Corporate Governance Report

Last Update: June 1, 2021

Sysmex Corporation
Hisashi Ietsugu, Chairman, President and CEO
Contact: Joji Hayashi, Vice President
of IR & Corporate Communication Department
Securities Code: 6869
https://www.sysmex.co.jp/en

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

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

1. Basic Views

The Company considers reinforcing corporate governance one of its most important management topics. We aim to maximize the overall corporate value of the Group through enhancing management robustness and transparency, as well as improving management speed and efficiency.
The Company has adopted the system of a company with an Audit and Supervisory Committee to reinforce the Managing Board's audit and supervisory functions and increase management transparency and objectivity.
In addition, the Company has introduced the executive officer system to speed up decision-making of its business execution and to respond more swiftly to changes in the business environment.

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

Sysmex complies with all Principles of the Corporate Governance Code.

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

[Principle 1.4 Cross-Shareholdings]
Our basic policy is to reinforce and stabilize the management base, as well as contribute to regional economic development, in order to ensure sustainable increases in the Group's corporate value.
When increasing or liquidating our holdings of shares in a particular company, as well as exercising voting rights, we consider the economic rationality of investees' moves from a medium- to long-term perspective and in connection with and forecasts for the regional economy and make decisions after the Managing Board verifies the purpose and rationality of holding such shares each year.
The Management Board judges that the Company's individual holdings is appropriate, as of March 31, 2020.
[Principle 1.7 Related Party Transactions]
Based on the Companies Act, competing transactions and conflict-of-interest transactions by members of the Managing Board require Managing Board approval, in accordance with the Company's Managing Board

Regulations. Furthermore, a member of the Managing Board who engages in such transactions shall report them to the Managing Board without delay.
Transactions with major shareholders that exceed certain provisions in the Managing Board Regulations and items with a high level of importance require the approval of the Managing Board.
Also, the content of related party transactions, transaction conditions and the policy for determining transaction conditions are disclosed in the Company's securities report.
Furthermore, the Company regularly confirms with related parties that systems are in place to avoid being disadvantageous to the Company.

[Principle 2.6 Performing Functions as Asset Owner of the Corporate Pension]
The Company invests defined benefit pension assets through a pension asset investment committee composed of personnel who are suitably qualified to make pension investments. The status of investing is monitored in accordance with the Fundamental Policy on Investing Pension Assets set forth by the Company.

[Principle 3.1 Full Disclosure]
1. Corporate Philosophy, Business Strategies and Business Plans
The "Sysmex Way," the corporate philosophy for the Sysmex Group, consists of three parts: the Mission, which defines our social raison d'être and states how we hope to contribute to society; the Value, which describes the values and management style that we must abide by; and the Mind, which expresses the mindset and code of conduct that every employees within the Sysmex Group must observe. Based on this framework, we have formulated core behaviors that indicate the specific value we provide to customers, employees, business partners, shareholders and society.
In April 2019, Sysmex commenced a new mid-term management plan (from the fiscal years ending March 31, 2020 to 2022), seeking to promote transformation toward achieving robust sustainable growth for the Group and reinforcing the management base that supports it. The plan is aimed at achieving the Company's long-term vision and positioning, which is based on the "Sysmex Way," the corporate philosophy for the Sysmex Group, which defines the Group's mission as "shaping the advancement of healthcare." In line with mid-term management plan for the Sysmex Group, we aim to expand our product lineup in the hematology, urinalysis, hemostasis and immunochemistry fields. We will also reinforce growth and profitability by expanding the life science business and creating new diagnostic value that will contribute to personalized medicine. In addition, we will recruit and foster the human resources essential to achieving Group goals, and we will work to transform business process to augment the efficiency of corporate management and create new value. Furthermore, we will undertake initiatives to foster environmentally considerate product life cycles, contribute to society and bolster governance and risk management to ensure our ongoing support from diverse stakeholders.
Please refer to our website (https://www.sysmex.co.jp/en) for more information on our corporate philosophy and mid-term management plan.

2. Basic Views and Guidelines on Corporate Governance
Please refer to our website and the "I.1. Basic Views" section of this report.
(https://www.sysmex.co.jp/en/corporate/governance/corporate_governance.html)

3. Determining the Remuneration of the Senior Management and Members of the Managing Board
(1) Policy
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 three categories: fixed compensation, performance-linked compensation and non-monetary compensation. This framework allows the Company to adjust individual compensation in line with performance and vary the percentage of

compensation received in each category by individual. Compensation for outside members of the Managing Board comes solely from the fixed-compensation portion of compensation for members of the Managing Board.

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

4. Appointment and dismissal of the Senior Management and Nomination of Member of the Managing Board Candidates
(1) Policy
The Managing Board nominates candidates for internal members of the Managing Board (excluding members of the Audit and Supervisory Committee) by considering the balance among knowledge, experience and experience that facilitates accurate and swift decision-making, appropriate risk management, the monitoring of business execution and the ability to cover the Company's various functional divisions and business divisions, as well as sufficient social credibility. In nominating outside members of the Managing Board (excluding members of the Audit and Supervisory Committee), the Managing Board's conditions are that candidates have abundant work experience and broad-based insight, and be able to offer appropriate advice on the Company's management.
If satisfying the above-stated selection criteria is problematic, the Managing Board shall decide on the dismissal of its members (excluding members of the Audit and Supervisory Committee).
In appointing member of the Audit and Supervisory Committee candidates, the Managing Board takes into overall account the candidates' knowledge of finance and accounting, understanding of the Company's fields of business and diverse perspectives on corporate management.
If satisfying the above-stated selection standards is problematic, the Managing Board shall decide on the dismissal of members of the Audit and Supervisory Committee, based on the consent of that committee.

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

5. Explanations with Respect to the Individual Appointments and Dismissals
Career histories and reasons for appointment for each candidate nominated as a member of the Managing Committee, as well as reasons for dismissal, are included in the convocation notice of the ordinary general meeting of shareholders.

[Principle 4.1 Roles and Responsibilities of the Board (1)]
Supplementary Principle 4.1.1
Based on laws and regulations, the Articles of Incorporation and Managing Board Regulations, the Managing Board defines matters for the board itself to handle, makes important management decisions and supervises the execution of duties. Furthermore, the Company has adopted the executive officer system, and the executive officers execute the duties for which they are responsible within the scope entrusted to them by the president.

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

[Principle 4.11 Preconditions for Managing Board Effectiveness]
Supplementary Principle 4.11.1
The Managing Board is composed of members having diverse knowledge, experience and expertise. We strive to ensure appropriate diversity and scale, taking into account the overall balance of the Managing Board.
The Managing Board (excluding members of the Audit and Supervisory Committee) nominates candidates for members of the Managing Board who are capable of accurate and swift decision-making, appropriate risk management, the monitoring of business execution and the ability to cover the Company's various functional divisions and business divisions. Gender, nationality, race and origin are not considerations. Candidates nominated as members of the Audit and Supervisory Committee have appropriate experience and abilities and required levels of specialized knowledge. In particular, at least one nominated candidate has appropriate knowledge of finance and accounting.

Supplementary Principle 4.11.2
In the event that members of the Managing Board concurrently hold executive positions at listed companies other than the Company, the Company strives to ensure that the numbers of such posts are reasonable. Also, important concurrent positions held by each member of the Managing Board are disclosed in the business reports and reference documents for the general shareholder meeting.

Supplementary Principle 4.11.3
To enhance the functions of the Managing Board, the Company conducting annual document-based questionnaire survey of all members of the Managing Board (including members of the Audit and Supervisory Committee) and evaluating the Managing Board's effectiveness through deliberation of the aggregate results by the Managing Board. For the fiscal year ended March 31, 2020, evaluation results were highly positive for numerous categories. We understand this to mean that the Managing Board is functioning effectively and fulfilling its role appropriately. However, we have recognized the need for a continued response, undertaking initiatives to further enhance effectiveness.
(Composition)
The scale of the Managing Board and ratio of independent outside members of the Managing Board are generally appropriate, both in nature and diversity.
(Operation)
The information necessary to fully deliberate the Managing Board's agenda items is provided. The Managing Board is also undertaking other initiatives to further enhance effectiveness. For example, explanations are provided in advance to outside members of the Managing Board, issues are summarized, and related information needed for background understanding is provided. Among efforts to encourage more active deliberation, we hold opinion exchange meetings attended only by outside members of the Managing Board and strive to promote understanding. However, ensuring adequate time for careful consideration when providing materials is an area in need of improvement. Accordingly, we are working to provide materials earlier.
(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. Decision-

making on items of management importance is conducted appropriately, taking into account the objective and rational opinions of outside members of the Managing Board.

[Principle 4.14 Training of Members of the Managing Board and Corporate Auditors]
Supplementary Principle 4.14.2
The Company conducts lectures for members of the Managing Board according to their expected roles and responsibilities, with content appropriate to the Companies Act and the current state of affairs. In addition, we provide opportunities to attend outside training sessions, lectures and networking events. In these ways, we endeavor to help them gain the necessary knowledge and promote an understanding of their roles and responsibilities as members of the Managing Board.
At the time of their appointment, the Company holds briefings and tours of various business offices for outside members of the Managing Board to foster an understanding of the Company's businesses and functions. We also create opportunities for providing further information thereafter, as necessary.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]
1. The Company considers dialogue with shareholders to be important from the perspective of sustainable growth and long-term increases in corporate value. For this reason, we strive to engage proactively in dialogue with shareholders. The department in charge of IR conducts business results briefings and a host of other activities, centering on the chairman and CEO and the executive in charge of IR, to enhance shareholders' understanding of the Company's management policies, management plans and business strategies. Furthermore, in response to shareholder requests for dialogue (meetings), when reasonably possible and as necessary these requests are handled by members of the Managing Board and executive officers.
2. Related internal departments assisting with this dialogue actively cooperate in seeking to ensure constructive dialogue by preparing disclosure materials and sharing information.
3. In addition to individual meetings, the Company holds business results briefings for investors, as well as Company tours. We also endeavor to enhance such activities in response to investors' opinions and requests.
4. Shareholder opinions ascertained through dialogue are communicated via meeting reports. This information is provided as feedback to members of the Managing Board, executive officers and related departments, thereby sharing and utilizing this information.
5. In the period leading up to results announcements, the Company maintains a quiet period, during which it limits its dialogue with investors. In addition, to prevent insider information from leaking outside the Company, the Company manages information strictly in accordance with internal regulations (regulations on managing corporate confidentiality).

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd.	21,243,000	10.17
The Kobe Yamabuki Foundation	12,000,000	5.75
Nakatani Foundation for Advancement of Measuring Technologies in Biomedical Engineering	11,830,800	5.67

Nakatani Kosan, Ltd.	10,457,600	5.01
The Master Trust Bank of Japan, Ltd.	10,341,100	4.95
Kazuko Ietsugu	6,124,800	2.93
Taeko Wada	6,124,800	2.93
Rusoru.Ltd.	4,750,000	2.27
Tadako Nakatani	4,012,800	1.92
Kenji Itani	3,680,000	1.76

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

Supplementary Explanation

The status of shares by voting category is outlined below.

Status of Voting Rights on Outstanding Stock

(As of March 31, 2020)

Category	Number of shares	Number of voting rights	Details
Non-voting shares	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (other)	—	—	—
Shares with full voting rights (treasury stock, etc.)	Common stock 446,600	—	—
Shares with full voting rights (other)	Common stock 208,737,800	2,087,378	—
Shares of less than one trading unit	Common stock 82,032	—	Shares constituting less than one trading unit (100 shares)
Number of shares issued	209,266,432	—	—
Total shareholder voting rights	—	2,087,378	—

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion

Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

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

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

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

1. Organizational Composition and Operation

Organization Form	a company with an Audit and Supervisory Committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	No maximum stipulated
Term of Office Stipulated in Articles of Incorporation	1 years
Chairperson of the Board	President
Number of Directors	12
Appointment Status of Outside Members of the Managing Board	Appointed
Number of Outside Directors	4
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	K
	From another company / Lawyer / CPA / Tax Accountant / Academic / Other											
Masayo Takahashi	Other				○							
Kazuo Ota	From another company								△			
Kazumasa Hashimoto	From another company											○
Michihide Iwasa	From another company											○

* Categories for “Relationship with the Company”
* ”○” when the director presently falls or has recently fallen under the category;
  “△” when the director fell under the category in the past
* “●” when a close relative of the director presently falls or has recently fallen under the category;
  “▲”when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors’ Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masayo Takahashi			—	Ms. Takahashi has abundant experience in Japan and overseas as a clinician and researcher specializing in ophthalmology. The Company believes Ms. Takahashi will contribute toward enhancing the clinical value of the Company’s existing business and to research and development activities in new fields, such as personalized medicine.
Kazuo Ota		○	Kazuo Ota is formerly of Kawasaki Heavy Industries, Ltd., a business partner of the Company. He	Mr. Ota has abundant experience and deep insight in corporate management, and the Company judges that he will apply this experience and

			retired from his position as director at Kawasaki Heavy Industries in June 2019. Sysmex and Kawasaki Heavy Industries do have a business relationship. However, the value of transactions between the Sysmex Group and the Kawasaki Heavy Industries Group in the fiscal year ended March 31, 2020 amounted to less than 2% of consolidated net sales for both parties. In addition, he satisfies the independent officer requirements stipulated by the Tokyo Stock Exchange.	insight toward the Company's management. He has no personal or other connections with the Company's executives, and taking into consideration the scale and quality of transactions, the Company judges there to be no issues that would affect his judgment on behalf of shareholders and investors, that he is not at risk of being in conflict with the interests of general shareholders, and that it can entrust to him the important responsibility of ensuring management soundness and transparency.
Kazumasa Hashimoto	○	○	Mr. Hashimoto concurrently holds positions as chairman of Kansai Mirai Bank, Limited and	As the manager of a financial institution, Sysmex judges that Mr. Hashimoto has abundant experience and knowledge related to finance and accounting, and will contribute

			outside corporate auditor of the Royal Hotel, Limited. No special relationships exist between Sysmex and these companies.	substantially to ensuring the soundness and transparency of the Managing Board from his position as a member of the Audit and Supervisory Committee, as well as to the fulfillment of the audit and supervisory functions. He has no personal or other connections with the Company's executives. The Company judges there to be no issues that would affect his judgment on behalf of shareholders and investors, that he is not at risk of being in conflict with the interests of general shareholders, and that it can entrust to him the important responsibility of ensuring management soundness and transparency by applying his abundant experience and broad-ranging knowledge as a manager.
Michihide Iwasa	○	○	Mr. Iwasa concurrently holds a position as an advisor to Kobelco Logistics, Ltd. No special relationships exist between Sysmex and this company.	Given his abundant experience and broad-ranging insight, including as a corporate manager, Sysmex judges that Mr. Iwasa will contribute substantially to ensuring the soundness and transparency of the Managing Board from his position as a member of the Audit and Supervisory Committee, as well as to fulfillment of the audit and supervisory functions.

				He has no personal or other connections with the Company's executives. The Company judges there to be no issues that would affect his judgment on behalf of shareholders and investors, that he is not at risk of being in conflict with the interests of general shareholders, and that it can entrust to him the important responsibility of ensuring management soundness and transparency by applying his abundant experience and broad-ranging knowledge as a manager.

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

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

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

At Sysmex, the Internal Audit Office provides organizational assistance for the duties of the Audit and Supervisory Committee.
When employees at the Internal Audit Office assist the Audit and Supervisory Committee in its duties, they obey the Audit and Supervisory Committee's orders and instructions.
To ensure the independence of members of the Managing Board (excluding members of the Managing Board who are Audit and Supervisory Committee members), personnel matters involving employees of the Internal Audit Office (including appointments, transfers and disciplinary actions) are discussed in advance with the Audit and Supervisory Committee.

Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Audit and Supervisory Committee also maintains close relations with the internal audit divisions and divisions in charge of internal control in conducting audits. A system is also in place for the committee to issue directions to the internal audit divisions, if necessary.
The Audit and Supervisory Committee works closely with the accounting auditors to confirm the audit plans and the audit results, exchanging information and opinions, such as when conducting internal control related to financial reporting.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

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

Supplementary Explanation

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

[Independent Directors]

Number of Independent Directors	3

Matters relating to Independent Directors

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

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options

Supplementary Explanation Updated

As one aspect of its efforts to reinforce the corporate governance system, in July 2005 the Company introduced a performance-based executive remuneration system to clarify responsibility for success. 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 three categories: fixed compensation, performance-linked compensation and non-monetary compensation. Performance-linked compensation is distributed to individual officers based on success. In addition, at the General Meeting of Shareholders on June 21, 2019, a bill was approved to distribute stock acquisition rights as stock options to

members of the Managing Board (excluding members of the Audit and Supervisory Committee and outside members of the Managing Board) in an amount not to exceed ¥800 million annually.

Recipients of Stock Options	Inside Directors / Employee / Subsidiaries' Directors / Subsidiaries' Employee

Supplementary Explanation

The Company granted stock options on September 20, 2019, in order to enhance the motivation and morale of members of the Managing Board and employees of the Company and its subsidiaries, as well as to encourage employee participation in management.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors

Supplementary Explanation

<Remuneration Paid to the Company's Members of the Managing Board in the Fiscal Year Ended March 31, 2020>

Executive category	Members of the Managing Board (excluding members of the Audit and Supervisory Committee) (Excluding outside members of the Managing Board)
Total amount of remuneration	¥597 million
Basic remuneration	¥245 million
Stock options	¥107 million
Bonuses	¥245 million
Number of executives	9

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

Executive category	Outside executives
Total amount of remuneration	¥28 million
Basic remuneration	¥28 million
Stock options	—
Bonuses	—
Number of executives	5

(Note) The above-stated information includes members of the Managing Board who stood down during the fiscal year ended March 31, 2020.

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

Name	Hisashi Ietsugu
Executive category	Member of the Managing Board
Company category	Company submitting report
Total compensation (Millions of yen)	155
Basic compensation (Millions of yen)	59
Stock options (Millions of yen)	23
Bonuses (Millions of yen)	73

(Notes)
1. The amount of remuneration paid to members of the Managing Board does not include employee salaries paid to members of the Managing Board who are concurrently employees. Fixed compensation for members of the Managing Board (including outside members of the Managing Board but excluding the Chairman, President and CEO) and executive officers averages ¥22 million.
2. At the 49th Ordinary General Meeting of Shareholders on June 24, 2016, a resolution was passed to limit annual remuneration for members of the Managing Board (excluding members of the Audit and Supervisory Committee) to within ¥1.0 billion, and annual remuneration for members of the Managing Board who are members of the Audit and Supervisory Committee to within ¥80 million.
3. As of March 31, 2020, members of the Managing Board (excluding members of the Audit and Supervisory Committee) numbered 9 (of which, two were outside members of the Managing Board), and members of the Managing Board who were also members of the Audit and Supervisory Committee number three (of which, two were outside members of the Managing Board).
4. Ownership of shares in the Company by members of the Managing Board and executive officers
A certain portion of fixed compensation for members of the Managing Board and executive officers is applied toward the purchase of the Company's stock in the aim of bolstering shareholder value by motivating management to pursue long-term increases in corporate value. The Company aims for the Chairman, President and CEO to hold shares worth five times his fixed compensation, and for other members of the Managing Board and executive officers to hold shares worth twice their fixed compensation, and for them to hold the acquired shares during their terms of office. As of March 31, 2020, the Chairman, President and CEO held 611 thousand shares (81 times fixed compensation), and other members of the Managing Board and executive officers (only those who hold shares) held an average of 26 thousand shares in the Company (nine times fixed compensation).

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods	Updated

Sysmex's policy on determining remuneration amounts and calculation methods for members of the Managing Board (excluding members of the Audit and Supervisory Committee and outside members of the Managing Board) uses a performance-linked method that clarifies responsibilities for success.
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 three categories: fixed compensation, performance-linked compensation and non-monetary compensation. Fixed compensation comprises compensation for members of the Managing Board and compensation for business execution. 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) are used to determine disbursements. Performance-linked compensation is linked to consolidated operating performance for the Group, using profit attributable to owners of the parent as an indicator. This indicator refers to net earnings for the consolidated fiscal year

(sales net of expenses and profit or loss), which the Company considers an appropriate indicator for performance-linked compensation. Performance-linked compensation amounts are multiplied by a variable compensation factor within 3% of profit attributable to owners of the parent to determine the total amount of variable compensation, which is disbursed on an individual basis in accordance with success. As non-monetary compensation, Sysmex uses an officer shareholding association system to facilitate monthly purchases of Sysmex shares for a specific amount (compensation as a medium- to long-term incentive) and other share compensation (such as stock options). By encouraging officers to acquire and hold the Company's shares, Sysmex aims to enhance corporate value from a shareholder perspective, boost the incentive to enhance corporate performance over the medium to long term and augment personnel retention. 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) are used as standards for determining share purchase amounts and numbers. Compensation paid to members of the Audit and Supervisory Committee (excluding outside members of the Managing Board) and outside members of the Managing Board comes solely from the fixed-compensation portion of compensation for members of the Managing Board.
The Managing Board has delegated to Hisashi Ietsugu, Chairman and CEO, the task of determining individual compensation and specific details of compensation for members of the Managing Board (excluding members of the Audit and Supervisory Committee.) Details of this authority include determining the individual evaluation factors used to determine the total amount of performance-linked compensation paid to individual members of the Managing Board. Mr. Ietsugu was granted this authority because he is best positioned, in his role as representative director, to take a bird's-eye view of overall operating performance and assess the businesses for which individual members of the Managing Board are responsible. To ensure that the representative director uses this authority appropriately, the Managing Board confirms the appropriateness of the process for determining officer compensation and compensation amounts via the Audit and Supervisory Committee. This committee has three members (of whom two are outside members of the Managing Board).

[Supporting System for Outside Directors]

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

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

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

The Global Strategic Committee consists of the chairman and CEO and senior executive officers and serves as an advisory body to assist decision-making by the chairman and CEO. As a rule, this committee meets once a month to deliberate and discuss the Group's medium- to long-term management direction and important strategies and issues.
The Steering Committee consists of executive officers. The committee meets once a month, in principle, to discuss, deliberate and report on projects that are important projects with regard to advancing the Group's plans for the fiscal year.

The Internal Control Committee is made up of senior executive officers and members of the Audit and Supervisory Committee (excluding outside members of the Managing Board). The committee serves as an advisory body to the chairman and CEO, who chairs the committee. As a rule, the committee meets four times each year to deliberate and report on important matters related to the Group's overall internal controls, including risk management.
The Compliance Committee comprises executive officers and some division leaders. The committee meets twice each year, in principle, to deliberate and report on important matters related to Group compliance.

In the fiscal year ended March 31, 2020, the Managing Board met 15 times, the Global Strategic Committee 12 times and the Steering Committee 16 times to address matters relating to management strategy and important issues facing the Group.

The Internal Audit Office, consists of 12 employees, and internal audit offices are in place at key subsidiaries. These offices confirm and evaluate the establishment and operational status of the Company's internal control system from the perspective of the sound development of the Group, issue reports based on the results of its activities, promote appropriate execution of business through improvements, advice and proposals, and conduct internal audits to contribute to the sound management of the Group.

Sysmex's Audit and Supervisory Committee comprises three members, two of whom are appointed as outside members of the Managing Board. Audit and Supervisory Committee members attend meetings of the Audit and Supervisory Committee, Managing Board, Global Strategic Committee and Steering Committee, providing a structure that enables the appropriate monitoring of business execution by members of the Managing Board. The Audit and Supervisory Committee met 21 times in the fiscal year ended March 31, 2020. The Audit and Supervisory Committee also maintains close relations with the internal audit divisions and divisions in charge of internal control in conducting audits. A system is also in place for the committee to issue directions to the internal audit divisions, if necessary. The Audit and Supervisory Committee works closely with the accounting auditors to confirm the audit plans and the audit results, exchanging information and opinions, such as when conducting internal control related to financial reporting. Going forward, the Audit and Supervisory Committee will continue to enhance management soundness by auditing and supervising members of the Managing Board, as appropriate, based on laws and regulations.
The Audit and Supervisory Committee will work closely with the accounting auditors on the audit plans report (annual) and the audit results reports (annual), exchanging information and opinions as necessary, such as when conducting internal control audits related to financial reporting.

The Company has contracted with Deloitte Touche Tohmatsu LLC to perform a certified public accountants audit. In addition to conducting an audit of the entire Sysmex Group, the Company maintains an environment that makes it possible to rapidly cope with changes in the accounting system.
The Company has contracts in place with several law offices and maintains a structure to solicit and obtain advice on important matters as necessary.

3. Reasons for Adoption of Current Corporate Governance System

To reinforce the Managing Board's audit and supervisory functions, enhance management transparency and objectivity, the Company has adopted the system of a company with an Audit and Supervisory Committee. The Company has appointed multiple independent outside members of the Managing Board. These members have extensive knowledge and deep insight related to corporate management and business. The

Company believes that these members further invigorate deliberations, facilitate appropriate decision-making and ensure highly effective supervision of business execution. Of the three members of the Audit and Supervisory Committee, two are independent outside members of the Managing Board. In this manner, we are working to reinforce and enhance the auditing and supervisory functions. We have also introduced an executive officer system to increase the speed of business execution and decision-making, as well as to respond swiftly to changes in the operating environment.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

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

2. IR Activities

	Supplementary Explanations	Explanations by the Representative Himself /Herself
Preparation and Publication of Disclosure Policy	Posted on the Company's website	—
Regular Investor Briefings for Individual Investors	To provide an overview of the Company explaining its strategies, the Company strives to encourage a better understanding among individual investors. To this end, the Company regularly (typically, once or twice each year) participates in briefings for individual investors sponsored by securities companies and other parties.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Company conducts business results briefings promptly following its announcement of fiscal year-end and interim financial results. At the end of the fiscal year ended March 31, 2020, this meeting was held in a teleconference format from the perspective of preventing the spread of COVID-19.	Yes

Regular Investor Briefings for Overseas Investors	The Company regularly (two or three times each year) meets individually with overseas institutional investors to explain its financial reports and future strategies. The Company also participates in conferences (briefings) sponsored by securities companies. At our IR events (technology presentations, IR Day), we provide simultaneous English interpretation in the aim of promoting fair disclosure.	Yes
Posting of IR Materials on Website	The Company discloses various IR-related materials on its website (in Japanese and English), including the posting of voice recordings of business results briefings and the materials distributed at these meetings, in an effort to promote fair disclosure. As IR materials, the Company posts financial information, presentation materials, securities reports (including quarterly financial results), Company briefing pamphlets and a video overview of the Company, as well as messages from the Chairman and CEO and explanations of the state of corporate governance.	—
Establishment of Department and/or Manager in Charge of IR	The IR & Corporate Communication Department is responsible for IR activities, working with the chairman and CEO and the director in charge of IR on the Company's IR activities.	—
Other	—	—

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Sysmex has formulated a variety of regulations aimed at respecting the position of shareholders. These include Insider Trading Regulations, Environmental Manual Management Regulations, Personal Information Protection Regulations, Compliance Regulations and Ethics Regulations on Clinical Research and Development.
Implementation of Environmental Activities, CSR Activities etc.	The Company has identified priority issues to be addressed (materiality items) with a view to realizing a sustainable society and the sustainable growth of the Company, based on matters required by society, including the 10 principles of the United Nations Global Compact; ISO 26000, the international standard for social responsibility; and the United Nations Sustainable Development Goals (SDGs). The Group Mid-Term Management Plan (fiscal years ending March 31, 2020 to 2022) sets five non-financial targets tied to materiality, clarifying the position of CSR activities within the overall management scheme. Related departments reflect these targets in their promotion of execution plans and activities. The five materiality themes are: "resolution of medical issues through products and services," "responsible provision of products and services," "realization of an attractive workplace," "environmental consideration" and "governance."

	The Environmental Management Committee, which is chaired by the environmental management officer, formulates specific environmental action plans based on the Sysmex Eco-Vision 2025, the Company's environmental policy and long-term environmental vision, and evaluates implementation. Furthermore, each year the Company publishes the *Sustainability Data Book* to complement its integrated report, the *Sysmex Report*, and report detailed information pertaining to Sysmex's corporate social responsibility (CSR). Both publications are provided on the Company's website and the Tokyo Stock Exchange's Company Announcements Service.
Development of Policies on Information Provision to Stakeholders	In accordance with its information disclosure regulations, the Company discloses information in line with the laws and regulations on the exchange of financial instruments and timely disclosure regulations of financial instruments exchanges. The Company also has set its own voluntary standards for information disclosure that include information not subject to timely disclosure regulations, and has formulated a basic policy on information disclosure that strives to disclose information proactively and fairly.
Other	—

IV. Matters Related to the Internal Control System

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

Updated

1. Basic Policy

Sysmex Corporation and its Subsidiaries (the "Sysmex Group") has defined the "Sysmex Way", the Group corporate philosophy that serves as a cornerstone for all Sysmex Group activities by defining our stance, directions of pursuit and values, and our corporate behaviors toward stakeholders. Executives and employees conduct business activities in accordance with this philosophy.

Sysmex has established and applies a system required for ensuring appropriate operations, which forms the basis for processes required for maintaining organizational soundness and, by realizing the Sysmex Way, contributes toward the achievement of business objectives and the enhancement of corporate value.

The Managing Board has formulated the Basic Policy for the Internal Control System outlined. The board directs and supervises the implementation status of internal controls, confirms the status of its maintenance and operation, as well as its appropriateness, making revisions as necessary. To augment effectiveness, the Internal Control Committee and a specialized organization have been established as organizations dedicated to internal control, which maintain and apply the internal control system. This committee is chaired by the president and representative director, who has overall responsibility for internal control.

2. Systems to Ensure the Appropriateness of Business Activities in the Corporate Group

Sysmex has formulated the Sysmex Way and core behaviors based on this philosophy and promotes appropriate operations throughout the Group. In accordance with the Basic Policy for the Internal Control System formulated by the Managing Board, Sysmex promotes the overall maintenance and application of internal control across the Group, centered on the Internal Control Committee and a specialized organization for internal control. In each control area, such as compliance and risk management, Sysmex has established administrative sections and committees, formulated related global regulations, and put in place and operates a system to ensure operational appropriateness as a group.

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

3. System for Ensuring the Execution of Duties Is Compliant with the Law and the Articles of Incorporation
The Sysmex Group defines compliance as "the conduct of open and aboveboard business activities on the basis of observance of laws and regulations and high ethical standards" and maintain a system to ensure compliance as described below.
Recognizing that compliance countermeasures are the first and most important way to maintain society's trust and counter risk, Sysmex operates a groupwide risk management system, under which the Compliance Committee is established as the umbrella organization for compliance. The Sysmex Group has formulated a Global Compliance Code that applies to employees and members of the Managing Board and rigorously ensures compliance through education and training. The Sysmex Group promotes the rapid detection and correction of violations of the law or the Articles of Incorporation by means of an internal compliance-related reporting system, and conducts audits of the compliance structure by means of the Internal Audit Office.

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

5. Regulations Concerning the Management of Risk and Other Systems
To maintain a structure concerning risk management, Sysmex complies with risk management regulations and strives to mitigate risk, centered on the Internal Control Committee, for the integrated management of internal control throughout the Group. The Internal Control Committee endeavors to discover foreseeable risks, select the most important of these risks, clarify the sections responsible for coping with risks, work with these sections, business divisions and other risk owners, establish countermeasures and confirm the implementation status of these countermeasures.

6. Systems to Ensure the Efficient Execution of Duties
Sysmex has positioned the Managing Board as the institution to make important management decisions and supervise the execution of duties. The Company has introduced the executive officer system to be capable of making swifter operating decisions and reinforce management functions in order to respond quickly to changes in the business environment.
The Sysmex Group clarifies decision-making procedures and ensures efficient business operations based on organization regulations, scope of authority regulations, regulations concerning the management of affiliated companies, and others. In addition, the Group formulates mid-term plans and annual management plans, periodically confirms the progress made with those plans and takes any necessary measures.

7. Assignment of Employees to Assist the Audit and Supervisory Committee
At Sysmex, the Internal Audit Office provides organizational assistance for the duties of the Audit and Supervisory Committee.
When employees at the Internal Audit Office assist the Audit and Supervisory Committee in its duties, they obey the Audit and Supervisory Committee's orders and instructions.

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

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

9. Systems Related to Reporting to the Audit and Supervisory Committee and Other Systems for Ensuring Effective and Efficient Auditing by the Audit and Supervisory Committee
If a member of the Managing Board or employee of the Group discovers a violation of the law or the Articles of Incorporation or a material fact that poses risk of causing significant damage to the Sysmex Group, that fact is promptly reported to the Audit and Supervisory Committee according to the prescribed regulations and procedures. Members of the Audit and Supervisory Committee also attend Managing Board, Steering Committee and other important meetings, read important documents such as approval requests, and request explanations from members of the Managing Board and employees of the Sysmex Group as necessary.
Sysmex prohibits dismissal or any other disadvantageous treatment to members of the Managing Board and employees of the Sysmex Group who report information as outlined above.

2. Basic Views on Eliminating Anti-Social Forces

Sysmex has in place a Compliance Code that applies to all executives and associates throughout the Sysmex Group. We maintain absolutely no relationships with antisocial forces, and we take a firm stand to thoroughly counter any such forces.
Our education and training programs for executives and associates provide a thorough grounding on the exclusion of antisocial forces. We have an internal reporting system in place to respond quickly and appropriately to any overtures. Furthermore, we maintain close relations with specialized outside institutions to gather information about the activities of antisocial forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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

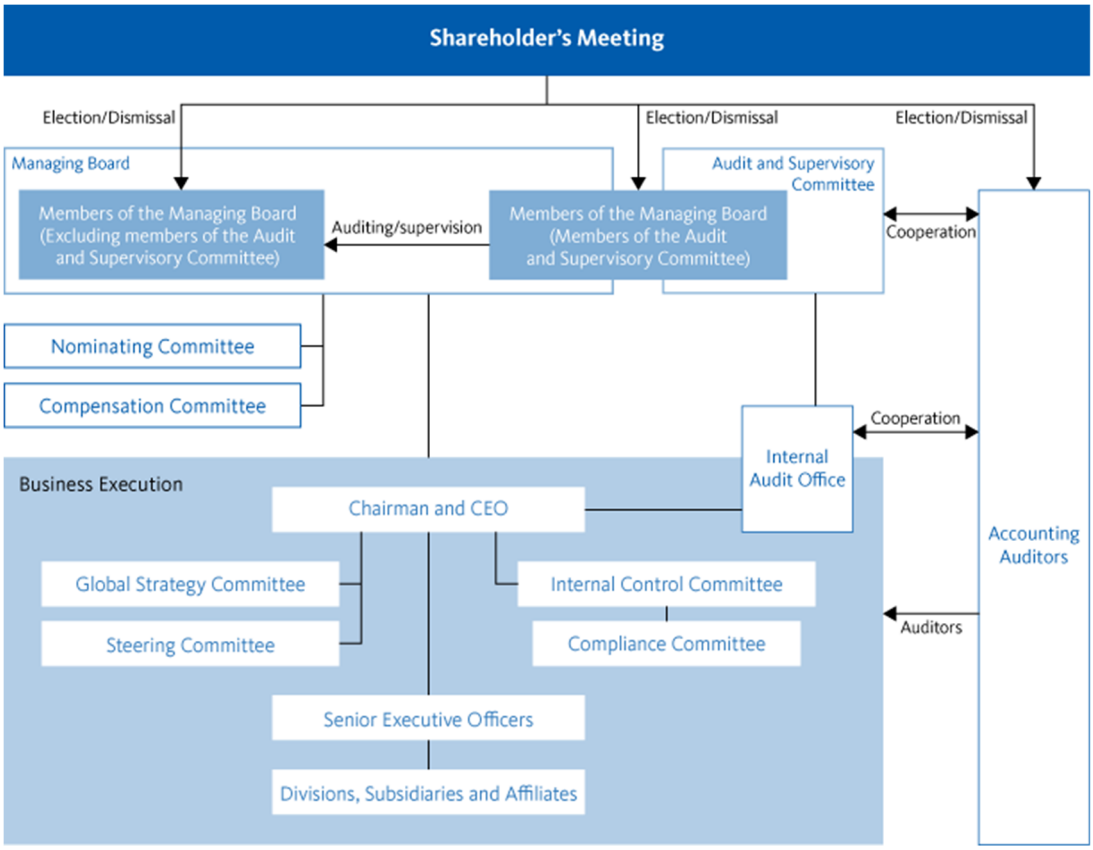
2. Other Matters Concerning to Corporate Governance System

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

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

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

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


Shareholder's Meeting
Election/Dismissal
Election/Dismissal
Election/Dismissal
Managing Board
Members of the Managing Board (Excluding members of the Audit and Supervisory Committee)
Auditing/supervision
Members of the Managing Board (Members of the Audit and Supervisory Committee)
Audit and Supervisory Committee
Cooperation
Nominating Committee
Compensation Committee
Cooperation
Internal Audit Office
Business Execution
Chairman and CEO
Accounting Auditors
Global Strategy Committee
Internal Control Committee
Steering Committee
Compliance Committee
Auditors
Senior Executive Officers
Divisions, Subsidiaries and Affiliates