

Summary of Small Meeting with Outside Members of the Managing Board

Overview

- Date December 20, 2024 (Friday)
- Moderator Hidemaru Yamaguchi, Managing Director, Citigroup Global Markets Japan
- Panelists Kenji Tachibana, Member of the Managing Board and Senior Executive Officer, Senior Managing Director
Kazuo Ota, Member of the Managing Board (Outside), Chairperson of the Nominating Committee and the Compensation Committee
Haruo Inoue, Member of the Managing Board (Outside), Member of the Nominating Committee and the Compensation Committee
Michihide Iwasa, Outside Member of the Managing Board (Outside), Member of the Audit and Supervisory Committee, the Nominating Committee and the Compensation Committee
Note: [Career histories provided on pages 87–88 of the Sysmex Report 2024](#)
- Participants Nine people from nine companies (institutional investors)
- Program - Presentation

Greeting (Mr. Yamaguchi)

Hello. I am Hidemaru Yamaguchi from Citigroup. Today, we have the pleasure of conducting Sysmex's first small meeting between outside members of the Managing Board and investors. The agenda for today's program is as follows. First, we will have a presentation from Mr. Tachibana. I will then direct some of the numerous questions that have we received in advance to the outside members of the Managing Board, who will introduce themselves and respond. We will conclude with a free discussion.

Presentation (Tachibana)

Thank you for joining today's discussion. First, let me explain Sysmex's sustainability initiatives.

An Sysmex Ideal Unchanged Since Our Founding: Instilling Confidence

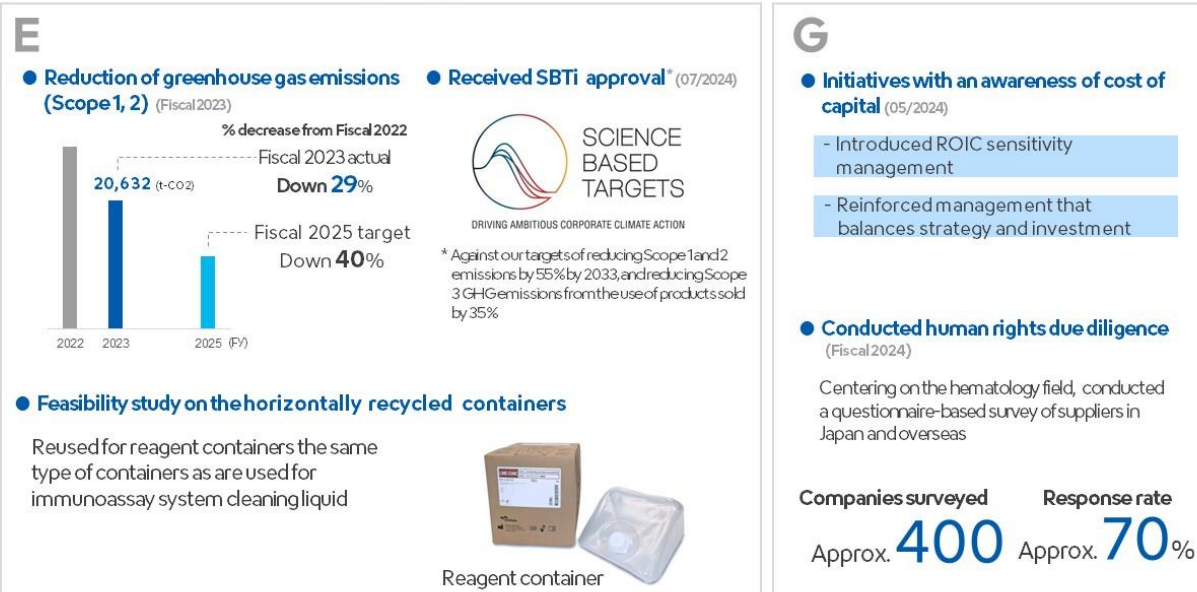


Management and behavior always cognizant of the value provided to stakeholders



The next page describes our story of value creation, which is also contained in our integrated report and other documents. Last fiscal year, we launched a new long-term corporate strategy. Previously, our core strategy consisted of four elements: businesses, technologies, human resources, and corporate management. We have now added eco-social. Additionally, we have changed the term "human resources" to "human capital" to reflect a more strategic approach.

Recent Sustainability Topics



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Next, I will briefly outline our current initiatives related to ESG.

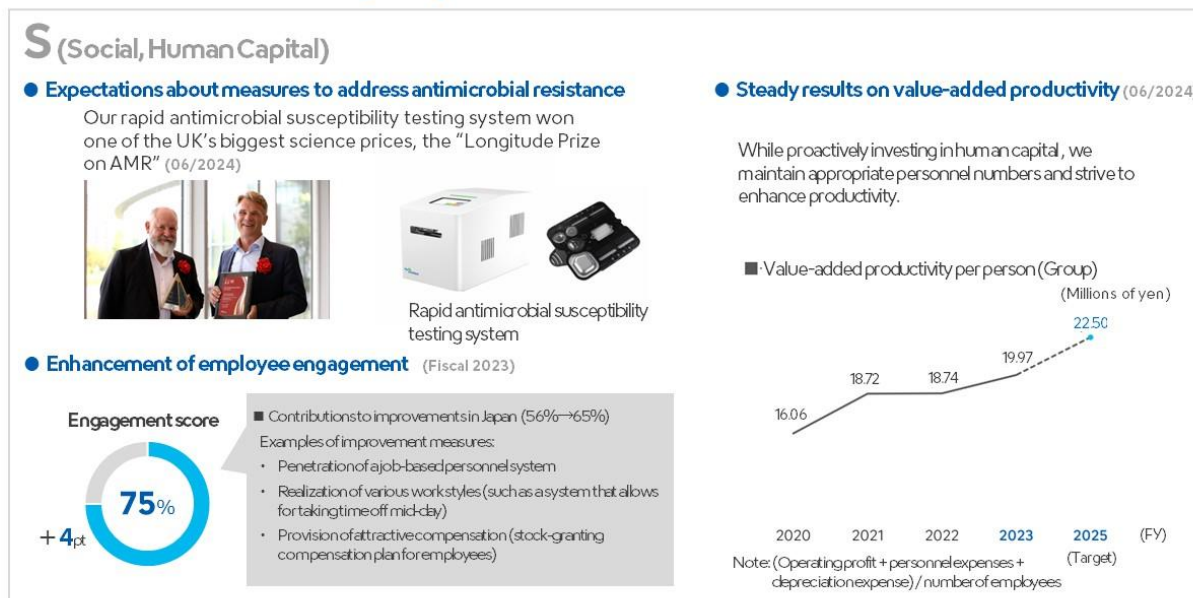
To begin, let us look at our initiatives targeting the environment, the E of ESG. Below, we mention plastic containers for reagents. We use plastic for various reagent containers, ranging from large 20-liter containers down to cartridges. We have started initiatives for horizontal recycling of this 20-liter containers. We are currently conducting verification experiments and considering the move to practical implementation. If these are successful, we plan to gradually bring the containers into practical use.

Release for reference: [Sysmex Becomes the First in the Industry to Launch Reagents Using Horizontally Recycled Containers](#)

Next, let us look at governance, the G of ESG. At the time of our earnings announcement in May 2024, we announced initiatives with an awareness of cost of capital: ROIC sensitivity management and reinforced management that balances strategy and investment. We are currently conducting an internal examination of the most effective initiatives. We intend to provide an explanation of these initiatives along with the next year's financial results announcement in May 2025. Looking just below, at human rights due diligence, we conducted a questionnaire-based survey of around 400 hematology suppliers in Japan and overseas, and the response rate was approximately 70%. We earned high marks for this

result, as a 70% response rate on a first-round survey is considered to be extremely high. Moving forward, in addition to conducting interviews with companies that have not yet responded, we will consider expanding the survey into other fields.

Recent Sustainability Topics



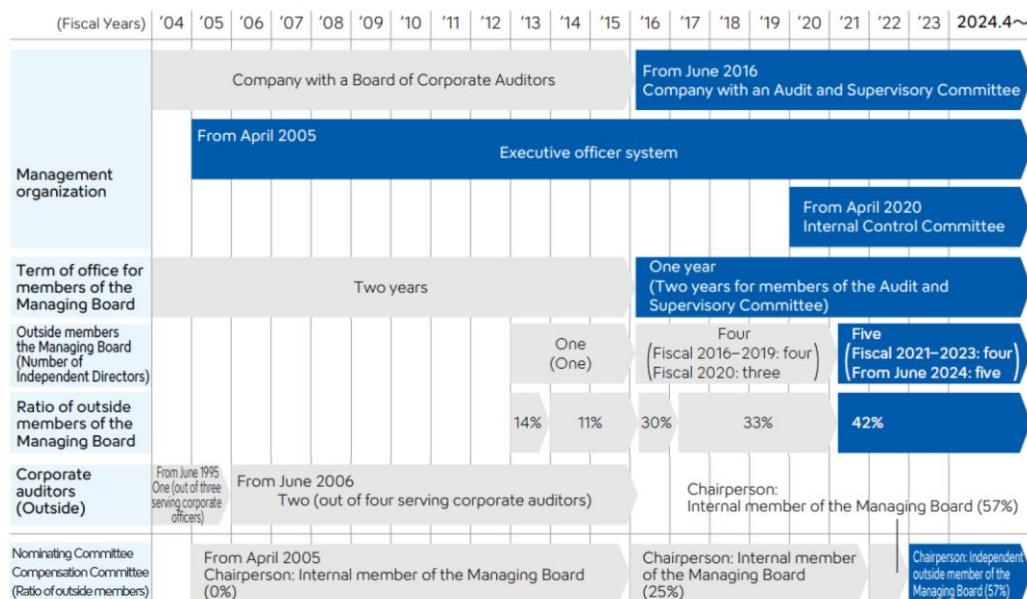
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Let us look now at sustainability, the S of ESG. As our business is in the healthcare domain, we often contribute directly to the resolution of social issues. As one example, to combat antimicrobial resistance, Sysmex Astrego AB, our subsidiary in Sweden, has developed a rapid antimicrobial susceptibility testing system and introduced it to the European market. We were honored to receive the Longitude Prize on AMR for this invention. Since that announcement, we have received words of encouragement and support from academic societies and organizations. We are currently working to obtain regulatory approval in various countries. We are committed to addressing the global challenge of antimicrobial resistance and are determined to contribute through our testing capabilities.

Next, I would like to discuss employee engagement, shown at the bottom of the slide. Our global engagement score is 75%, but Japan is a bit of an outlier, delivering lower engagement scores each year. That said, the engagement score improved 9 percentage points year on year, due to the success of the measures described below.

The chart on the right shows value-added productivity; we monitor value-added productivity per person. We have set a goal for 2025. Last fiscal year, we made steady progress toward that target, which we plan to sustain going forward.

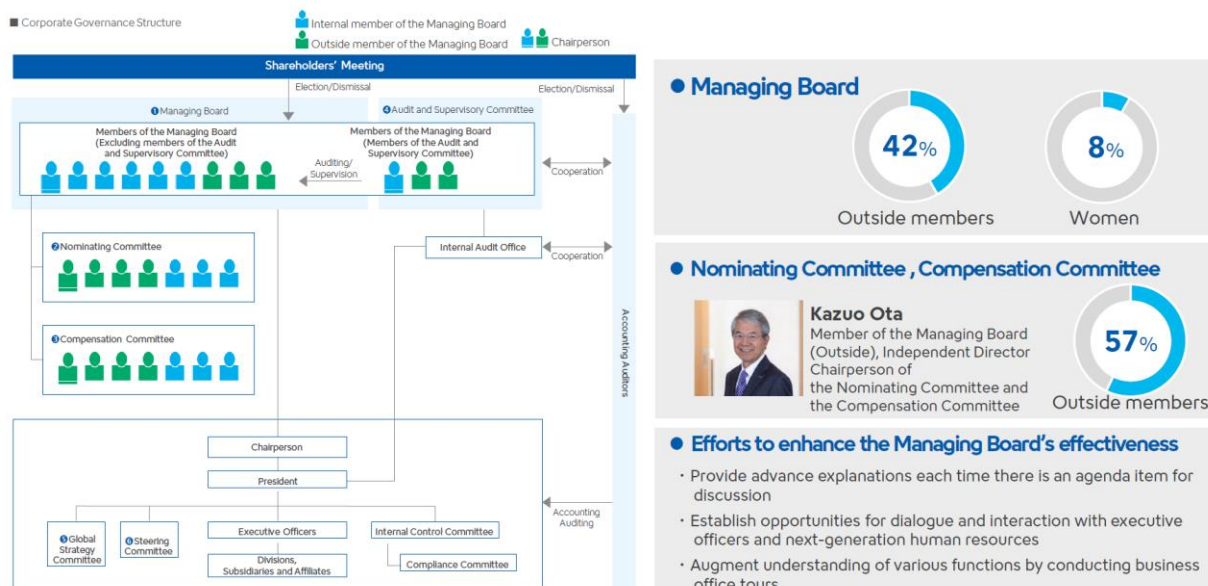
Advances in Corporate Governance



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Page 8 shows our advances in corporate governance. At the bottom right, you can see one of our most recent advances: an independent outside member of the Managing Board became chairperson of the Nominating Committee and the Compensation Committee.

Governance Structure



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Kazuo Ota, who assumed the position this fiscal year, is present today. He is an outside member of the Managing Board and chairperson of the Nominating Committee and the Compensation Committee. This concludes my comments.

Q&A Summary

Q. Please describe your career history to date and explain how you are taking part in management, in your role as outside members of the Managing Board.

A. Ota This is my sixth year as an outside member of the Managing Board at Sysmex. At Kawasaki Heavy Industries, Ltd., I was initially in the management planning division at headquarters. After that, I spent around 10 years each in the Aerospace Company and in the Motorcycle & Engine Company, during which time I experienced a variety of management issues.

I believe the role of outside members of the Managing Board should primarily be focused on the perspective of shareholders. At the same time, as it is generally difficult for people within the Company to express their opinions directly to the chairman or president, I make it a point to voice my opinions to top management. I think about two-thirds of my remarks may be uncomfortable for top management to hear. I myself have a frank personality and participate actively in various meetings, where I am given the opportunity to speak. The Managing Board has become quite active. I also share my experiences, including failures, from my time at Kawasaki Heavy Industries if they can be helpful. Kawasaki's motorcycle business generates over 80% of its sales overseas, and production is well-established abroad, so I believe I may be able to offer some insights that may be valuable at Sysmex.

A. Inoue I was appointed as an outside member of the Managing Board this June. My background is with the Mitsubishi UFJ Financial Group, where I spent approximately 40 years. I have been in charge of sales, as well as branch and management planning. I was also responsible for corporate planning post-merger. After working at Mitsubishi UFJ NICOS Co., Ltd., I had the opportunity to work for a trading company called Sojitz Corporation, where I was involved in internal controls, information security, and other areas. Through my experience in industries as varied as banking, credit cards, and trading, I have come to understand the importance of expressing opinions based on diverse perspectives and values.

As an outside member of the Managing Board, I strive to bring an external perspective and speak up about things that may be difficult for internal employees to voice. When we were appointed, the chairman and president encouraged us to freely express our opinions and provide insights that are not typically heard within the Company. I do not see Sysmex as being a top-down business that does not permit certain statements to be made. While we will face challenges, I also see that this company has great social significance, high employee engagement, and great potential for growth.

A. Iwasa I spent many years at Kobe Steel, Ltd., and then moved on to Kobelco Logistics, Ltd. This is my fifth year as an outside member of the Managing Board at Sysmex, and I am a member of the Audit and Supervisory Committee. The Audit and Supervisory Committee consists of one full-time member and two part-time members. The committee aims to fulfill its responsibility to

stakeholders while verifying the performance of members of the Managing Board and the assurance and effectiveness of corporate governance. When conducting audits, we strive to ascertain and listen to true opinions and provide feedback within the organization.

Approximately 85% of Sysmex's sales come from overseas. As such, we consider internal controls, including those of our four consolidated local subsidiaries, to be of utmost importance for governance. When I assumed office in 2020, Sysmex had net sales of around ¥300 billion. Under the current mid-term management plan, we are aiming for net sales of ¥560 billion. I think this growth is remarkable.

Q. How is progress, and what are some of the issues you see, with the long-term corporate strategy and mid-term management plan?

A. Ota As I indicated in the [roundtable discussion in Sysmex Report 2024](#), last fiscal year the Company revised its vision and mid-term management plan and appointed Mr. Asano as president. In the first year, performance was favorable and progress was smooth. Additionally, the change to the long-term vision of "Together for a better healthcare journey" has been highly favorable. While we have been a top-rated company in the diagnostics business, this new framework allows us to pursue even more ambitious initiatives. Under the mid-term management plan, we have identified three growth strategies: reinforcement of existing businesses, business expansion in emerging markets, and expansion of new businesses. The focus points are well-defined. In emerging markets, we are establishing a factory in India to drive significant business growth. In existing businesses, we have made significant strides in expanding our presence in the hemostasis field. While new business areas are challenging and still in the early stages of growth, we are making progress in areas such as robotic-assisted surgery systems and regenerative/cellular medicine. We are earning high marks for last year's record-high net sales and operating profit, and for remaining aligned with the goals of the mid-term management plan.

A. Inoue Looking at progress under our mid-term management plan, we posted good results last fiscal year and are making steady gains this fiscal year. We have implemented three growth strategies, expanded our presence overseas, and invested in research and development, positioning ourselves for future growth. We do not have a specific process in place to achieve our net sales target of ¥1 trillion, and we need to look closely at whether it is truly possible. To reach this ¥1 trillion goal, we recognize the need to take on challenges. We must foster a culture that can embrace such challenges. We can go a long way toward the goal by leveraging our existing businesses with strong business models. Beyond that, the key lies in successfully connecting new business ventures to business. To do so, we will need to improve our decision-making process.

Q. Does the Managing Board have an atmosphere and provide an environment for lively discussion?

- A. Iwasa The Managing Board deals with various items for discussion and reporting, but generally we receive explanations in advance—the personnel in charge provide sufficient explanations before the meetings. Although deadlines for the submission of materials have been brought forward, improvement measures are still not 100% complete. To provide background for board deliberations, we are given access to the minutes and materials from other meetings that we do not participate in. The atmosphere on the Managing Board is quite open, with discussions conducted in a free and open manner. Personally, I believe the president and chairman are careful to ensure they do not lead all the discussions. I have no concerns about the deliberation matters or the timing, and I believe the board is functioning effectively.
- A. Ota Six years or so ago, Board discussions were less lively, but over time I have been consistently voicing my opinions, and I think discussions have become much more vigorous. The materials provided at Board meetings are also adequately explained during the pre-briefings. If I am not fully satisfied with a particular matter, I clearly express my concerns, and sometimes the materials are revised by the Managing Board, while other times they are not. In cases where they are not revised, I reiterate similar comments during the Managing Board meetings. The ideal scenario would be for both internal and external members of the Managing Board to engage in discussions, but internal members often thoroughly debate the issues in other internal meetings before the Managing Board sessions. As a result, outside members of the Managing Board tend to provide comments, and internal members often respond. I believe this is an inevitable situation.

Q. What are some of the skills and personnel you would like to see strengthened on the Managing Board?

- A. Inoue I have heard various opinions from different quarters, but the important issues are on the table. From the perspective of diversity, to become more global and achieve ¥1 trillion in sales, the Company will need to have individuals with expertise in global management. Sysmex has made significant advancements in IT, and it may need to consider candidates who are even younger and more knowledgeable in this area.
- A. Iwasa I agree. Going forward, IT and AI will play increasingly important roles in our industry, so we will need to bring in experts in these fields. We will also need to have another look at our ratio of young talent and external/internal hires. I am convinced that Sysmex is nurturing many talented individuals, and I have high expectations for the younger generation.

Q. What is the status of succession planning for President Asano, who took office in 2023?

A. Ota I think Mr. Asano has been doing an excellent job. The last few years of President Ietsugu's leadership was marked by uncertainty about the future management structure. However, the succession to Mr. Asano was smooth, and he has taken on various challenges in research and development. Of course, there have been some failures, but he has also achieved significant results. President Asano is deeply empathetic and engages in dialogue with various individuals. Personally, I think it would be better for the next leader to emerge from within the Company rather than from outside. Sysmex is nurturing a number of talented young individuals. It is important to consider what kind of person would be suitable and to discuss and evaluate them according to various factors, such as what sorts of experience potential candidates should have over the next three to five years.

Q. The Company's capital efficiency and profitability have declined over the past 10 years.

Sysmex generated record profits last year, but excluding the impact of exchange rates, profit growth has been low in recent years. The Company's introduction of ROIC and implementation of pivot strategies (such as discontinuing certain businesses) have been conducted more slowly than expected by the capital market. Can you help us understand any specific considerations that led to your approach and the current implementation?

A. Ota During my time at Kawasaki Heavy Industries, I introduced the concept of return on invested capital (ROIC) across the company, and also proposed using it for investment decisions at Sysmex. Initially, the uptake of ROIC and internal rate of return (IRR) concepts was not swift, partly because return on equity (ROE) was strong and the balance sheet was solid. In recent years, investment returns have been less favorable, and the stock price has been declining. In response to feedback from shareholders and a growing sense of urgency, President Asano decided to reembar on this initiative. While companies with many businesses can calculate ROIC for each business segment, our company has just two main businesses: diagnostics and medical robotics (robotic-assisted surgery systems). The diagnostics business breaks down further into hematology, hemostasis, and other fields, and we can calculate ROIC for each field of testing. However, when considering cost allocation, it is essentially the same as looking at operating profit. This led to a discussion of how granularly we should analyze ROIC. We concluded that our focus should be on improving ROIC going forward. I do not believe this is the optimal approach, though, and we are exploring alternatives. Additionally, recently our ROE has not been improving. We must address this indicator, which is important to investors. We are implementing a pivot strategy, for which we are still building the necessary framework. I would appreciate your understanding of our efforts in this regard.

Regarding operating profit margin, if we only focused on the hematology field, we could achieve a profit margin of over 20%. However, that would not lead to growth. Each business has its own stage of development. In hematology, we are at the autumn harvest stage, whereas hemostasis and immunology are at the early stages of growth. In the robotic-assisted surgery

systems business, we are still in the investment stage, and this business is not currently generating operating profit. We would like to see an overall profit margin of 20%, but achieving this will take a bit more time.

Q. I would expect the next mid-term management plan to also be dynamic in terms of capital allocation.

A. Tachibana We have received feedback asking for this to be made more transparent to people outside the Company; we intend to address the issue in our next mid-term management plan.

Q. I am curious about areas for improvement, such as ROIC, in terms of supervising execution by members of the Managing Board going forward.

A. Inoue We are taking ROIC very seriously, and we have had extensive discussions on the subject, including within the sales division. The Company's commitment to ROIC has grown, and it is now a topic at the executive officer meetings I participate in. Introducing ROIC might make internal downsizing possible, but we are discussing this and taking a Sysmex-specific approach in order to avoid that situation. Moving forward, we want to communicate our efforts effectively to external stakeholders. As an outside member of the Managing Board, I believe it is crucial to table the topic for discussion and thoroughly debate any issues that arise.

Q. Over the past six years or so, there has been a shift in focus from new businesses to a renewed emphasis on existing business, including the strengthening of hemostasis as a growth driver. This represents progress in the Company's management. What factors have contributed to this positive change? Additionally, investors believe that Sysmex has even higher growth potential. What can the Company do to grow even more?

A. Ota I don't think the management team has been neglecting existing business at all. It is possible, however, that resources have been lacking further down in the organization. Over the past year or two, we have been configuring the Company's system for deciding what kind of products to release and when, and what specifications to incorporate. Model transition is fundamental for any manufacturer, but at Sysmex the entire company is taking an active role in the process. I don't think ¥1 trillion in net sales is an impossible goal. Mr. Asano says he wants to create a ¥1 trillion company with a venture spirit. The idea is that rather than simply pursuing size for its own sake, we will embrace a venture spirit as we develop and grow businesses, and the result should happen to be ¥1 trillion. By executing our growth strategies in both existing businesses and emerging markets, I think we can approach ¥1 trillion. To implement various strategies, it is important to establish proper systems and organize discussion forums to include diverse perspectives.

Q. Looking at its composition, the Managing Board seems to be very uniform and have limited

diversity. It may be beneficial for the board to be more diverse, such as by including people from locations outside of Kobe or from other countries.

A. Inoue I commute from Tokyo. In the past six months, I spent about 20 nights in Kobe to attend meetings and take part in other activities. Additionally, I attended online meetings. The company makes extensive use of outside members of the Managing Board. Sysmex is experiencing rapid growth, and we are transitioning from a structure in which a single president managed everything to an organizational structure in which management is distributed. While imbalance is not ideal from a diversity perspective, I believe it is more important to ensure the Company handles its necessary functions rather than to focus on people's regional backgrounds.

Q. It is important for the management team to benefit from a variety of perspectives, but the current Managing Board lacks diversity due to the absence of women and overseas individuals. We would like to see further discussion on the Managing Board's composition and diversity.

A. Iwasa I would for us to reconsider the need for diversity and what we aim to achieve as a result. With regard to efforts to reinforce diversity, we must understand that 85% of our net sales comes from overseas, and we must incorporate more diverse perspectives from abroad.

Q. Going forward, how will the Nominating Committee consider ensuring gender diversity in the composition of the Managing Board? How will you appoint people with diverse skills and improve effectiveness?

A. Ota I think we need to make improvements on the Managing Board. The board currently has just one woman, and although four foreign nationals are executive officers, none are members of the Managing Board. I think it would be good to have someone on the board who is familiar with the medical field could take a top-down view. We are not currently at that stage, but I would like to consider it.

Q. The current advisory board structure seems a bit weak in terms of its ability to supervise executives. Is there any chance you might transition to a monitoring board in the future? For example, this might be a Managing Board in which outside members made up the majority.

A. Ota I believe that our advice leads to supervision. For example, many of the suggestions I have made, such as those regarding ROIC, have been implemented by the executive team. Our advice have been accepted by asking for improvement rather than denying the situation. Some changes can happen quickly, while others take several years. The discussion about transitioning the mid-term management plan from a rolling two years to a fixed term took various circumstances into consideration, but we ultimately decided to move to a fixed term. I do not think it is beneficial to restrict a growing company by opposing change. The current executives at Sysmex continued to make improvements.

Q. What sort of topics are under discussion by the Nominating Committee and the Compensation Committee, and what improvement initiatives are underway? In addition to operating performance, shouldn't officer compensation be also linked to sustainability targets?

A. Ota This fiscal year, I began chairing both the Nominating Committee and the Compensation Committee. The Compensation Committee began its discussions last year. This fiscal year, the discussions have become more frequent and included pre-meeting discussions. The discussions consider various factors, including items related to the stock price. On the Nominating Committee, since last year we have had more opportunities to incorporate information about candidates' skills and career backgrounds. Furthermore, to develop succession plans, we have provided opportunities for interaction with officers and department heads, such as through lunch meetings. This has facilitated a deeper understanding, including of candidates' personalities. As a result, we have gained a more detailed understanding about individuals who are true candidates.

Q. How much of Managing Board discussions involve enhancing social value?

A. Inoue Sysmex has always been a company with a high social significance. Executives and employees alike discuss this with pride.

A. Iwasa We have a strong commitment to sustainability and will continue to enhance our efforts as an organization in this regard. We prioritize sustainability and actively manage and track our performance figures in this area.

Closing (Mr. Yamaguchi)

Today was our first attempt at a meeting with this format, but I believe it was successful in moving discussions forward. I hope we can continue with this sort of dialogue.

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