and raising management speed and efficiency.

Sysmex has adopted the 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 function, 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

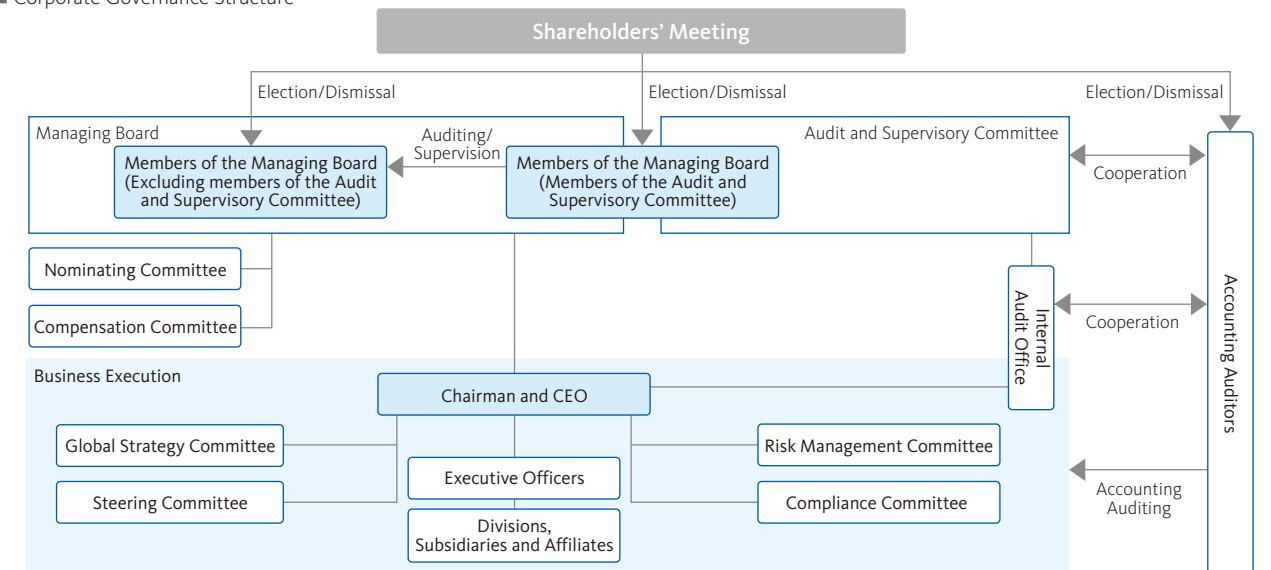
decision-making on business execution and respond swiftly to changes in the business environment. In the fiscal year ended March 31, 2019, we expanded our chief officer system, establishing the posts of CFO, COO and CTO to clarify roles and responsibilities for finance, operations and technology, and increased the speed of strategic execution in those areas.

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).

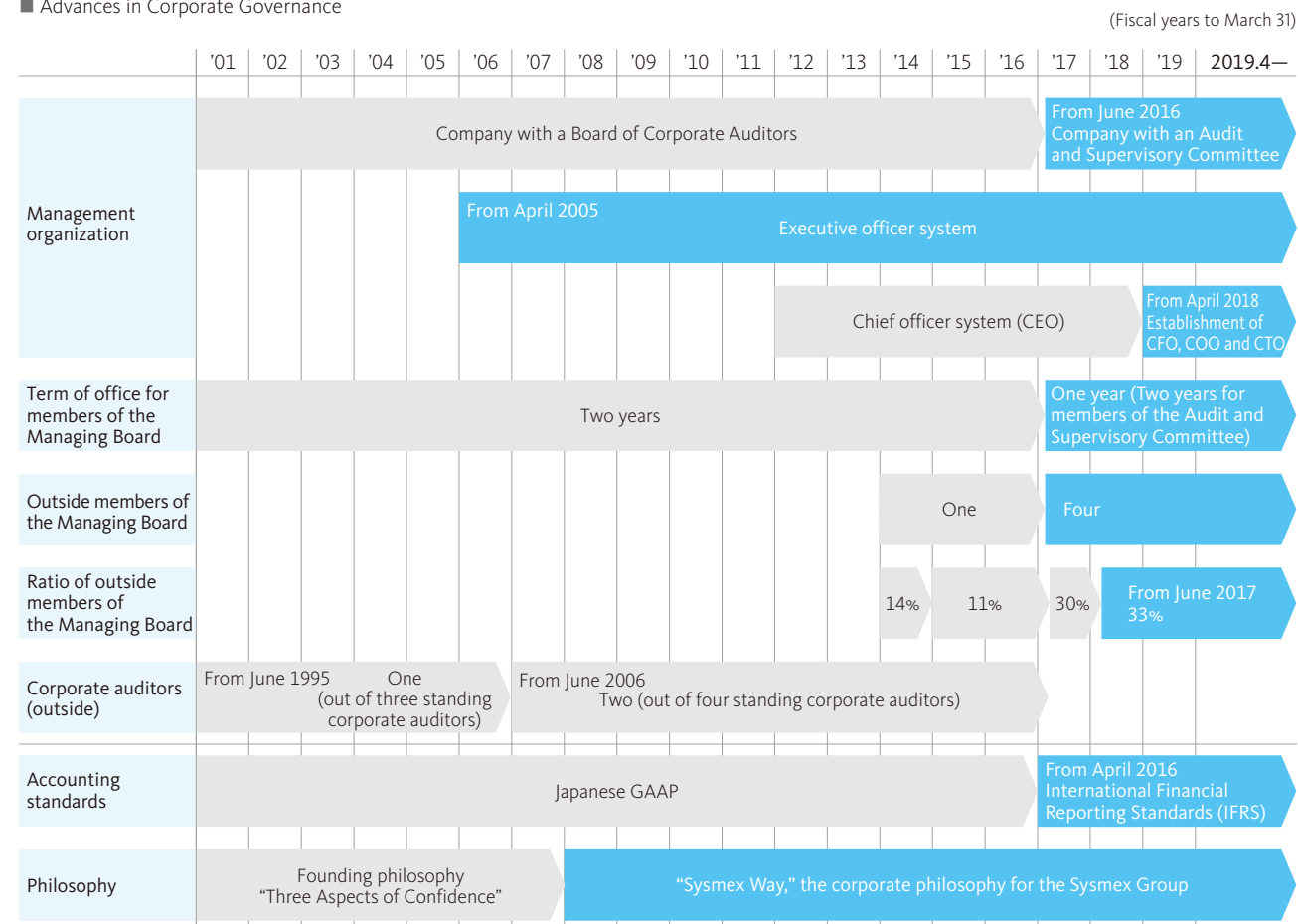
Sysmex complies with each of the principles of Japan’s Corporate Governance Code, introduced by the Tokyo Stock Exchange. Please see our website for details.

[»About Sysmex > Corporate Governance](#)

Corporate Governance Structure



Advances in Corporate Governance



Organization	Function and Content	Composition	Meetings in the Fiscal Year Ended March 31, 2019
Managing Board	Deliberate important matters related to management	Members of the Managing Board	13
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)	3
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)	3
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	26
Global Strategy Committee	Deliberate 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)	13
Steering Committee	Discuss, deliberate and report on projects that are important from the perspective of making progress on the Group’s fiscal yearly plan	Chairman and CEO*, executive officers, member of the Audit and Supervisory Committee (1)	13

*Participating as an observer

Composition of the Managing Board (As of June 30, 2019)

	Career	Gender	Date of Birth	Appointment	Independent	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	M	Sep. 1949	1986		100%	100%	100%	—
	Yukio Nakajima	M	Jul. 1950	1999		100%	100%	100%	—
	Kaoru Asano	M	Oct. 1958	2014		100%	100%	100%	—
	Kenji Tachibana	M	Dec. 1957	2014		100%	—	—	—
	Junzo Yamamoto	M	Aug. 1955	2017		100%	—	—	—
	Iwane Matsui	M	Jan. 1961	2019		—	—	—	—
	Hiroshi Kanda	M	Jul. 1957	2019		—	—	—	—
Outside	Yukitoshi Kamao	M	Mar. 1956	2016		100%	—	—	100%
	Masayo Takahashi	F	Jun. 1961	2016	○	92.3%	—	—	—
	Kazuo Ota	M	Jan. 1955	2019	○	—	—	—	—
	Koichi Onishi	M	Jul. 1947	2016	○	100%	100%	100%	100%
	Kazuhiro Kajiura	M	Jan. 1950	2016	○	100%	—	—	100%

Note: Attendance figures are for the fiscal year ended March 31, 2019.

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). An overview of the Managing Board's effectiveness, based on the deliberation of aggregate results by the Managing Board, is provided below.

(Composition)

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

(Operation)

The provision of information necessary to fully discuss the Managing Board's agenda is generally appropriate. To further improve effectiveness, the Company is continually working to improve the Managing Board's operation through the early-stage distribution of materials and the provision of explanations, as necessary, to outside members of the Managing Board, organizing points at issue, and providing related information necessary to understand the background.

(Status of Agenda and Deliberation)

The time for addressing and deliberating the Managing Board's agenda is appropriate, and we strive to provide individual members of the Managing Board with an understanding of agenda items and information prior to meetings, as well as to leverage their knowledge and experience to engage in deliberation.

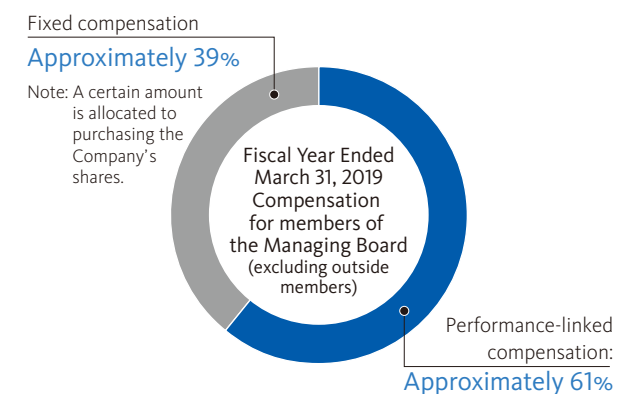
Proposals have been made with regard to matters introduced by individual members of the Managing Board to be deliberated by and reported to Managing Board, and to improve management through further vitalization. Regarding

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

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

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 on the basis of 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



■ Breakdown of Executive Compensation (Fiscal Year Ended March 31, 2019)

Executive Category	¥ million			Number of Subject Members
	Total Compensation	Fixed Compensation	Performance-Linked Compensation	
Members of the Managing Board (excluding members of the Audit and Supervisory Committee) (excluding outside members)*	698	259	438	7
Members of the Managing Board (Members of the Audit and Supervisory Committee) (excluding outside members)	24	24	—	1
Outside executives	28	28	—	4

*Includes members of the Managing Board who stepped down in the fiscal year ended March 31, 2019

Executives Receiving Total Compensation of ¥100 Million or More

Name	Executive Category	Company Category	¥ million		
			Total Compensation	Fixed Compensation	Performance-Linked Compensation
Hisashi Ietsugu	Member of the Managing Board	Submitting company	195	59	136

compensation. Performance-linked compensation amounts are multiplied by a variable compensation factor within 3% of profit attributable to owners of the parent to determine the total amount of variable compensation. From this amount, position-specific factors (related to the scale and responsibility of members of the Managing Board, as well as the degree of their impact on Group management) and individual evaluation factors are used to determine individual disbursements. Remuneration for members of the Managing Board (members of the Audit and Supervisory Committee) and outside members of the Managing Board consists of fixed remuneration only.

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

A certain portion of fixed compensation for members of the Managing Board and executive officers is applied toward the purchase of the Company's stock in the aim of bolstering shareholder value by motivating management to pursue long-term increases in corporate value. The Company aims for the Chairman, President and CEO to hold shares worth five times his fixed compensation, and for other members of the Managing Board and executive officers to hold shares worth twice their fixed compensation, and for them to hold the acquired shares during their terms of office. As of March 31, 2019, the Chairman, President and CEO held 610 thousand shares, and other members of the Managing Board and executive officers (only those who hold shares) held an average of 30 thousand shares in the Company.

Compliance

Based on our 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, 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.

With regard to research ethics, we protect the dignity and human rights of subjects and comply with laws and regulations. Also, Sysmex has adopted the Ethics Regulations on Clinical Research and Development and Human Genome and Genetic Analysis Research and also established a Research Ethics Examination Committee, which includes outside members such as legal and science experts, in order to review research content.

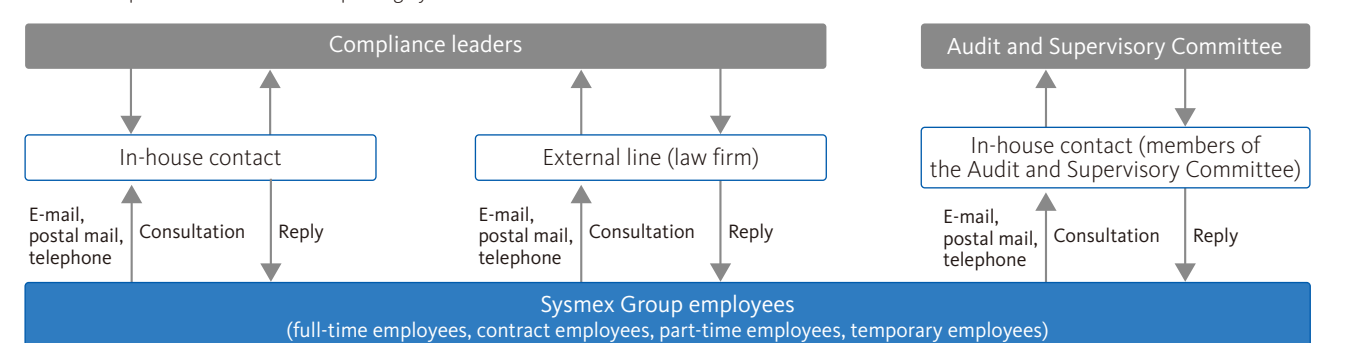
On anti-corruption, Sysmex has joined the United Nations Global Compact. We operate in accordance with one of the 10 principles, which states that "Businesses should work against corruption in all its forms, including extortion and bribery." We put in place standards and conduct awareness activities throughout the Group on this basis.

Sysmex has established and operates an internal reporting system spanning all Group companies. We have set up "Campanula Lines" as an internal reporting system in Japan. Through this system, we field consultations about compliance-related problems, including bribery and human rights violations and seek to resolve them quickly. "Campanula Lines" allow our employees to seek consultations and file reports via telephone, postal mail or e-mail through two lines (in-house and external). We have also set up a line of communication to members of the Audit and Supervisory Committee to handle consultations and field reports related to the management team. Based on the Whistleblower Protection Act, any information received is handled anonymously to protect those providing the information from any adverse reactions. Overseas consultation and reporting lines are available in local languages.

In the fiscal year ended March 31, 2019, we received a total of 14 consultations, including in Japan and overseas. We conducted factual inquiries for consultations and dealt with each of them appropriately.

»Sustainability Report > Governance > Compliance

■ The "Campanula Lines" Internal Reporting System



Risk Management

Sysmex has established the Risk Management Committee (RM Committee) to control groupwide risk management activities. The committee is chaired by a risk management officer, a senior managing director. Committee members include members of the Managing Board who are involved with risk, as well as executive officers.

The committee regularly assesses a variety of risks and establishes measures to counter specific risks with the potential to significantly impact Group business. In addition, the committee monitors the status of risk management by related committees, as well as individual divisions and affiliated companies. If risks with the potential to substantially affect Group management materialize, the committee deliberates countermeasures.

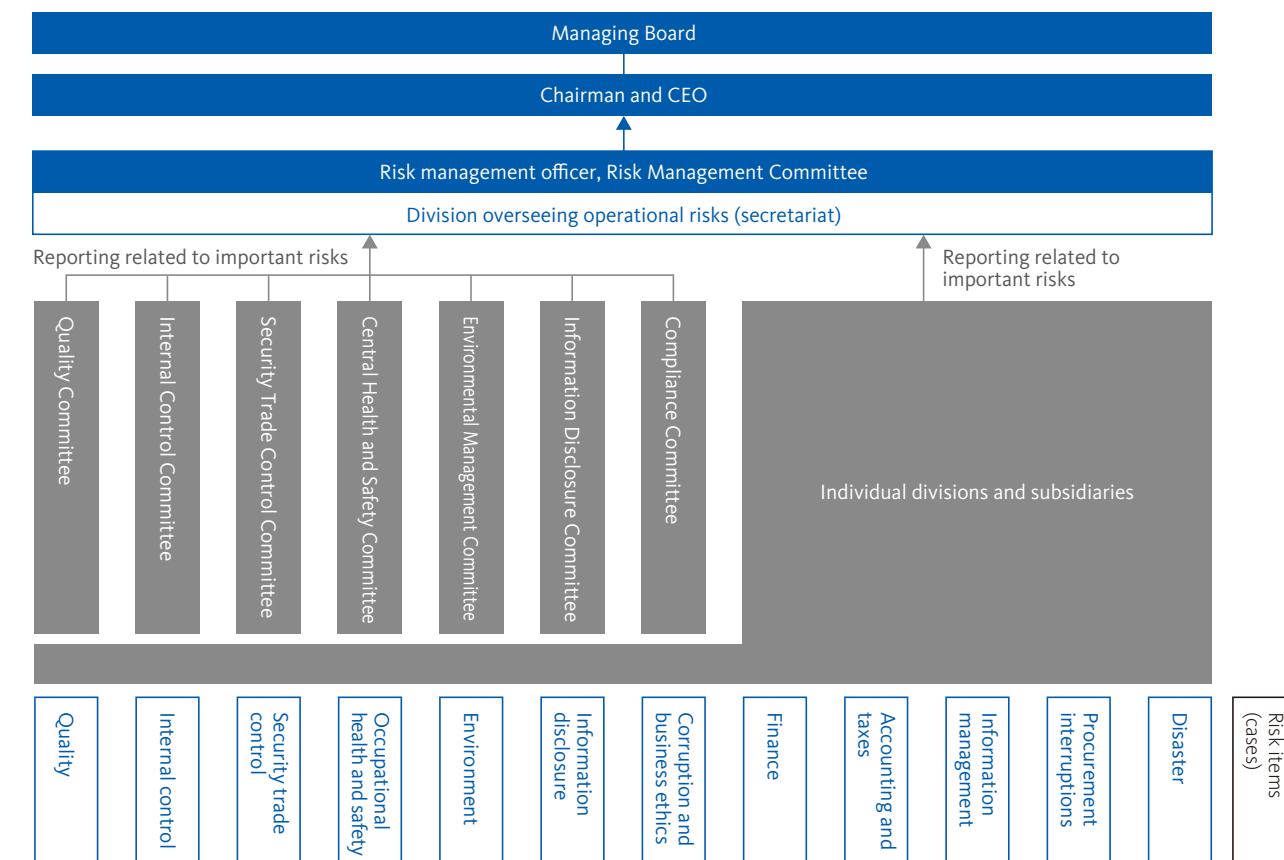
Sysmex has formulated individual business continuity plans (BCPs) for manufacturing, procurement and other functions, to ensure the Group is able to meet its social responsibility of providing a stable supply of products and services to medical institutions in the event of disasters and other crisis situations.

Our BCPs identify products to be given provision priority so that our products can continue to function in a stable manner at healthcare institutions even in crisis situations. We have also prepared disaster-response regulations and manuals, including basic disaster-response regulations, putting in place systems that enable us to respond swiftly in emergencies.

Regarding information security, Sysmex handles data about its customers, as well as on the entities with which it collaborates on R&D and other testing, as well as information on the Company's proprietary technologies. We recognize the importance of upholding information such as this, as well as of other important corporate secrets, and view the leak of such corporate secrets as an important risk for the Group. Accordingly, we have in place structures to prevent this risk from materializing. We have also formulated consistent global regulations for information security and corporate secrets for all Group companies, strengthening measures to prevent information leaks and counter cyber threats.

»Sustainability Report > Governance > Risk Management

■ Risk Management Structure



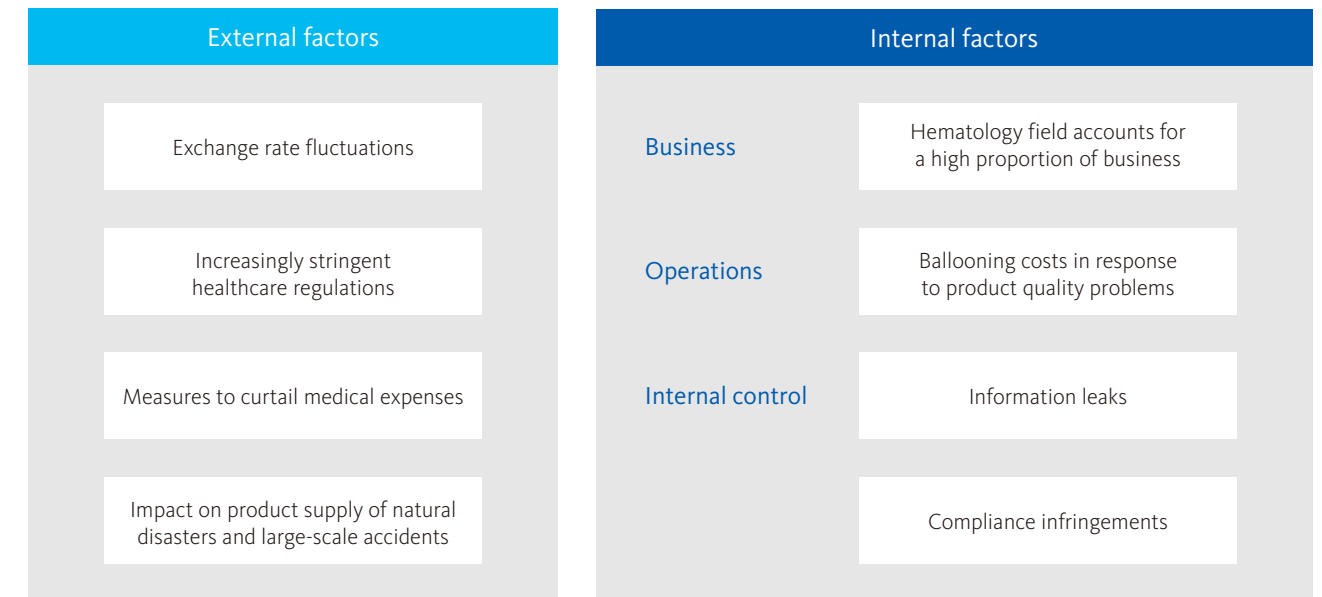
Note: Individual committees' roles

- RM officer/RM committee
- Individual divisions and subsidiaries
- Individual committees

Normal Times
Response to significant risks, supervision of Group risk management
Risk assessment, operational risk measures
Routine risk management

Times of Emergency
Response to crises
Response to operational risks
Response to operational risks

Principal Business Risks



Risk	Background	Principal Responses
● Impact of exchange rate fluctuations on operating performance	<ul style="list-style-type: none"> • Our overseas sales ratio is higher than 80%. • Sales in emerging markets are expanding, so more transactions are conducted in non-key currencies. 	<ul style="list-style-type: none"> • Our corporate finance division and local subsidiaries use foreign exchange contracts to hedge risk.
● Delayed new product launches due to increasingly stringent healthcare restrictions	<ul style="list-style-type: none"> • Healthcare regulations are becoming increasingly stringent in developed countries. • Emerging market growth is prompting the introduction of independent regulations. 	<ul style="list-style-type: none"> • Our corporate Regulatory Affairs Division and local subsidiaries work to ascertain the most recent laws and regulations and put optimal structures in place.
● Worsening market conditions due to measures to curtail medical expenses	<ul style="list-style-type: none"> • Falling childbirths and aging populations, combined with technological innovations, are causing medical expenses to soar and boosting cost pressure, particularly in developed countries. 	<ul style="list-style-type: none"> • We contribute to higher healthcare management efficiency through the provision of highly productive products and services.
● Impact on product supply of natural disasters and large-scale accidents	<ul style="list-style-type: none"> • Our instrument manufacturing structure is centered in Japan. • We operate a reagent production structure with locations around the world. • Natural disasters are growing more frequent. 	<ul style="list-style-type: none"> • We have introduced seismic isolation structures at our instrument factories. • We have diversified our reagent factories globally and created a system of mutual supply.
● A high percentage of business in the hematology field	<ul style="list-style-type: none"> • The hematology field accounts for 61.9% of net sales. • Commercialization of the Life Science Business has been delayed. 	<ul style="list-style-type: none"> • We are expanding our business portfolio.
● Growing costs to respond to product quality problems	<ul style="list-style-type: none"> • We provide products and services in more than 190 countries. 	<ul style="list-style-type: none"> • We are putting in place and utilizing frameworks for maintaining quality in accordance with individual countries' laws and regulations and international standards. • We are reinforcing our structure for checking product quality prior to launch.
● A stoppage of business activities and decline in confidence due to information leaks	<ul style="list-style-type: none"> • Corporate cyber threats are increasing. 	<ul style="list-style-type: none"> • We have created a dual network, are thorough in our routine operational administration and have put in place virus gateways, as well as other security countermeasures.
● A decrease in corporate value due to compliance infringements	<ul style="list-style-type: none"> • Society is becoming increasingly focused on compliance. • The number of global employees is growing as affiliated companies increase. 	<ul style="list-style-type: none"> • We conduct compliance education for employees. • We operate an internal reporting system.

Members of the Managing Board



Iwane Matsui

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

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

Koichi Onishi

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)
Independent Director

Hisashi Ietsugu

Chairman and CEO

Yukitoshi Kamao

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

Kaoru Asano

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

Kazuhito Kajiuura

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

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

Hisashi Ietsugu
 Chairman and CEO
 Number of Company shares held: 610,300 shares

- 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
 Member of the Managing Board and Senior Executive Officer
 Senior Managing Director, CFO
 Corporate Business Planning and Administration
 Number of Company shares held: 94,500 shares

- 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
 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: 49,900 shares

- 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.

Hiroshi Kanda
 Member of the Managing Board and Senior Executive Officer
 Managing Director
 IVD Business Unit IVD Business Development
 Number of Company shares held: 54,000 shares

- 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
 Member of the Managing Board (Outside)
 Independent Director
 Number of Company shares held: N/A

- Oct. 1992 Ph.D. of Medicine and Assistant Professor of Ophthalmology, Kyoto University Hospital
- Oct. 2001 Associate professor, Team Leader of Retinal Regeneration Project, Translational Research Center, 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
- Nov. 2014 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)

Note: Ms. Takahashi stepped down from RIKEN as of July 31, 2019, and was appointed president of Vision Care Inc.

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
 Member of the Managing Board (Outside)
 Independent Director
 Number of Company shares held: N/A

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

Kenji Tachibana
 Member of the Managing Board and Senior Executive Officer,
 Senior Managing Director,
 COO IVD Business Unit
 Number of Company shares held: 28,200 shares

- Mar. 1980 Joined the Company
- Apr. 1998 President of Sysmex Singapore Pte Ltd. (now 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
 Member of the Managing Board and Senior Executive Officer
 Managing Director
 Manufacturing and SCM
 Number of Company shares held: 28,600 shares

- 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
 Member of the Managing Board and Senior Executive Officer
 Managing Director
 Global Marketing
 Number of Company shares held: 200 shares

- 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.

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

- 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.

Koichi Onishi
 Member of the Managing Board (Outside)
 (Member of the Audit and Supervisory Committee), Independent Director
 Number of Company shares held: 1,000 shares

- Jul. 1971 Joined Kobe Steel, Ltd.
- Jun. 2002 Executive Officer
- Apr. 2004 Managing Executive Officer
- Apr. 2007 Senior Managing Executive Officer
- Jun. 2010 Retired from Senior Managing Executive Officer of Kobe Steel, Ltd.
- Jun. 2010 President of Nippon Koshuha Steel Co., Ltd.
- Jun. 2013 Executive Corporate Adviser
- Jun. 2014 Joined the Company, Corporate Auditor
- Jun. 2015 Retired from Executive Corporate Adviser of Nippon Koshuha Steel Co., Ltd.
- Jun. 2016 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.

Kazuhito Kajiura
 Member of the Managing Board (Outside)
 (Member of the Audit and Supervisory Committee), Independent Director
 Number of Company shares held: 200 shares

- Sep. 1972 Joined Tohmatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC)
- Jun. 1989 Partner, Tohmatsu Awoki & Sanwa (current Deloitte Touche Tohmatsu LLC)
- Jan. 2013 Retired from Deloitte Touche Tohmatsu LLC
- Jun. 2016 Joined the Company, Member of the Managing Board (Outside) (Member of the Audit and Supervisory Committee) (current)

Reasons for Appointing

He was appointed to contribute to ensuring the soundness and transparency of the Managing Board, enhancing its audit oversight functions, and other matters, with his professional expertise and experience as a certified public accountant, and his extensive experience in such as leading and auditing global companies.

Here, we speak with the outside members of the Managing Board we interviewed previously, for *Sysmex Report 2018*, about progress on issues over the past year and their expectations for the future.



Masayo Takahashi
Member of the Managing Board (Outside)
Independent Director



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

How would you evaluate Sysmex's progress on technological development?

I recognize that Sysmex always tries to stay a half-step ahead of the curve. It might be accurate to say Sysmex is a "company that believes in being prepared to make changes." The ability to put technologies to practical application in healthcare settings requires more than technological expertise. I give Sysmex high marks for the way it absorbs leading-edge information through collaborative research with healthcare professionals and researchers, ascertains needs, and does not miss the chance to develop valuable diagnostic technologies. For example, amid the growing momentum of the healthcare industry's calls for gene diagnosis, in December 2018 Sysmex took the lead over other companies in obtaining

manufacturing and marketing approval for the NCC Oncopanel System*. Obtaining approval for advanced technologies is difficult if initiatives are too early; if too late, other companies might take the lead. I think Sysmex is unique in its ability to develop the necessary technologies with excellent timing.

Also, although pharmaceutical manufacturers do not collaborate among themselves, Sysmex is in the strong position of being able to collaborate with any pharmaceutical manufacturers. Making full use of these capabilities, I hope Sysmex will continue to shape the advancement of healthcare by remaining a half-step ahead of the curve.

*Covered by health insurance in Japan from June 2019

What have you noticed about the atmosphere of the Managing Board?

I tend to point out issues and ask questions related to technologies, so my questions are somewhat specialized. Even so, these questions are always answered to my satisfaction. I think this is because the board has already considered a host of policies and risks and taken

these into consideration in advance from a management perspective. I approve of the board atmosphere that encourages frank expression of opinion, even if the person I am speaking to may be the Company's chairman and CEO.

As the only female member of the Managing Board, please share your thoughts on the participation and advancement of women at Sysmex.

I am not satisfied with the percentage of female managers. That said, I expect this figure to gradually increase, as the Company has many highly motivated women. I would like to see the Company accelerate this trend, while recognizing that stepping things up inappropriately is not good, either.

The Company is making steady progress on creating the framework for realizing a comfortable working environment.

Providing a working atmosphere that is comfortable to work in and where people can make the most of their skills is good for all employees, including men, who are involved in nursing care and child-rearing. I would like to see the Company continue to promote an understanding of diversity and inclusion and to reinforce its initiatives in this regard.

Looking back on the fiscal year ended March 31, 2019, how would you assess Sysmex's progress on operating performance?

In the fiscal year ended March 31, 2019, although Sysmex continued to grow, posting year-on-year increases in net sales and profits, performance fell short of initial forecasts. I heard detailed explanations from related divisions on this front, and the Steering Committee engaged in substantial deliberation. Among the issues that came

to light, I have communicated my desire for Sysmex to further enhance its checking function with respect to progress on the mid-term management plan. I hope to engage in detailed analysis based on this progress and increase the amount of time spent deliberating this topic at meetings of the Managing Board.

In our interview last year, you indicated that enhancing human resources was essential and pointed this out as a management issue. How would you evaluate the progress that has been made since then?

On a global basis, Sysmex has nearly 9,000 employees. As human resources are the key to generating highly valuable products and services that lead to sustainable growth, Sysmex needs to recruit and develop next-generation leaders and highly specialized human resources. The new mid-term management plan addresses these

issues, indicating efforts to create a human resource management system that will reinforce global competitiveness through digitalization, promote work style reforms, and otherwise make steady progress on a variety of reforms that are currently underway. I look forward to seeing the results of these efforts.

What do you consider your role on the Managing Board to be?

I believe a balance of skills exists among outside members of the Managing Board. Ms. Takahashi is a doctor and an academic, and she comments and asks questions about R&D policy from a specialist perspective. Mr. Onishi and the newly appointed Mr. Ota come from management backgrounds, and they can appropriately analyze and provide suggestions on Sysmex's management strategy and progress from that perspective. I take advantage of my background as a certified public accountant to make suggestions mainly from

the perspective of risk management and auditing. In general, internal audits tend to lack substance, but Sysmex's internal audits rank within the top five of those I have been involved in to date. To reinforce corporate governance, particularly to enhance the internal control system, I would like to communicate more with audit departments—including those of affiliated companies—and step up their activities with a view to contributing toward increases in corporate value.



From left: Takashi Ono, Mamoru Kubota, Kensuke Iizuka, Yukio Hamaguchi, Peng Zuo Hui, John Kershaw, Tomokazu Yoshida, Ikuo Otani, Frank Buescher, Keiji Fujimoto, Mitsuhsa Kanagawa

John Kershaw
Senior Executive Officer
Chairman, Sysmex America, Inc.
Deputy Head of COO IVD Business Unit
Special Projects and Missions

Keiji Fujimoto
Executive Officer
Regulatory Affairs & Quality Assurance

Frank Buescher
Executive Officer
CEO, Sysmex Asia Pacific Pte Ltd.

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

Peng Zuo Hui
Executive Officer
President and CEO, Sysmex Shanghai Ltd.

Takashi Ono
Executive Officer
Executive Vice President of SCM

Ikuo Otani
Senior Executive Officer
IVD Business Unit
IVD Product Development

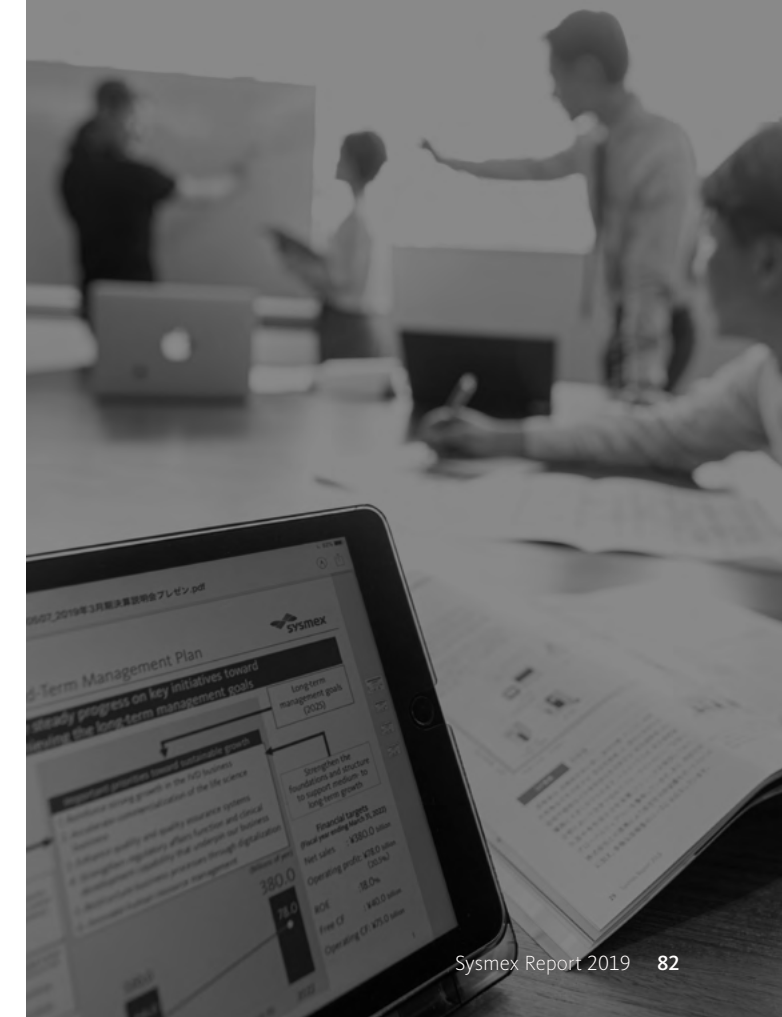
Tomokazu Yoshida
Executive Officer
Executive Vice President of Central
Research Laboratories
MR Business Development

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

Mamoru Kubota
Senior Executive Officer
LS Business Unit

Kensuke Iizuka
Executive Officer
Deputy Head of Human Resources and
General Affairs
Executive Vice President of
Human Resources

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Operating Environment

In the fiscal year ended March 31, 2019, overall the overseas economy continued its gradual recovery, despite several trends affecting business confidence: prolonged trade friction between the United States and China, the raising of tariffs and other protectionist moves, and growing uncertainty about policy trends in many countries. In Japan, the employment and income environment continued to improve, and corporate capital investment remained firm.

On the healthcare front, looking overseas the populations of developed countries are aging, while in emerging markets healthcare demand is increasing in line with economic growth. These trends are prompting higher levels of healthcare quality and service enhancements, increasingly efficient healthcare and structural changes brought about by artificial intelligence, information and communications technology, and other breaking technologies. In Japan, the medical and healthcare field faces growing demand due to an aging society and increasingly diverse health and medical needs. The Japanese government is including the medical and healthcare industry in its growth strategies, which is expected to continue invigorating healthcare-related industries going forward.

Overview of Operating Performance

In the fiscal year ended March 31, 2019, overseas sales increased, mainly due to higher sales of reagents in the hematology, hemostasis, immunochemistry and life science fields.

Reagent sales also increased in Japan, chiefly in the hematology, immunochemistry and urinalysis fields, but sales in Japan were down due to the impact of the dissolution of a joint venture with bioMérieux. As a result, net sales increased ¥11.5 billion year on year (up 4.1%), to ¥293.5 billion, and the overseas sales ratio came to 85.0% (up 1.0 percentage point).

Due to the reclassification of service consignment expenses in China and other extraordinary factors in the previous fiscal year, the cost of sales increased by ¥8.9 billion (up 7.2%), to ¥131.8 billion. The cost of sales ratio was 44.9% (up 1.3 percentage points).

Selling, general and administrative (SG&A) expenses decreased ¥1.3 billion (down 1.6%), to ¥81.2 billion, affected by successful efforts to curtail costs and an extraordinary factor in the preceding fiscal year, the dissolution of the employees' pension fund. SG&A expenses as a percentage of net sales were 27.7% (down 1.6 percentage points).

R&D expenses grew ¥2.8 billion year on year (up 16.9%), to ¥19.5 billion, as we developed new products to enhance our product portfolio and promoted R&D efforts in the fields of clinical testing and life science. R&D expenses as a percentage of net sales were 6.7% (up 0.8 percentage point).

Despite deterioration in the cost of sales ratio and higher R&D expenses, higher net sales pushed up gross profit, and we succeeded in curtailing SG&A expenses. As a result, operating profit increased ¥2.2 billion year on year (up 3.7%), to ¥61.2 billion, and the operating margin was 20.9% (down 0.1

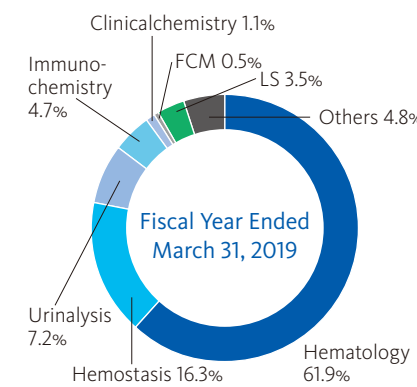
percentage point). Compared with the preceding fiscal year, exchange rates had a ¥0.1 billion positive impact on profit. Although affected mostly by the increase in operating profit, profit before tax decreased ¥0.1 billion year on year (down 0.3%), to ¥57.9 billion, affected by a ¥1.2 billion gain on sale of shares of associates in the previous fiscal year, a ¥0.7 billion increase in the share of loss on equity method and a ¥0.3 billion rise in foreign exchange loss. Due to a ¥2.2 billion decrease (down 11.8%) to ¥16.7 billion in income tax expenses, profit attributable to owners of the parent grew ¥2.0 billion (up 5.1%), to ¥41.2 billion. Return on equity was 16.3% (down 1.1 percentage point).

Progress on the Mid-Term Management Plan

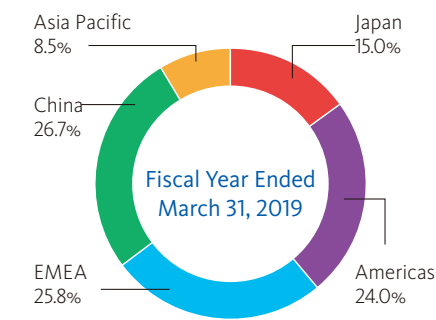
Under the previous mid-term management plan, Sysmex had targeted net sales of ¥350.0 billion and operating profit of ¥72.0 billion by the plan's final year, the fiscal year ending March 31, 2020. Our targets for the fiscal year ended March 31, 2019 were net income of ¥310.0 billion and operating profit of ¥62.0 billion. Although falling short of our initial target, net sales were up year on year, and operating profit was in line with expectations thanks to steady reagent sales. As a result, we were able to maintain an operating margin above 20%.

»Looking Back on the Previous Mid-Term Management Plan P35

■ Sales by Business

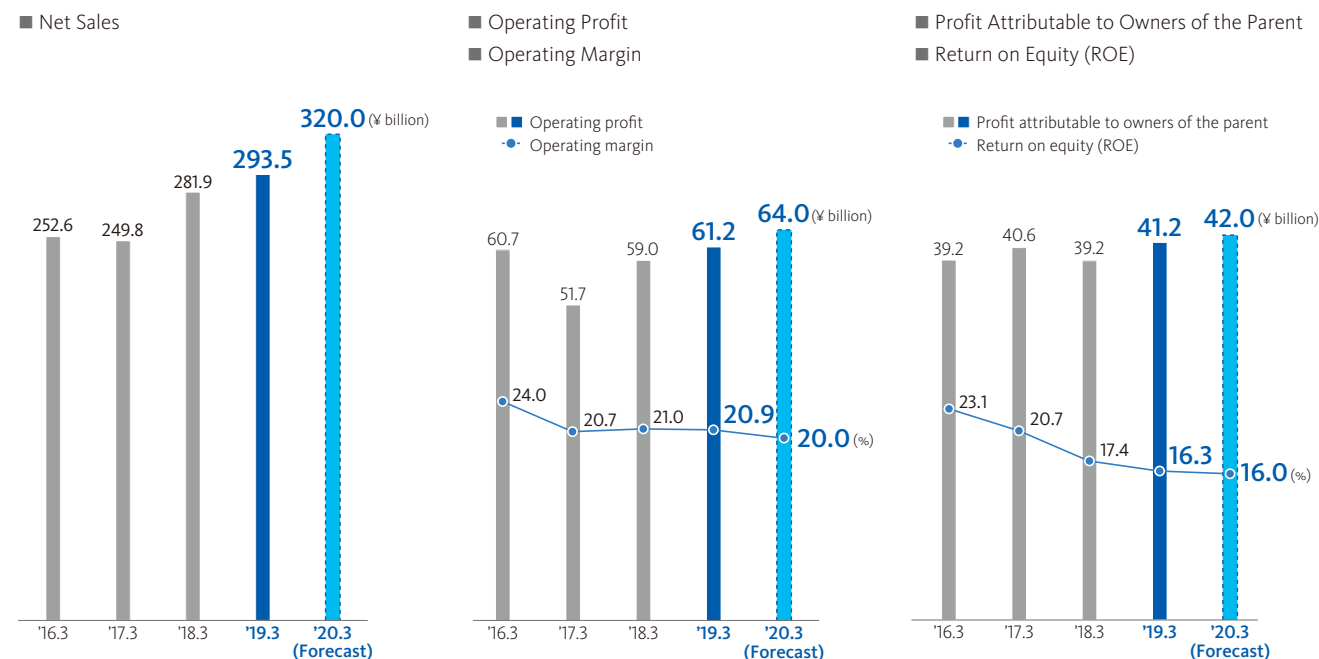


■ Net Sales by Destination

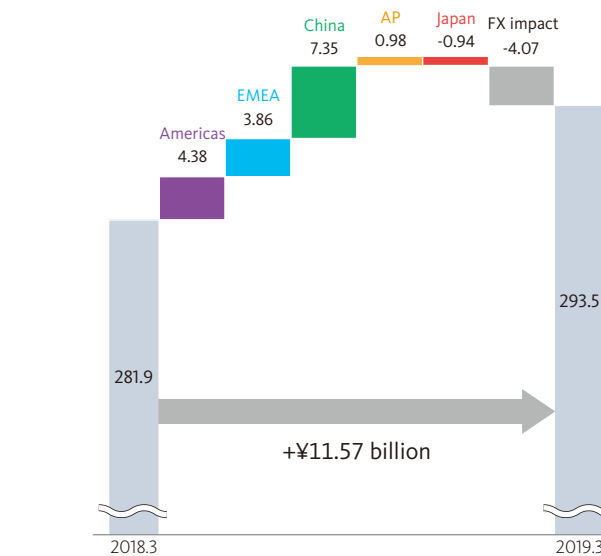


■ Exchange Rates (Yen)

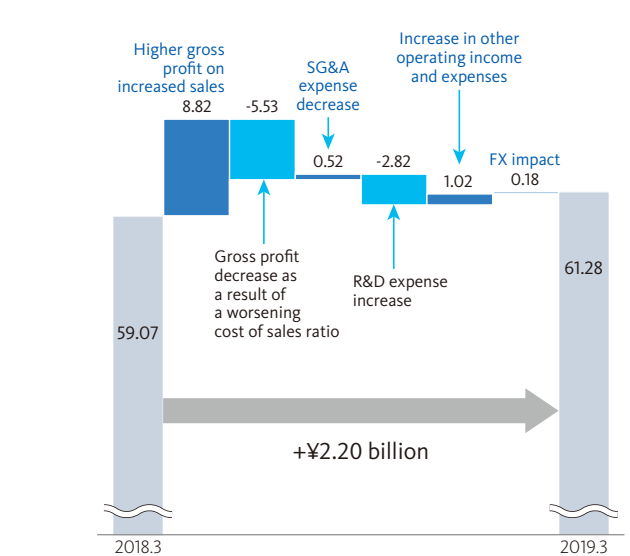
	'17.3	'18.3	'19.3
1USD	108.4	110.9	110.9
1EUR	118.8	129.7	128.4
1CNY	16.1	16.8	16.5



■ 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, leveraging innovation and outstanding customer service. Sales in the United States increased due to higher sales of instruments and reagents, chiefly in the hematology field, with instrument sales also rising in the hemostasis field. In Central and South America, sales were down primarily due to lower sales of instruments to distributors in the hematology field. As a result, sales in the Americas came to ¥70.5 billion (up 6.3% 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 to strengthen business in the hemostasis field. In the fiscal year ended March 31, 2019, sales amounted to ¥75.6 billion (up 2.4%), despite the impact of emerging-market currency depreciation, thanks chiefly to higher sales of instruments in the hematology field and increased sales of reagents in the life science field.

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 200

sales distributors to provide products and services throughout the country. In the fiscal year ended March 31, 2019, sales of instruments were down, mainly in the hematology and hemostasis fields, but reagent sales grew in the hematology, hemostasis and immunochemistry fields, leading to sales in China of ¥78.2 billion (up 8.5%).

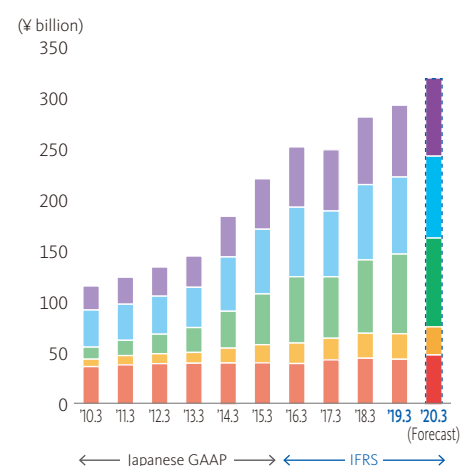
Asia Pacific

The Asia Pacific region has a large population, and the market is expected to expand further 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 the fiscal year ended March 31, 2019, sales were ¥25.0 billion (up 2.0%). Sales of reagents in the hematology and immunochemistry fields in Thailand and other Southeast Asian countries had a positive effect on performance, offset to some degree by the impact of a revision in the hematology sales structure in India and large government tenders in South Asia in the preceding fiscal year.

Japan

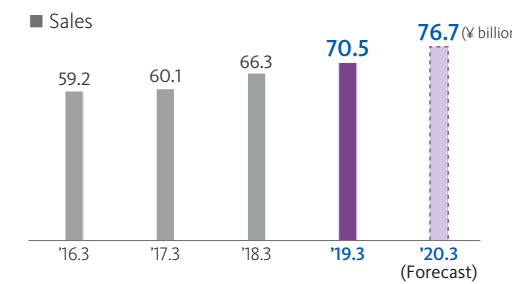
Aiming to establish the No. 1 position in the IVD market in Japan, Sysmex differentiates itself from competitors in the hematology, hemostasis, urinalysis and immunochemistry fields. In particular, we have created our most extensive sales and service and support systems in this market, and we enjoy a high level of customer satisfaction. In the fiscal year ended March 31, 2019, sales in Japan came to ¥44.0 billion (down 2.1%). Sales of immunochemistry reagents, life science reagents and assay services were up, but overall sales were down due to the dissolution of a joint venture with bioMérieux.

■ Net Sales by Destination

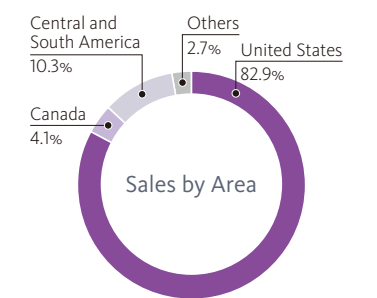


	'10.3	'11.3	'12.3	'13.3	'14.3	'15.3	'16.3	'17.3	'18.3	'19.3	'20.3 (Forecast)
Americas	23.6	26.5	28.6	30.7	39.9	49.5	59.2	60.1	66.3	70.5	76.7
EMEA	36.4	35.4	37.3	39.5	53.3	63.5	68.2	64.6	73.9	75.6	80.4
China	11.8	15.0	19.2	24.4	36.2	49.8	65.1	60.3	72.0	78.2	87.1
AP	7.3	9.1	9.7	10.6	14.6	17.8	20.1	21.2	24.5	25.0	27.6
Japan	36.8	38.5	39.7	40.3	40.3	39.8	43.4	45.0	44.0	48.2	48.2
Total	116.1	124.6	134.7	145.5	184.5	252.6	249.8	281.9	293.5	320.0	320.0

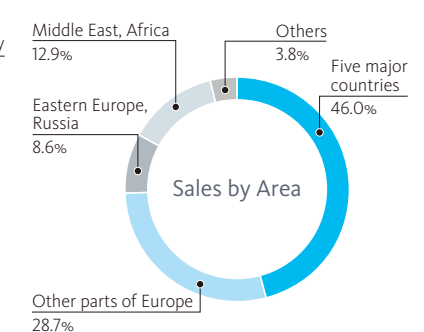
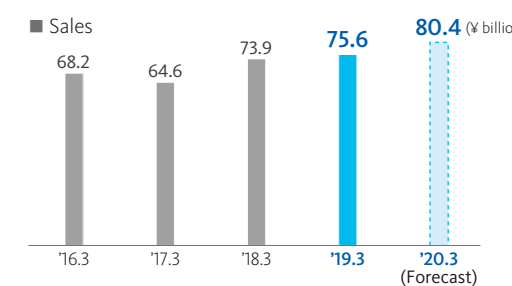
Americas



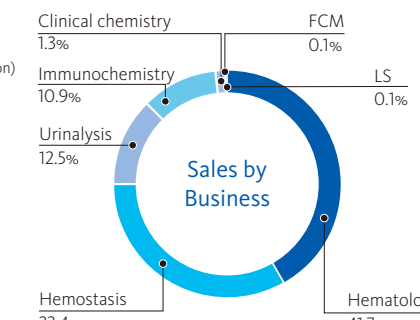
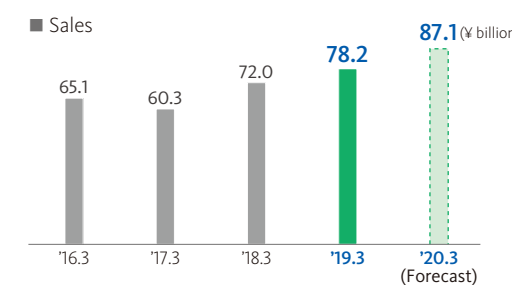
(Fiscal Year Ended March 31, 2019)



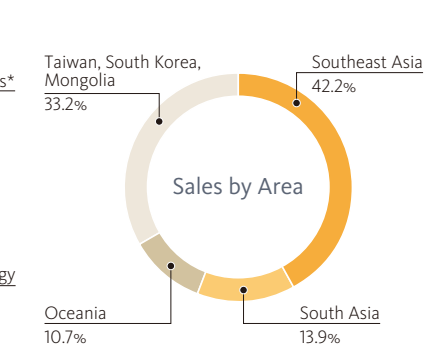
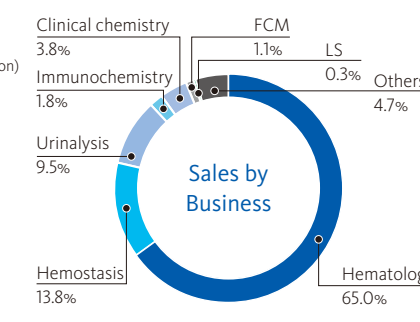
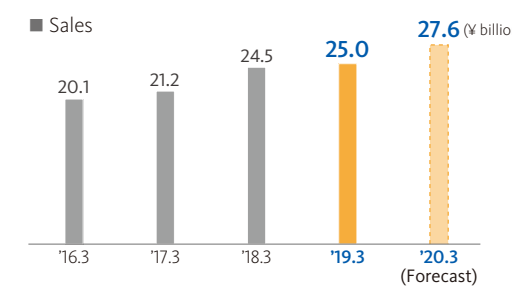
EMEA



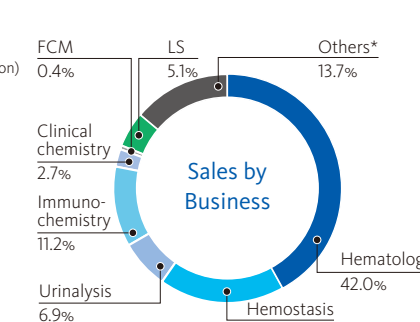
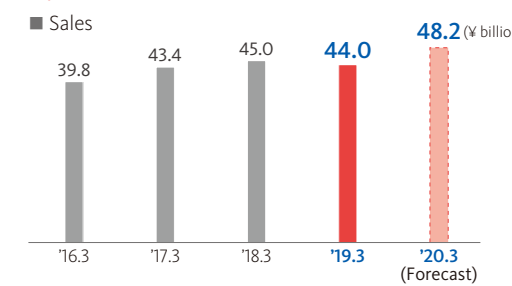
China



Asia Pacific



Japan



Others include clinical laboratory information systems and other items.

Fund Procurement and Liquidity Management

System 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. Our high rating helps reduce the cost of procuring funds in capital markets. It also enhances trust in the Company among stakeholders and the general population. 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 taking into account 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 March 31, 2019, total assets amounted to ¥346.7 billion, up ¥24.7 billion from March 31, 2018. As principal factors, cash

and cash equivalents were down ¥10.3 billion, trade and other receivables (current assets) were up ¥11.6 billion, property, plant and equipment was up ¥8.6 billion, other short-term financial assets were up ¥7.4 billion, and intangible assets were up ¥3.2 billion.

Total liabilities, meanwhile, were up ¥1.0 billion, to ¥81.5 billion. This increase was mainly due to a ¥1.1 billion rise in trade and other payables.

Total equity came to ¥265.1 billion, up ¥23.7 billion from March 31, 2018. Among principal reasons, retained earnings rose ¥26.4 billion, while other components of equity declined ¥3.3 billion. Equity attributable to owners of the parent to total assets rose 1.5 percentage points, from 74.8% to 76.3%.

Cash Flows

As of March 31, 2019, cash and cash equivalents amounted to ¥51.0 billion, down ¥10.3 billion from March 31, 2018.

Net cash provided by operating activities was ¥44.7 billion, down ¥7.4 billion from the preceding fiscal year. As principal factors, profit before tax provided ¥57.9 billion (¥0.1 billion less than in the preceding fiscal year), depreciation and amortization provided ¥15.8 billion (up ¥1.1 billion), an increase in trade receivables used ¥11.9 billion (up ¥4.6 billion), a decrease in inventories provided ¥0.4 billion (used ¥1.9 billion in the preceding fiscal year), an increase in trade payables provided

¥0.2 billion (down ¥3.2 billion), and income taxes paid used ¥17.3 billion (up ¥4.8 billion).

Net cash used in investing activities was ¥40.1 billion (up ¥2.2 billion). Among major factors, purchase of property, plant and equipment used ¥18.7 billion (up ¥2.1 billion), purchase of intangible assets used ¥10.2 billion (up ¥1.1 billion), and payments into time deposits used ¥7.7 billion (up ¥7.6 billion).

Net cash used in financing activities was ¥14.0 billion (up ¥2.5 billion). This was mainly due to dividends paid of ¥14.6 billion (up ¥2.1 billion).

Returns to Shareholders

System 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, System 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

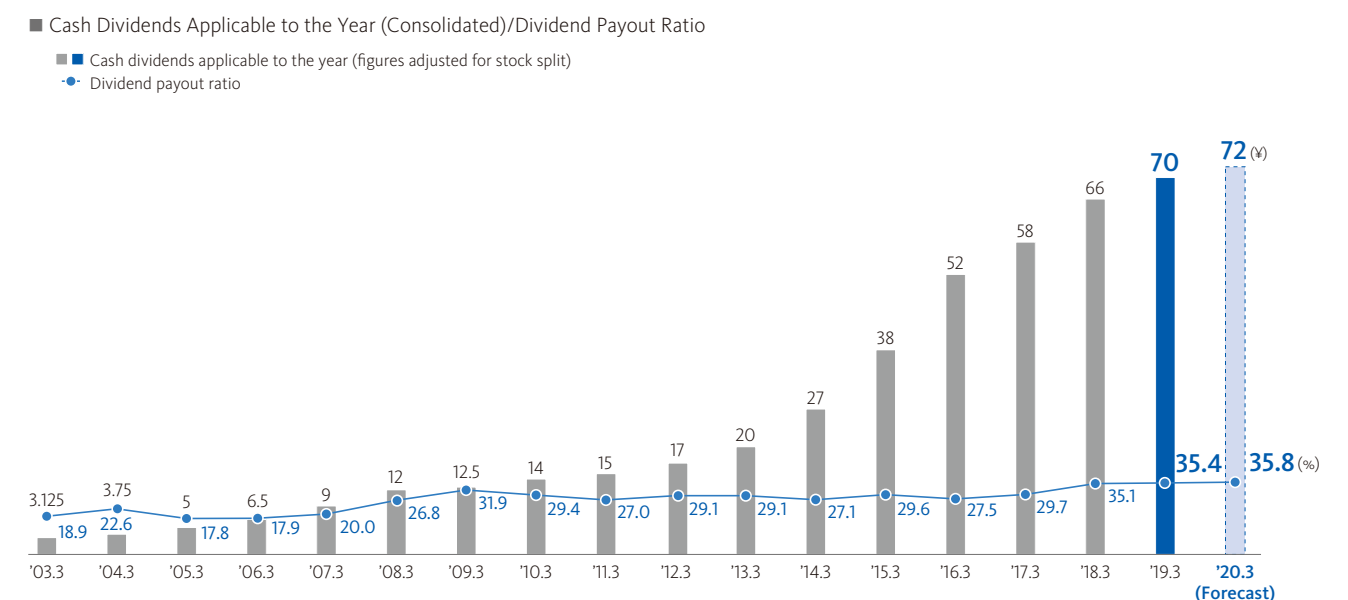
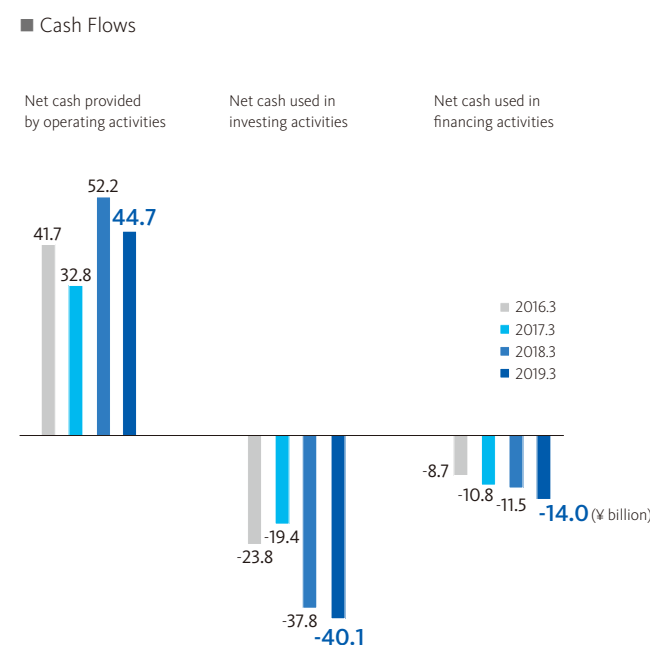
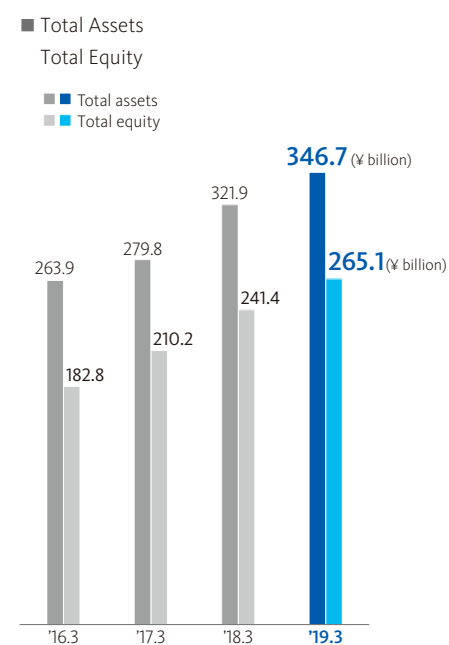
this policy and in light of business performance during the year under review, we announced dividends for the year of ¥70 per share, which includes an interim dividend of ¥34. As a result, the dividend payout ratio came to 35.4%.

Going forward, System 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.

Forecast for the Fiscal Year Ending March 31, 2020

For the fiscal year ending March 31, 2020, we forecast net sales of ¥320.0 billion (up 9.0% year on year), operating profit of ¥64.0 billion (up 4.4%), profit before tax of ¥60.0 billion (up 3.5%) and profit attributable to owners of the parent of ¥42.0 billion (up 1.9%). We assume exchange rates for the year of ¥110.0 to the US dollar, ¥125.0 to the euro and ¥16.5 to the yuan.

■ Forecast for the Fiscal Year Ending March 31, 2020 (¥ billion)			
	'18.3	'19.3	'20.3 (Forecast)
Net sales	281.9	293.5	320.0
Operating profit	59.0	61.2	64.0
Profit before tax	58.1	57.9	60.0
Profit attributable to owners of the parent	39.2	41.2	42.0



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 ended March 31	2010	2011	2012	2013	2014	2015	2016
For the year:							
Net sales	116.1	124.6	134.7	145.5	184.5	221.3	253.1
Operating income	15.7	18.2	19.2	21.8	32.8	44.4	56.9
Net income attributable to owners of the parent ¹	9.7	11.4	12.0	14.1	20.5	26.6	36.2
Capital expenditure	4.5	5.8	7.9	8.9	13.3	13.9	13.8
Depreciation	7.0	6.8	7.0	7.9	9.9	11.2	12.2
R&D expenses	11.2	12.3	11.9	12.1	13.2	14.6	17.7
Net cash provided by (used in) operating activities	21.2	18.1	17.0	25.8	36.5	38.6	39.5
Net cash provided by (used in) investing activities	(6.6)	(8.9)	(10.3)	(12.5)	(33.9)	(19.5)	(21.6)
Net cash provided by (used in) financing activities	(10.0)	(3.4)	(3.8)	(3.1)	(2.8)	(7.5)	(8.7)
At year-end:							
Total assets	120.7	130.0	142.2	173.0	210.7	247.9	267.6
Cash and cash equivalents, end of year	13.8	18.9	21.8	34.3	36.5	50.2	56.4
Total equity	87.1	94.2	102.5	119.1	146.2	169.5	188.0
Interest-bearing liabilities	2.5	1.9	1.0	0.7	1.9	0.7	1.3
Per share data:							
Equity (yen)	1,684.9	910.6 ³	990.5	1,151.3	703.7 ³	812.3	899.5
Net income (basic) (yen)	190.7	111.1 ³	116.8	137.5	99.4 ³	128.4	174.4
Net income (diluted) (yen)	190.5	110.9 ³	116.6	137.0	99.1 ³	128.0	173.7
Cash dividends applicable to the year ² (yen)	14.00	15.00 ³	17.00	20.00	27.00 ³	38.00	52.00
Dividend payout ratio (%)	29.4	27.0	29.1	29.1	27.1	29.6	29.8
Other data:							
Operating margin (%)	13.5	14.7	14.3	15.0	17.8	20.1	22.5
Overseas sales ratio (%)	68.3	69.1	70.5	72.4	78.2	81.7	84.3
Equity ratio (%)	71.5	71.9	71.6	68.7	69.2	68.0	69.9
Return on equity (ROE) (%)	11.8	12.7	12.3	12.8	15.6	17.0	20.4
Return on assets (ROA) ⁴ (%)	8.2	9.1	8.8	9.0	10.7	11.6	14.1
Number of employees (Including part-time and other employees)	4,576	4,957	5,521	5,594	6,211	6,742	7,446
Exchange rates:							
US dollars (yen)	92.9	85.7	79.1	83.1	100.2	109.9	120.1
Euros (yen)	131.2	113.1	109.0	107.2	134.4	138.8	132.6
Yuan (yen)	13.6	12.8	12.4	13.2	16.3	17.8	18.9

1 Figures shown for fiscal years ended on or before March 31, 2016 are "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 ended March 31	2016	2017	2018	2019
For the year:				
Net sales	252.6	249.8	281.9	293.5
Operating profit	60.7	51.7	59.0	61.2
Profit attributable to owners of the parent	39.2	40.6	39.2	41.2
Capital expenditure	13.0	11.8	15.8	20.0
Depreciation and amortization	12.1	12.3	14.6	15.8
R&D expenses	15.4	15.5	16.7	19.5
Net cash provided by (used in) operating activities	41.7	32.8	52.2	44.7
Net cash provided by (used in) investing activities	(23.8)	(19.4)	(37.8)	(40.1)
Net cash provided by (used in) financing activities	(8.7)	(10.8)	(11.5)	(14.0)
At year-end:				
Total assets	263.9	279.8	321.9	346.7
Cash and cash equivalents, end of year	56.4	57.9	61.4	51.0
Total equity	182.8	210.2	241.4	265.1
Interest-bearing liabilities	1.3	1.1	0.9	0.8
Per share data:				
Equity attributable to owners of the parent (yen)	879.32	1,005.86	1,154.57	1,267.07
Profit attributable to owners of the parent (basic) (yen)	189.08	195.31	188.29	197.60
Profit attributable to owners of the parent (diluted) (yen)	188.30	194.74	187.84	197.29
Cash dividends applicable to the year (yen)	52.00	58.00	66.00	70.00
Dividend payout ratio (%)	27.5	29.7	35.1	35.4
Other data:				
Operating margin (%)	24.0	20.7	21.0	20.9
Overseas sales ratio (%)	84.2	82.6	84.0	85.0
Equity ratio (%)	69.3	74.8	74.8	76.3
Return on equity (ROE) (%)	23.1	20.7	17.4	16.3
Return on assets (ROA) ⁵ (%)	15.7	14.9	13.0	12.3
Number of employees (Including part-time and other employees)	7,446	7,930	8,445	8,715
Exchange rates:				
US dollars (yen)	120.1	108.4	110.9	110.9
Euros (yen)	132.6	118.8	129.7	128.4
Yuan (yen)	18.9	16.1	16.8	16.5

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

Non-Financial Targets

Materiality	KPI	Definition	Results		Target	
			March 31, 2018	March 31, 2019	March 31, 2022	March 31, 2026 (Eco-Vision)
Resolution of Medical Issues through Products and Services	Resolution of medical issues through business activities	Hematology market share (%)	52.7	53.8	*2	
		Number of patents	2,709	2,987	*2	
		Number of new patents	301	346	*2	
		Number of scientific papers	155	166	*2	
	Improvement in accessibility to medical services by means such as familiarizing products	Percentage of sales in emerging markets	39.2	39.5	*2	
Responsible Provision of Products and Services	Assessment and management of the supply chain	Number of CSR surveys (%)	81	85	*2	—
Realization of an Attractive Workplace	Provision of a comfortable working environment	Engagement score (%)	72	—	75	
		Turnover ratio (%)	3.22	3.78	*2	
		Lost-time injuries frequency rate (%)	0.35	0.89	Less than 0.35	
		Lost work day rate (%)	0.05	0.06	Less than 0.05	
	Promotion of diversity	Female managers rate	15.2	15.2	16.0	
Development of human resources	Training time per employee	15.4	16.6	25.0		
Environmental Consideration (Base Year: Fiscal Year Ended March 31, 2017)	Environmental consideration through the product lifecycle	Reduction of CO ₂ emissions (instruments) (%)	1	3	(10)	(15)
		Reduction of water consumption (instruments) (%)	1	3	(10)	(15)
		Reduction of CO ₂ emissions (shipping) (%)	(17)	1	(10)	(15)
	Reduction in environmental burden through activities at business offices	Reduction of CO ₂ emissions (business activities) (%)	(17)	(21)	(10)	(50)
		Reduction of water consumption (business activities) (%)	(8)	(7)	(10)	(15)
		Recycle rate (%)	89	76	88 or more	93 or more
Enhanced Governance	Compliance	Number of internal reporting	32	14	*2	
		Number of unethical incident	—	9	*2	—

*1 Target: Sysmex Corporation, non-consolidated basis *2 Set as a monitoring index; no target value has been set

»Materiality P19 »Sustainability Data Book

Consolidated Statement of Financial Position

Sysmex Corporation and Its Subsidiaries
As of March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Assets			
Current assets			
Cash and cash equivalents	¥ 51,062	¥ 61,444	\$ 460,018
Trade and other receivables	84,247	72,567	758,982
Inventories	40,231	40,975	362,441
Other short-term financial assets	7,644	214	68,865
Income taxes receivable	412	619	3,712
Other current assets	11,824	9,131	106,523
Total current assets	195,423	184,952	1,760,568
Non-current assets			
Property, plant and equipment	76,312	67,651	687,495
Goodwill	11,917	12,251	107,360
Intangible assets	33,037	29,765	297,631
Investments accounted for using the equity method	634	411	5,712
Trade and other receivables	12,202	10,882	109,928
Other long-term financial assets	7,050	7,486	63,514
Asset for retirement benefits	917	802	8,261
Other non-current assets	3,456	2,343	31,135
Deferred tax assets	5,823	5,432	52,459
Total non-current assets	151,352	137,027	1,363,532
Total assets	¥346,775	¥321,979	\$3,124,099
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	¥ 29,778	¥ 28,579	\$ 268,270
Other short-term financial liabilities	806	690	7,261
Income taxes payable	6,947	7,717	62,586
Provisions	693	614	6,243
Contract liabilities	9,303	—	83,811
Advance received	—	4,588	—
Accrued expenses	10,791	10,632	97,216
Accrued bonuses	7,670	7,474	69,099
Other current liabilities	5,257	10,501	47,360
Total current liabilities	71,247	70,796	641,865
Non-current liabilities			
Long-term financial liabilities	415	712	3,739
Liability for retirement benefits	857	731	7,721
Provisions	226	202	2,036
Other non-current liabilities	3,203	2,652	28,856
Deferred tax liabilities	5,642	5,439	50,829
Total non-current liabilities	10,345	9,739	93,198
Total liabilities	81,592	80,536	735,063
Equity			
Equity attributable to owners of the parent			
Capital stock	12,654	12,276	114,000
Capital surplus	17,876	17,664	161,045
Retained earnings	241,445	214,952	2,175,180
Treasury stock	(302)	(295)	(2,721)
Other components of equity	(7,225)	(3,847)	(65,090)
Total equity attributable to owners of the parent	264,448	240,749	2,382,414
Non-controlling interests	733	693	6,604
Total equity	265,182	241,443	2,389,027
Total liabilities and equity	¥346,775	¥321,979	\$3,124,099

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 ¥111 to \$1, the approximate rate of exchange at March 31, 2019.

Consolidated Statement of Income

Sysmex Corporation and Its Subsidiaries
For the Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Net sales	¥293,506	¥281,935	\$2,644,198
Cost of sales	131,899	122,986	1,188,279
Gross profit	161,606	158,948	1,455,910
Selling, general and administrative expenses	81,230	82,544	731,802
Research and development expenses	19,578	16,754	176,378
Impairment losses	—	1,073	—
Other operating income	1,610	857	14,505
Other operating expenses	1,126	355	10,144
Operating profit	61,282	59,078	552,090
Financial income	442	356	3,982
Financial expenses	390	206	3,514
Share of loss on equity method	(1,793)	(1,059)	(16,153)
Gain on sale of investment in associates	—	1,221	—
Foreign exchange loss	(1,585)	(1,272)	(14,279)
Profit before tax	57,955	58,117	522,117
Income tax expenses	16,789	19,040	151,252
Profit	¥ 41,166	¥ 39,076	\$ 370,865
Profit attributable to			
Owners of the parent	¥ 41,224	¥ 39,222	\$ 371,387
Non-controlling interests	(58)	(145)	(523)
Profit	¥ 41,166	¥ 39,076	\$ 370,865

	Yen		U.S. Dollars
	2019	2018	2019
Earnings per share			
Basic	¥197.60	¥188.29	\$1.78
Diluted	197.29	187.84	1.78

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 ¥111 to \$1, the approximate rate of exchange at March 31, 2019.

Consolidated Statement of Comprehensive Income

Sysmex Corporation and Its Subsidiaries
For the Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Profit	¥41,166	¥39,076	\$370,865
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	(379)	327	(3,414)
Remeasurements of defined benefit plans	113	117	1,018
Total	(266)	444	(2,396)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(3,000)	3,153	(27,027)
Share of other comprehensive income (loss) of investments accounted for using the equity method	2	(3)	18
Total	(2,998)	3,150	(27,009)
Total other comprehensive (loss) income	(3,264)	3,595	(29,405)
Comprehensive income	¥37,901	¥42,672	\$341,450
Comprehensive income attributable to			
Owners of the parent	¥37,959	¥42,817	\$341,973
Non-controlling interests	(58)	(145)	(523)
Comprehensive income	¥37,901	¥42,672	\$341,450

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 ¥111 to \$1, the approximate rate of exchange at March 31, 2019.

Consolidated Statement of Changes in Equity

Sysmex Corporation and Its Subsidiaries
For the Year Ended March 31, 2019

	Millions of Yen							Non-controlling interests	Total equity
	Equity attributable to owners of the parent								
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total			
As of April 1, 2017	¥11,611	¥17,303	¥188,506	¥(289)	¥(7,725)	¥209,406	¥845	¥210,252	
Cumulative effect of accounting change	—	—	—	—	—	—	—	—	
Restated balance	11,611	17,303	188,506	(289)	(7,725)	209,406	845	210,252	
Profit	—	—	39,222	—	—	39,222	(145)	39,076	
Other comprehensive income (loss)	—	—	—	—	3,595	3,595	(0)	3,595	
Comprehensive income (loss)	—	—	39,222	—	3,595	42,817	(145)	42,672	
Exercise of warrants	664	372	—	—	—	1,036	—	1,036	
Cash dividends	—	—	(12,493)	—	—	(12,493)	—	(12,493)	
Purchase of treasury stock	—	—	—	(6)	—	(6)	—	(6)	
Transfer to retained earnings	—	—	(282)	—	282	—	—	—	
Establishment of subsidiary with non-controlling interests	—	—	—	—	—	—	—	—	
Equity transactions with non-controlling interests	—	—	(11)	—	—	(11)	(6)	(18)	
Total transactions with the owners	664	361	(12,776)	(6)	282	(11,475)	(6)	(11,481)	
As of March 31, 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	
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	
Equity transactions with non-controlling interests	—	—	—	—	—	—	—	—	
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	

	Thousands of U.S. Dollars							Non-controlling interests	Total equity
	Equity attributable to owners of the parent								
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total			
As of March 31, 2018	\$110,595	\$159,135	\$1,936,505	\$(2,658)	\$(34,658)	\$2,168,910	\$6,243	\$2,175,162	
Cumulative effect of accounting change	—	—	(2,198)	—	—	(2,198)	—	(2,198)	
Restated balance	110,595	159,135	1,934,297	(2,658)	(34,658)	2,166,703	6,243	2,172,955	
Profit	—	—	371,387	—	—	371,387	(523)	370,865	
Other comprehensive income (loss)	—	—	—	—	(29,405)	(29,405)	(0)	(29,405)	
Comprehensive income (loss)	—	—	371,387	—	(29,405)	341,973	(523)	341,450	
Exercise of warrants	3,405	1,910	—	—	—	5,315	—	5,315	
Cash dividends	—	—	(131,532)	—	—	(131,532)	—	(131,532)	
Purchase of treasury stock	—	—	—	(54)	—	(54)	—	(54)	
Transfer to retained earnings	—	—	1,018	—	(1,018)	—	—	—	
Establishment of subsidiary with non-controlling interests	—	—	—	—	—	—	883	883	
Equity transactions with non-controlling interests	—	—	—	—	—	—	—	—	
Total transactions with the owners	3,405	1,910	(130,505)	(54)	(1,018)	(126,261)	883	(125,378)	
As of March 31, 2019	\$114,000	\$161,045	\$2,175,180	\$(2,721)	\$(65,090)	\$2,382,414	\$6,604	\$2,389,027	

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 ¥111 to \$1, the approximate rate of exchange at March 31, 2019.

Consolidated Statement of Cash Flows

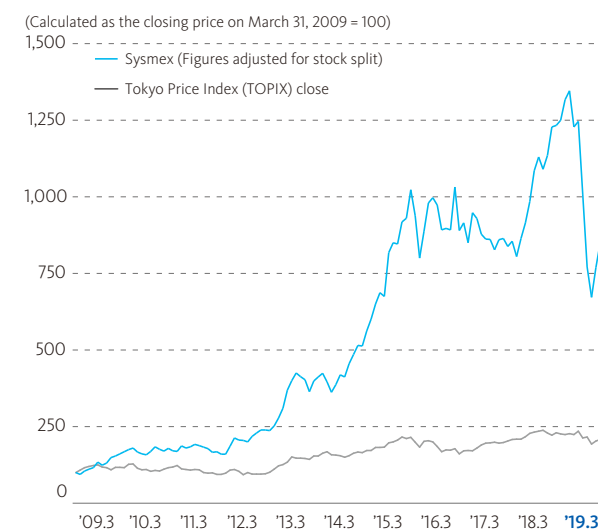
Sysmex Corporation and Its Subsidiaries
For the Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Operating activities			
Profit before tax	¥ 57,955	¥ 58,117	\$ 522,117
Depreciation and amortization	15,842	14,643	142,721
Impairment loss	—	1,073	—
Interest and dividend income	(331)	(323)	(2,982)
Interest expenses	70	90	631
Share of loss on equity method	1,793	1,059	16,153
Gain on sale of investment in associates	—	(1,221)	—
(Increase) in trade receivables	(11,988)	(7,341)	(108,000)
Decrease (increase) in inventories	471	(1,962)	4,243
Increase in trade payables	269	3,531	2,423
Decrease/increase in consumption taxes receivable/payable	(1,679)	(74)	(15,126)
Decrease in asset for retirement benefits	47	33	423
(Decrease) in advance received	—	(2,067)	—
(Decrease) in contract liabilities	(703)	—	(6,333)
Increase in accrued bonuses	201	817	1,811
Other – net	(110)	(1,813)	(991)
Subtotal	61,839	64,563	557,108
Interest and dividend received	269	255	2,423
Interest paid	(60)	(81)	(541)
Income taxes paid	(17,305)	(12,497)	(155,901)
Net cash provided by operating activities	44,743	52,240	403,090
Investing activities			
Purchase of property, plant and equipment	(18,726)	(16,573)	(168,703)
Proceeds from sales of property, plant and equipment	491	140	4,423
Purchase of intangible assets	(10,252)	(9,122)	(92,360)
Purchase of investments in equity instruments	(2,315)	(1,875)	(20,856)
Proceeds from the sale of investments in equity instruments	—	1,500	—
Acquisitions of subsidiaries or other businesses	(20)	(11,672)	(180)
Payments into time deposits	(7,737)	(42)	(69,703)
Other – net	(1,567)	(184)	(14,117)
Net cash used in investing activities	(40,128)	(37,828)	(361,514)
Financing activities			
Exercise of warrants	590	1,036	5,315
Dividends paid	(14,600)	(12,493)	(131,532)
Other – net	(81)	(89)	(730)
Net cash used in financing activities	(14,090)	(11,545)	(126,937)
Foreign currency translation adjustments on cash and cash equivalents	(907)	633	(8,171)
Net (decrease) increase in cash and cash equivalents	(10,382)	3,500	(93,532)
Cash and cash equivalents, beginning of year	61,444	57,944	553,550
Cash and cash equivalents, end of year	¥ 51,062	¥ 61,444	\$ 460,018

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 ¥111 to \$1, the approximate rate of exchange at March 31, 2019.

Stock Information (As of March 31, 2019)

Stock Price Range



Stock Price Movements

Fiscal years ended March 31	High (Yen)	Low (Yen)	Closing price (Yen)	Volatility (%)
2009	5,000	2,355	3,140	51.5
2010	5,660	2,760	5,480	30.0
2011	6,010	2,789	2,942	27.8
2012	3,340	2,387	3,340	23.6
2013	5,800	2,900	5,790	25.7
2014	7,180	3,130	3,290	37.5
2015	6,880	3,070	6,670	27.6
2016	8,640	5,430	7,040	39.2
2017	8,170	6,010	6,750	29.9
2018	9,730	6,080	9,640	24.7
2019	11,110	4,810	6,690	38.7

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

Total Shareholder Return (TSR*) (Annualized Rate)

	Past 1 year		Past 3 years		Past 5 years		Past 10 years	
	Cumulative/Annual rate	Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate	
Systemex	(30.5)	(4.7)	(1.6)	104.3	15.4	772.2	24.2	
TOPIX	(5.0)	26.2	8.1	47.1	8.0	153.3	9.7	
TOPIX (Electrical equipment)	(10.8)	40.9	12.1	51.3	8.6	170.6	10.5	

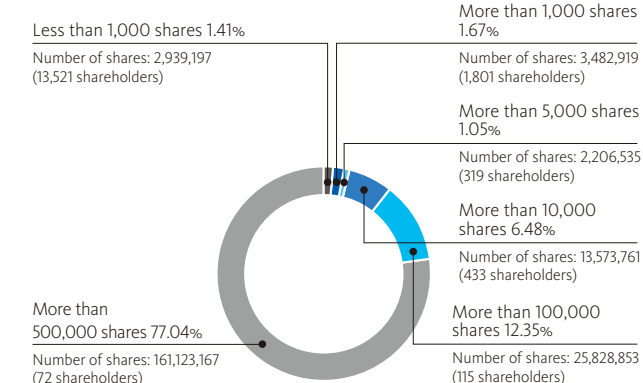
*TSR: Total shareholder return, including capital gains and dividends
 • Prepared by Sysmex based on data from Nikkei NEEDS-FinancialQUEST
 • Base date of March 31, 2019
 • TSR calculated on the assumption that dividends are reinvested in shares

Principal Shareholders (Top 10)

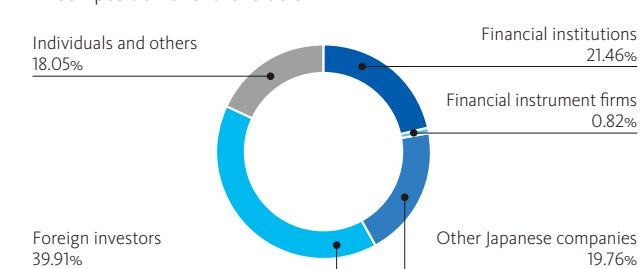
Shareholders	Number of shares held (Thousands)	Percentage of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	22,575	10.82
The Kobe Yamabuki Foundation	12,000	5.75
Nakatani Foundation for Advancement of Measuring Technologies in Biomedical Engineering	11,830	5.67
Nakatani Kosan, Ltd.	10,457	5.01
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,320	4.95
Kazuko Ietsugu	6,124	2.93
Taeko Wada	6,124	2.93
Rusoru, Ltd.	4,750	2.28
Kenji Itani	4,300	2.06
Tadako Nakatani	4,012	1.92

Note: Percentage of shareholding excludes treasury stock (446,168 shares).

Distribution of Shares by Number of Shares Held



Composition of Shareholders



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.
CLIA waiver approval	In the United States, facilities that conduct clinical testing must obtain approval under the Clinical Laboratory Improvement Amendment (CLIA). Many small-scale medical institutions and pharmacies obtain CLIA waivers, a type of certification that enables them to perform simple clinical testing. Such facilities may only use clinical instruments and reagents that have obtained approval as CLIA-waived products.
Circulating tumor cells (CTCs)	Tumor cells circulating in the bloodstream or peripheral blood. Refers to cells that have separated from a primary or metastasized tumor and invaded the blood.
EMEA	Europe, the Middle East and Africa
Flow cytometry (FCM)	Method involving the flow dispersion of minute particles and the use of laser light to optically analyze minute flows. Used primarily to observe individual cells
FISH testing	Testing method using fluorescent material binding only specific genes to detect target genes within a chromosome
<i>In vitro</i> diagnostics (IVD)	In general, IVD refers to the testing of blood, urine and other samples to determine physical condition. IVD may also refer to the domain of laboratory testing in which IVD is performed.
OncoBEAM	The name of Sysmex’s technology to detect minute gene mutation circulating in the blood, utilizing BEAMing technology developed by Johns Hopkins University.
OSNA method	Abbreviation of One-Step Nucleic Acid Amplification method, developed by Sysmex, which enables detection of lymph node metastasis.
PCR	Polymerase chain reaction: A gene amplification technology for copying small quantities of DNA to produce larger quantities.
Plasma-Safe-SeqS (PSS) technology	By tagging each molecule of a gene to be analyzed, this technology allows differentiation between original genetic mutations and errors (errors generated in the process of preparing and reading NGS samples).
RAS genes	As the likelihood is high that patients with RAS gene mutations will not benefit (prolongation of life, tumor reduction) from the administration of anti-EGFR drugs, companion diagnostics may be performed to treat the gene mutation first.
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.
Clinical cancer sequence testing	In recent years, the analysis of a patient’s cancer-specific gene abnormalities by obtaining a tumor’s genomic profile has become a focus in cancer treatment. Such testing is used to provide information that is useful in determining treatment methods, including diagnosis, treatment and the selection of anti-cancer drugs.
Cancer genome profiling	Simultaneous analysis of mutations, amplifications and fusion of multiple genes of significance to cancer diagnostics.
Specimen	Material necessary for testing. May include blood, cerebrospinal fluid, pus, punctured fluid, urine and feces. Also called test material.
Next-generation sequencer	An analyzer for reading the huge volumes of genetic information contained in DNA bases and sequences.
Reagent	A pharmaceutical product for medical use in laboratory testing, also called an <i>in vitro</i> diagnostic product. It is not used directly on the human body, but on blood or other bodily fluids sampled from the body.
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.
Bio-diagnostic reagent	Testing reagent that applies the functions of proteins, genes, and other living organisms.
Flow FISH testing	Typical FISH testing requires evaluation of slides under a microscope. However, Flow FISH testing uses an imaging flow cytometer to capture images, enabling automated analysis.
Lab assay	Provision of laboratory testing results as services
Liquid biopsy	Similar in performance to a biopsy, which is carried out on a sample taken from tissue such as tumors, but which attempts to reduce the burden on the patient by using blood or body fluid tests.

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	8,715 (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	209,154,432 shares
Paid-in Capital	¥12,654.6 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) JPX-Nikkei Index 400



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