



System Report 2018

# System Report 2018

For the year ended March 31, 2018



System Corporation



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Lighting the way **with diagnostics**



# Lighting the way with diagnostics

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

Sysmex operates in the domain of healthcare testing, which involves examining blood, urine and other samples. We provide customers with a variety of products and services, in more than 190 countries and regions. Looking toward the future of healthcare, we are now undertaking new challenges in the field of diagnostics.





Our founder, Taro Nakatani (right), setting off on his visit to the United States

## An Ideal Unchanged Since Our Founding

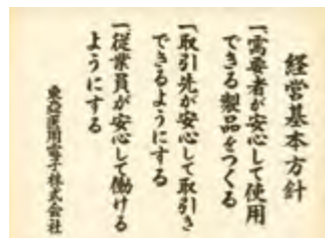
# Dedicated to Supporting People's Health

In 1959, Sysmex founder Taro Nakatani visited the United States, looking for new business ideas. His attention was drawn to the field of medical electronic devices. When he returned to Japan, Mr. Nakatani began working with young researchers, conducting studies and engaging in development. In 1963, they succeeded in the commercialization of Japan's first hematology analyzer, the CC-1001. Moving on from this success, TOA MEDICAL ELECTRONICS CO., LTD. (current Sysmex Corporation) was established in 1968.

Realizing a healthy 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.



The CC-1001 automated hematology analyzer



Founding philosophy (the "Three Aspects of Confidence")  
 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 line with changes in the global management environment, in 2007 we formulated a corporate philosophy for the Sysmex Group, carrying forward and expanding the perspective maintained since the time of our founding.

# 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.





Hisashi Ietsugu  
Chairman and CEO

## To Our Stakeholders

We have taken advantage of this timing, our 50th anniversary of establishment, by formulating long-term management goals for Sysmex to take on new challenges and move to the next stage.

Based on the “Sysmex Way,” the corporate philosophy of the Sysmex Group, we aim to achieve sustainable growth by creating new testing and diagnostic value as a “Unique & Advanced Healthcare Testing Company.”



### The Mission Embodying Our Ideal: “Shaping the Advancement of Healthcare”

The corporate philosophy of the Sysmex Group, the “Sysmex Way,” has a mission: “Shaping the Advancement of Healthcare.” This mission embodies the ideal of contributing to the development of healthcare and the healthy lives of people by bringing new testing and diagnostic technologies into the world.

A variety of healthcare issues exist around the world. Advanced countries are characterized by rapidly aging populations, the expectation of extended healthy lifespans and a growing need to curtail healthcare costs. At the same time, economic advancement in emerging markets and developing countries is giving rise to growing demands to increase the quality of healthcare and eradicate infectious diseases. We believe that Sysmex’s *raison d’être* is to face such healthcare issues and provide solutions that address them.

The “Sysmex Way” expresses the core values shared by all employees who belong to the Sysmex Group. We focus on activities to instill the corporate philosophy, so that all Sysmex employees around the world progress in the same direction, based on the “Sysmex Way.” I also participate in

internal training, and at meetings with individual divisions and in overseas locations in various regions I proactively take the opportunity to speak about the “Sysmex Way.” A philosophy that has become a mere façade is meaningless, so I make it a point to go back and discuss our philosophy on a daily basis.

### Growing by Continuing to Create Value

In 2018, we marked the 50th anniversary of Sysmex’s establishment. Operating performance during this noteworthy fiscal year, ended March 31, 2018, was net sales of ¥281.9 billion (up 12.8% year on year) and operating profit of ¥59.0 billion (up 14.3%). ([Management’s Discussion and Analysis](#) ► P71.)

We have grown thanks to the support of a host of stakeholders, and there are a number of key factors behind our success. The origins date back to our founding. At the time of our founding, in the 1960s, hematology was generally performed using microscopes. Sysmex was the first company in Japan to automate that process, enhancing both productivity and accuracy. Since then, we have

continued to provide value-added solutions that address customers’ issues and requirements.

Next, we embarked on transport systems. Nowadays, these systems are commonly used in the hematology field to efficiently process tests in large quantities. Sysmex led the industry in offering these systems, which were developed in response to customer feedback, in 1990. These systems set in place the blood to be tested, detect the sample needing to be viewed under a microscope and mount the sample on a glass slide—all automatically. These systems were highly regarded for increasing the productivity and safety of testing, addressing the social issues of the times, namely curtailing healthcare costs and preventing infection via blood. Nowadays, these systems have become mainstay products.

In 1999, we began providing SNCS\*, a service utilizing IT to perform quality control on customers’ instruments, monitor their operating status in real time and support their stable operation. As testing data is needed for diagnosis and treatment, testing instrument breakdowns affected overall healthcare. Accordingly, reducing the downtime that occurs when instruments break down is extremely important. SNCS, which detects abnormalities before they lead to failure, helped to prevent this situation by reducing the risk of breakdowns.

Increasing the value we provide also led to the advancement of our business model. Since the time of our establishment, we had provided service and support free of charge as a matter of course, as this was part of selling instruments. However, customers began to understand that by preventing breakdowns, conducting maintenance, offering extensive training and developing services that leverage IT, Sysmex was providing value-added service and support. As a result, we were able to turn service and support, which was previously a cost center, into the profit center it is today. I believe this sort of business model innovation is one factor that supports Sysmex’s sustainable growth.

\*Sysmex Network Communication Systems (SNCS): An online support service that connects to the Sysmex Customer Support Center and customers’ instruments via the Internet to provide real-time external quality control and scientific information, and monitoring of instrument conditions.

### Promoting Globalization, a Step Ahead of the Times

As the size of the testing market is closely linked to population, Sysmex moved into the global market early on. Currently, Sysmex’s market includes all regions of the world, where more than 7.0 billion people live.

For a certain period after establishment, our business scale was small, so we pursued globalization via distributors. In 1991, when we had achieved a certain business scale, our erstwhile distributor in the United Kingdom decided to cease operations in its healthcare division. We took this move as an opportunity, bringing on employees from the distributor and launching our first direct sales, service and support operations overseas. This decision enabled us to hear overseas customers’ issues and needs directly, providing a significant boost to our overseas business. Based on this experience, we put in place direct sales, service and support structures in Germany, the United States and Asian countries.

Meanwhile, we began operations in China in the 1990s, before full-fledged economic development had begun. We developed and sold products tailored to local market needs and held scientific seminars, earning high levels of customer satisfaction and cultivating our brand image. These moves were instrumental in the major business growth we experienced later as the market expanded in line with rapid economic growth. I think the key to our business success has been our ability to anticipate changes in the business environment rather than reacting to changes that have already occurred. This capability has helped Sysmex keep a step ahead of other companies.

As a result of these ongoing initiatives, Sysmex’s overseas business has continued to expand, to the point where our overseas sales ratio is currently 84%.



## Becoming a Unique & Advanced Healthcare Testing Company Formulating New Long-Term Management Goals

Taking our 50th anniversary of establishment as a milestone, we formulated new long-term management goals, with 2025 as the final fiscal year, that look ahead to what we can achieve in the next 50 years, by our 100th anniversary. Under the long-term vision of being a “Unique & Advanced Healthcare Testing Company,” while leveraging the management resources and strengths we have cultivated to date, we aim to be an industry leader demonstrating advanced capabilities. This vision embodies new testing and diagnostic value and efforts to create original business models. (Long-Term Management Goals ▶ P33.)

Technological innovation and its application to healthcare are proceeding at an extremely fast pace. *In vitro* diagnostics (IVD), which centers on health diagnosis and people who have fallen ill, has been considered the gateway to healthcare. In recent years, its use has expanded. For example, in the past anti-cancer drug prescriptions were specific to the organs affected. Nowadays, however, we understand that results differ not by organ but by individual gene abnormalities. This realization sparks the need for new tests that can help in analyzing genetic changes in individual patients, determining what anti-cancer drugs will be effective and selecting treatment methods.

In emerging markets and developing countries, markets are expected to grow further in line with economic expansion and population increases. To meet rising demand for basic healthcare, in particular, insurance systems and medical institutions are being established, and testing demand is growing. At the same time, we need to remain vigilant to market changes, such as entry into the market by companies from other industries and increasingly stringent regulatory systems.

## Formulating Positioning Targets Leading up to 2025

In this environment, we have formulated our five positioning targets leading up to 2025. The first is “creating innovative diagnostic value as a global top-five company in IVD.” By

boosting competitiveness in our existing mainstay IVD domain (which includes the hematology, hemostasis, urinalysis and immunochemistry fields), we will take advantage of expanding markets, particularly in emerging markets and developing countries, and bolster our market share.

The second target is to be “a leading company in personalized diagnostics for optimizing medical treatment.” If it becomes possible to use testing to clarify optimal treatment methods for individual patients, waste in healthcare could be reduced, the burden on patients could be lessened, and medical costs could be curtailed. By fusing our proprietary technologies with the technologies and knowledge we obtain through open innovation, we will create new testing and diagnostic value.

Our third target is to be “a solution provider contributing to the advancement of primary care diagnostics.” In recent years, efforts to reduce medical expenditure have led to the provision of primary care at diverse locations. By leveraging the diagnostic technologies it has cultivated to date and providing new solutions that make use of IT, Sysmex will contribute to advances in medicine and access to healthcare.

## Structures Supporting Sustainable Growth

Sysmex recognizes that sustainable growth goes beyond mere business expansion. Rather, it involves an awareness of ESG and the need to enhance the quality of a company's management. For this reason, the positioning targets of our long-term management goals emphasize management of a company that aims to continue earning support from diverse stakeholders, by being “an attractive company providing value and confidence” and acting as “One Sysmex carrying out high-speed management.”

I think we need to focus specifically on developing human resources. Sysmex currently has an overseas sales ratio of more than 80% and in excess of 8,000 employees. We need to cultivate human resources capable of managing business on this scale. For instance, the management teams at regional headquarters that have supported the vigor of our overseas business were not sent out from headquarters in Japan. Instead, they were hired locally,

where they gained experience and became successful. Some of the people hired more than 20 years ago in the United Kingdom when we first made the move to direct sales have been an important management resource Sysmex has built up. Rather than having Japanese people lead business advances, we will move forward with all members of the Sysmex Group pulling together, maximizing the capabilities of Sysmex employees around the world.

Of Sysmex's 17 current executive officers, three are overseas nationals with experience in leading regional headquarters. In June 2016, we transitioned to a company with an Audit and Supervisory Committee, and now four members of the Managing Board are outside members (two of whom are Audit and Supervisory Committee members). Making the most of these characteristics, we will reinforce our governance structure to actively incorporate diverse opinions and augment management transparency.

Sysmex is celebrating its 50th anniversary thanks to the support it has received from a host of stakeholders. In

our quest for sustainable growth, we will continue to invest proactively, ensuring an appropriate balance between this investment and returns to our shareholders. Dividends for the fiscal year ended March 31, 2018, include a commemorative dividend to express our gratitude to shareholders. (Dividend Payout Ratio ▶ P78.)

We appreciate all the people who have supported us so far. In the aim of contributing to a fulfilling and healthy society, we will continue taking up the challenge of creating new testing and diagnostic technologies. I ask for your ongoing support.

August 2018

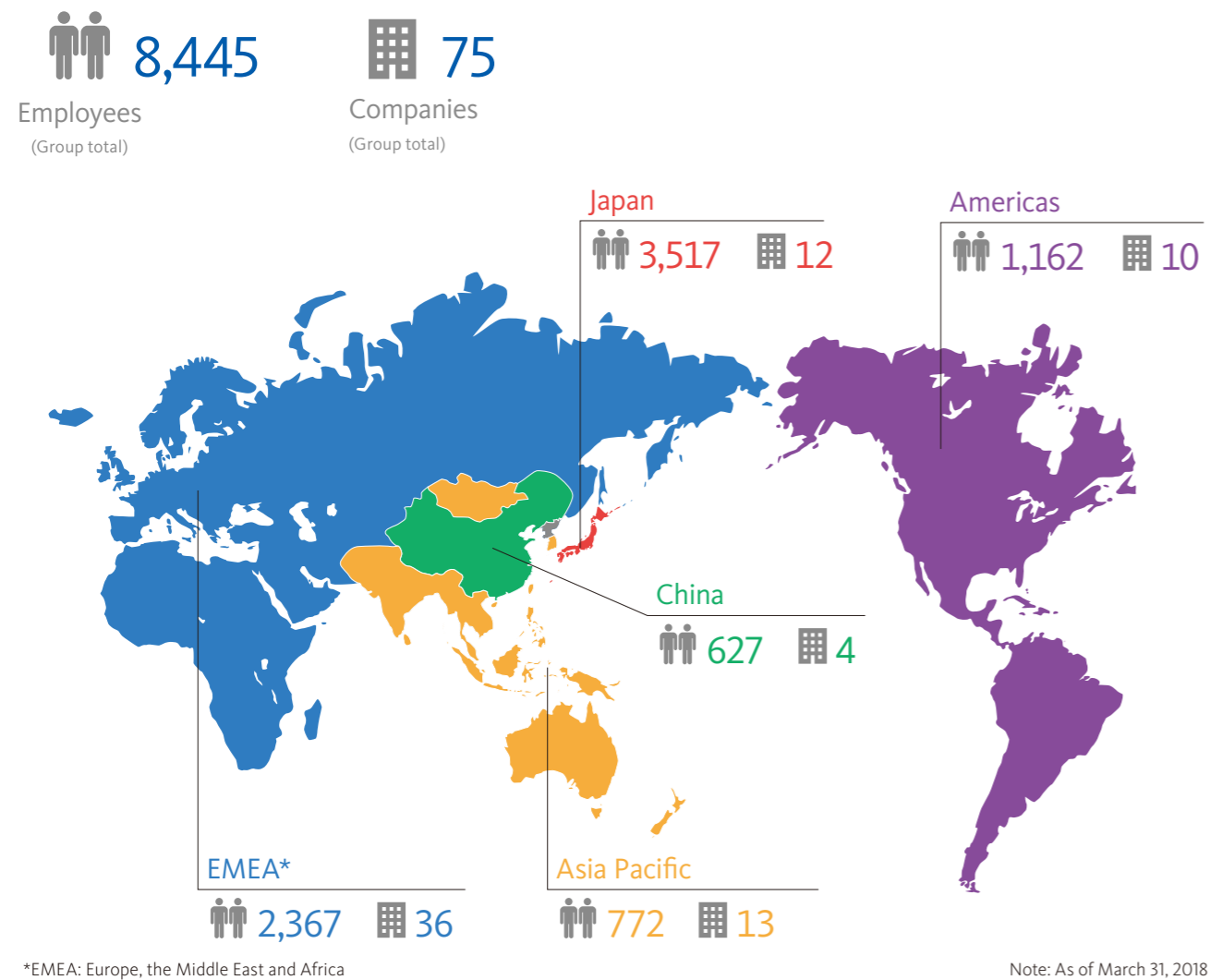


Hisashi Ietsugu  
Chairman and CEO

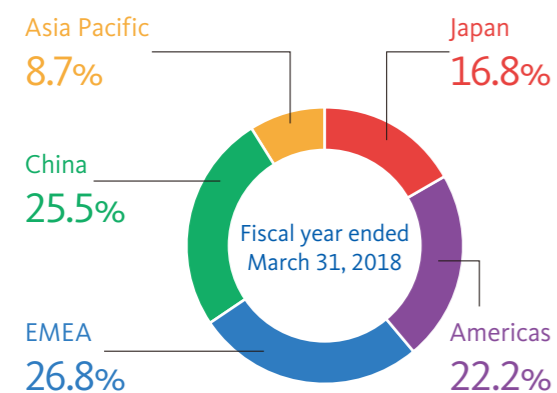


# Performance Highlights (Fiscal Year Ended March 31, 2018)

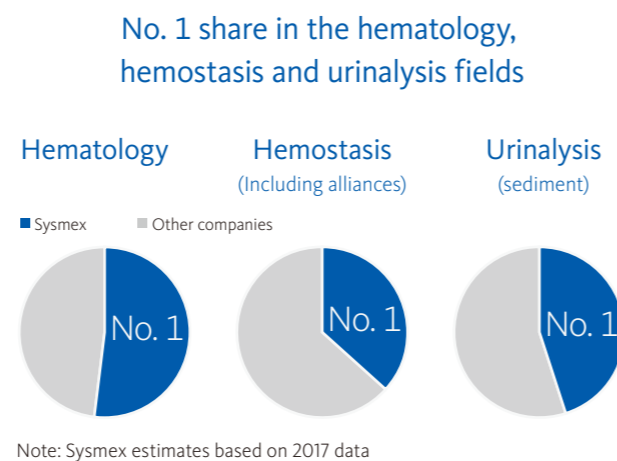
## Global Business Expansion



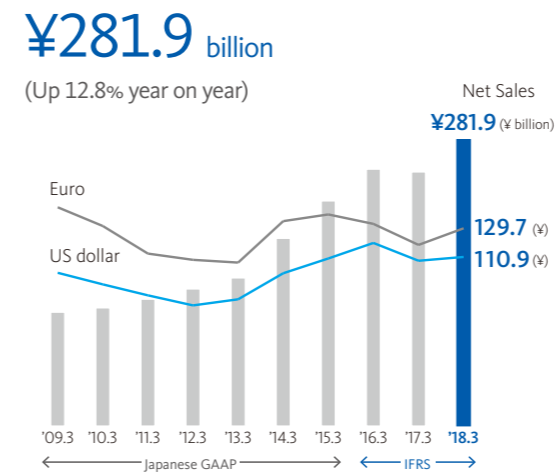
## Sales by Geographic Region



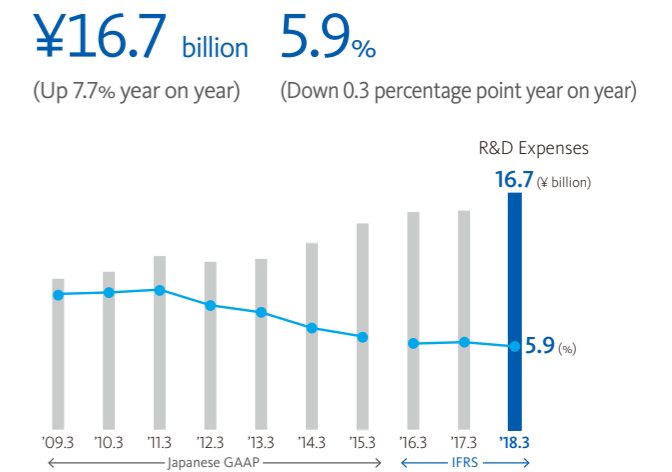
## Global Market Share



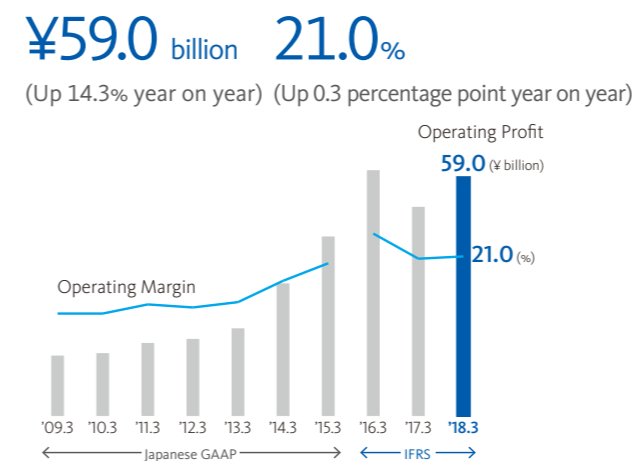
## Net Sales



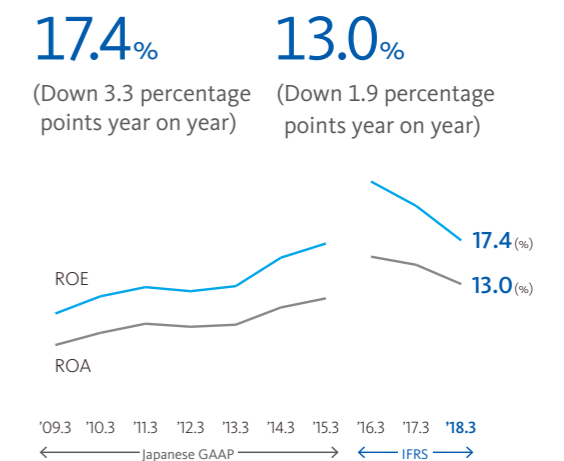
## R&D Expenses / R&D Expenses as a Percentage of Net Sales



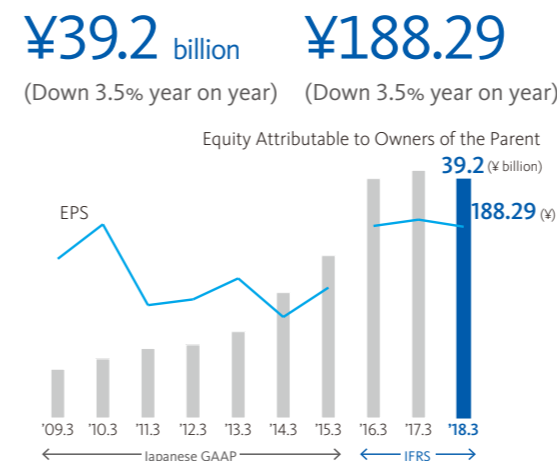
## Operating Profit/Operating Margin



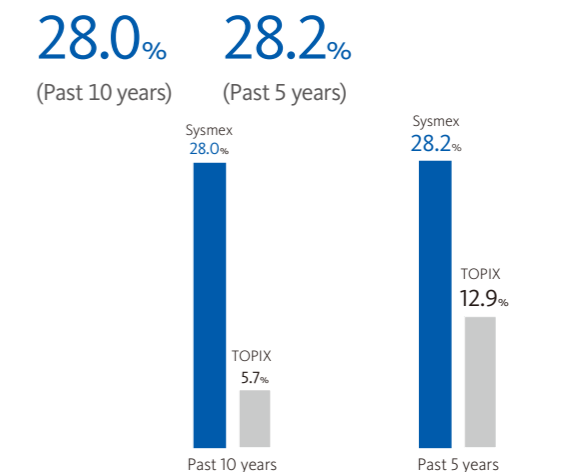
## ROE/ROA



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



## Total Shareholder Return (TSR) (Annualized Rate)



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## Editorial Policy

The *Systemx Report*, an integrated report that summarizes financial and nonfinancial information, is intended to help stakeholders understand Systemx's medium- to long-term value creation. For more detailed information, please visit our website.

## Organizations Covered

In principle, this report covers the Systemx Group (including Group companies in Japan and overseas). In this report, "Systemx" refers to the Systemx Group as a whole. "Systemx 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 Systemx'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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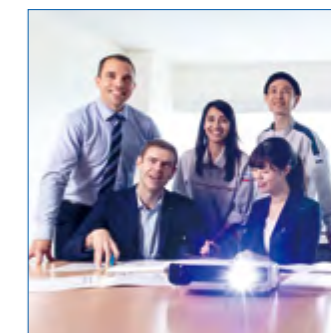
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Over the 50 years since our establishment, we have worked to create new value by contributing to a fulfilling and healthy society through testing and diagnostics.

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As the healthcare market continues to expand, we will leverage our competitive advantages to achieve sustainable growth, by developing our core businesses further and promoting the development of business in new fields.



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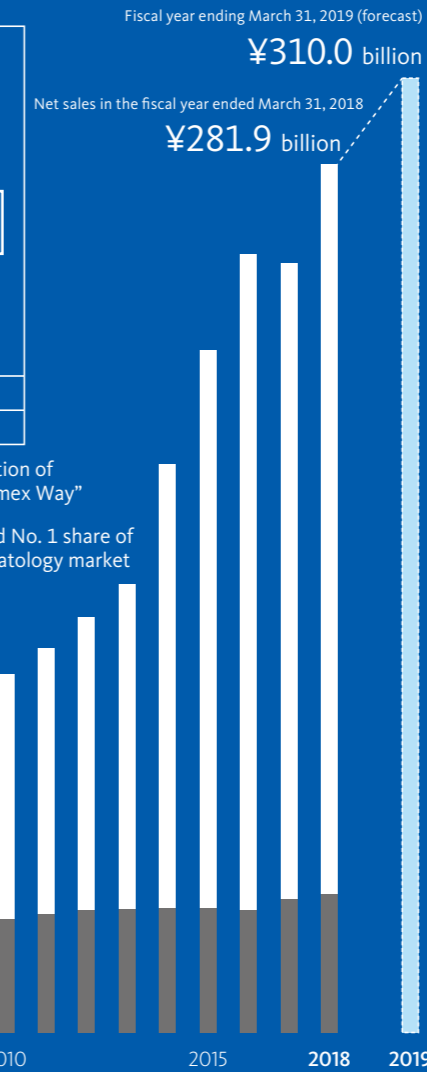
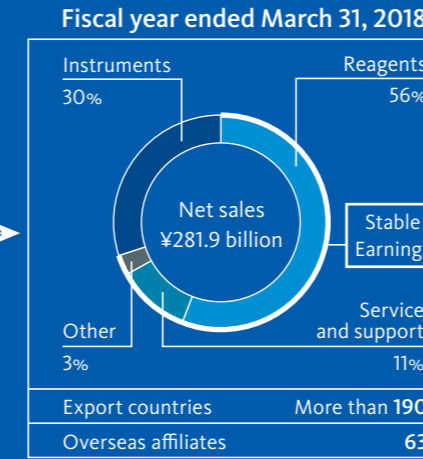
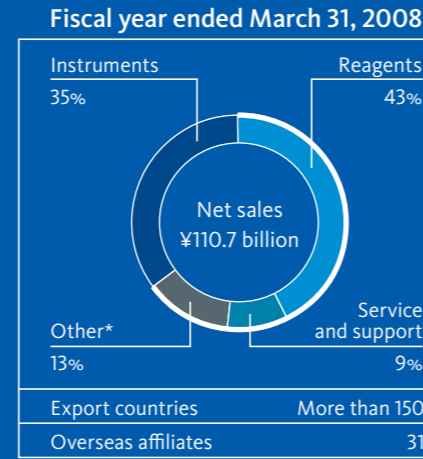
# Sysmex's Value Creation

Over the 50 years since our establishment, we have worked to create new value by contributing to a fulfilling and healthy society through testing and diagnostics.



# Our 50-Year Trajectory of Continuing to Take on Challenges

February 2018 marked the 50th anniversary of Sysmex's establishment. Since establishment, we have achieved sustainable growth by anticipating the needs of the times and continuing to take on challenges in the healthcare domain. Going forward, we will continue contributing toward a fulfilling and healthy society through testing and diagnostics, while aiming for sustainable growth.

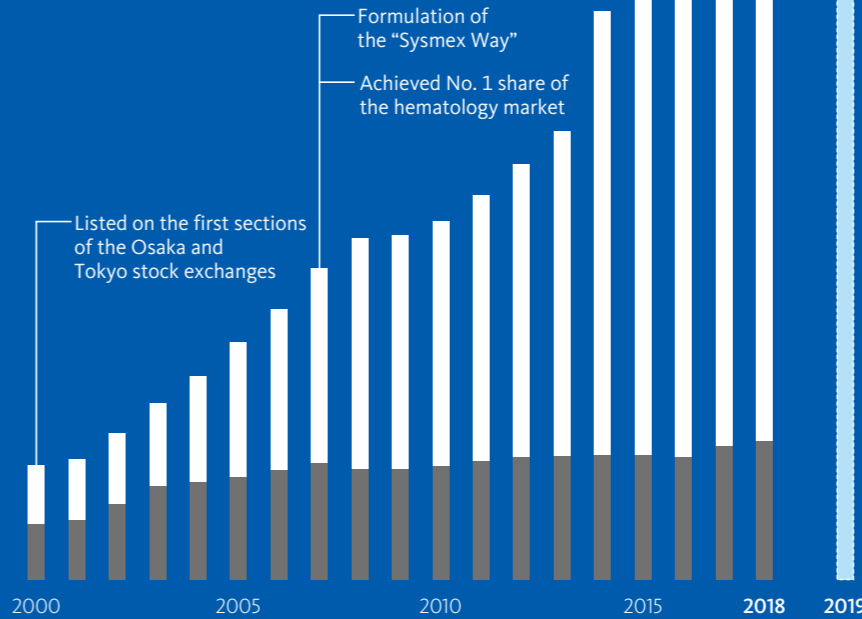
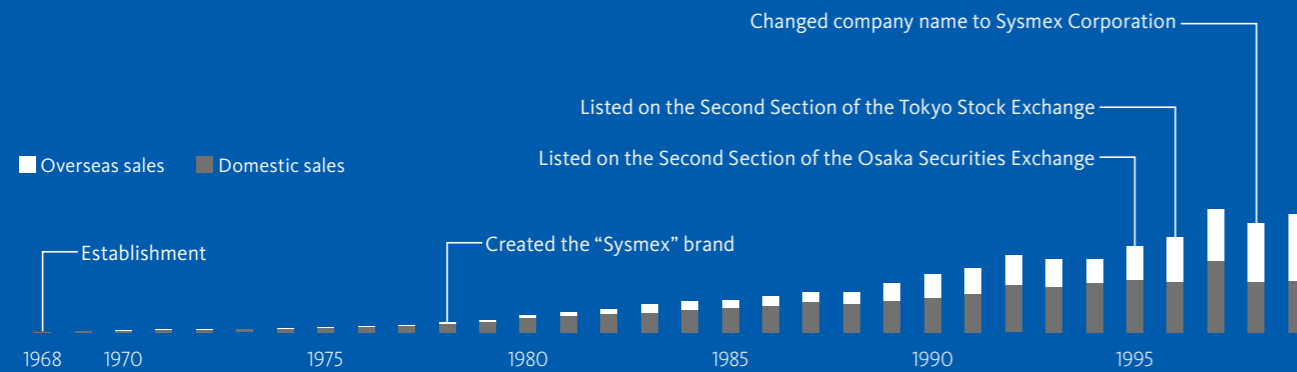


Long-term management goals (2025)

«Long-Term Management Vision»

**Unique & Advanced Healthcare Testing Company**

▶ P33



**1963—1977**

**Establishment and Reinforcement of Business Foundation**

Healthcare demand increased in tandem with economic growth, and amid requests for automation and increased productivity in testing, Sysmex succeeded in commercializing Japan's first automated hematology analyzer in 1963. To deliver accurate testing results, we also began providing reagents. In 1968, Sysmex's predecessor, TOA MEDICAL ELECTRONICS (current Sysmex), was established. Setting our sights overseas from the start, in 1972 we established our first overseas base.

- 1963 Commercialized Japan's first automated hematology analyzer
- 1967 Started providing reagents
- 1968 Established TOA MEDICAL ELECTRONICS (current Sysmex)
- 1972 Established first overseas base (Germany)
- 1974 Entered the urinalysis field

**1978—1987**

**Birth of the Sysmex Brand and Expansion of Business Fields**

"Sysmex" was established as a product brand in 1978. The same year, we held our first hematology seminar, with the goal of providing leading-edge hematology information and playing a role in the world. Later, we continued these as scientific seminars, with expanded themes. In addition, we established the Kobe Factory and entered and expanded business in the hemostasis and immunochemistry fields.

- 1978 Held first hematology seminar
- 1984 Entered the hemostasis field
- 1986 Established the Kobe Factory (current Technopark)
- 1987 Entered the immunochemistry field

**1988—1997**

**Reinforcement of Management Structure and Aim to Be No. 1 in Hematology**

To enhance laboratory safety and efficiency, we began providing the world's first transport systems in the hematology field. From 1991, we offered direct sales, service and support overseas, began forming business alliances with major global companies and strengthened our global sales network. We also worked to reinforce our management base, and were listed on the Second Section of the Osaka Securities Exchange in 1995.

- 1990 Launched a hematology transport system
- 1991 Began direct sales and service in the United Kingdom
- 1995 Entered an alliance with current Siemens Healthcare Diagnostics Inc. in relation to hemostasis products
- 1995 Established a joint venture in China

**1998—2006**

**Move to a Position as a Global Leader with Unique Strengths**

We began providing unique services that linked IT to instruments. In addition, we accelerated the establishment of bases in Asia and other emerging markets. We also began providing direct sales, service and support in the United States, the world's largest market. At the same time, in the aim of contributing to the advancement of healthcare, we entered the life science business and acquired the current Sysmex International Reagents with a view to strengthening the production function and development of bio-diagnostic reagents.

- 1998 Established a subsidiary in Singapore
- 1998 Entered an alliance with F. Hoffman La Roche Ltd. in hematology products
- 2000 Entered the life science field
- 2002 Converted the current Sysmex International Reagents to a subsidiary
- 2003 Commenced direct sales and service in the United States

**2007—**

**Taking on Challenges in the Advancement of Healthcare**

In 2007, we achieved the No. 1 global share of the market in our mainstay hematology field. We also formulated the "Sysmex Way," the new corporate philosophy of the Sysmex Group. We engaged in M&A to expand our technology platforms and entered the business of lab assay for genetic analysis. In these ways, we continued to take on the challenge of creating testing and diagnostic technologies with a view to the realization of personalized medicine.

- 2013 Converted the current Sysmex Partec and Sysmex Inostics to subsidiaries
- 2016 Entered capital participation with RIKEN GENESIS (converted to a subsidiary in 2017)
- 2017 Converted Oxford Gene Technology to a subsidiary

Obtaining the Management Resources Supporting Our Growth over 50 Years

- Stable financial foundation
- Unique R&D capabilities
- Customer base
- Partnerships
- Diverse human resources

\*In the past, charges to customers based on the number of tests were included in in "Other." From the fiscal year ended March 31, 2016, amounts are divided and presented in "Instruments," "Reagents" and "Service and support."



## The Management Resources Supporting Our Growth

During the 50 years since 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.

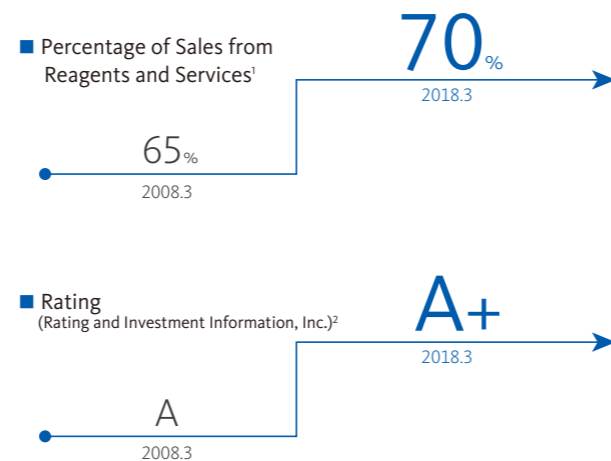
### Stable Financial Foundation



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 invested proactively in the life science field and other businesses to support growth over the medium to long term, as well as in human resources and manufacturing.

▶ P53

1 Includes sales of others (consumables)  
2 Upgraded to an AA- rating on August 22, 2018

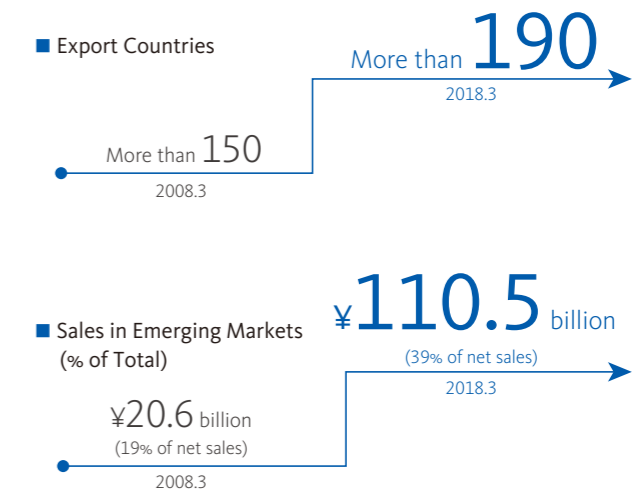


### Customer Base



Since establishment, we have built sales structures tailored to individual regions, creating trust-based relationships with customers. As well as using our sales network to expand the market, we strive to ascertain the customer needs that are the wellspring of new products and services.

In addition, we have proactively established bases and built sales networks in emerging markets. As a result, sales in emerging markets have grown to account for approximately 40% of the total. ▶ P43



### Partnerships



We have reinforced our sales and service structure and worked to expand our product portfolio by making use of alliances with other companies, including major global companies.

As our fields of business expand, we have formed relationships with universities, medical and research institutions, and pharmaceutical companies. We are leveraging these outside relationships to engage in joint research and development. Our aim is to develop and commercialize testing and diagnostic technologies that offer high clinical value as quickly as possible. ▶ P48

Leveraging Alliances

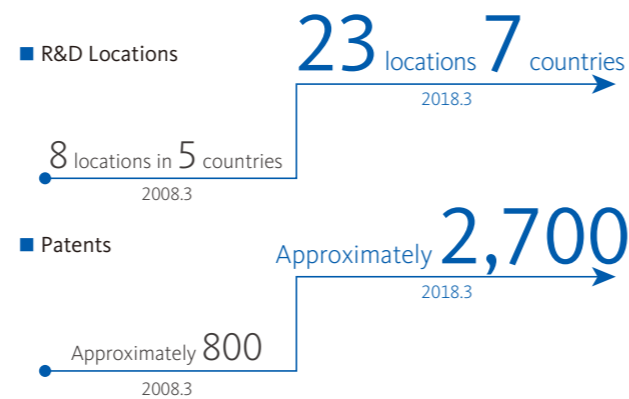
Promoting Open Innovation

### Unique R&D Capabilities



We established global R&D locations, with Technopark (Japan) as the hub. In addition to proprietary technologies, we are utilizing the technology platforms expanded through M&A and other initiatives to generate new testing and diagnostic technologies.

▶ P47



Three Technology Platforms  
(Genes, Proteins, Cells)

### Diverse Human Resources

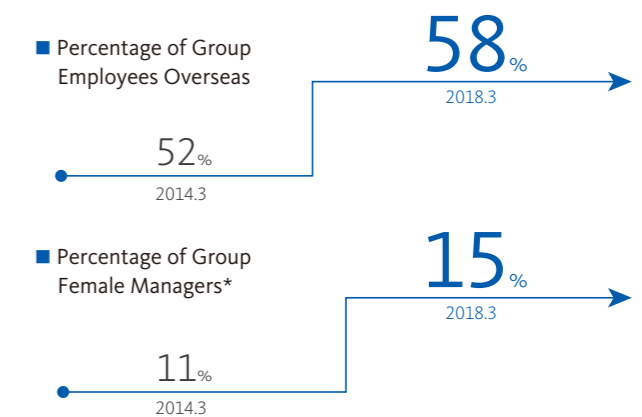


We have acquired diverse human resources through business globalization and M&A activities. The synergistic results of their varied values, experiences and capabilities have led to new innovation and the creation of new value.

Furthermore, we focus on providing an amenable working environment for employees. We have introduced flexible working systems, expanded leave systems, and offer childrearing support.

▶ P49

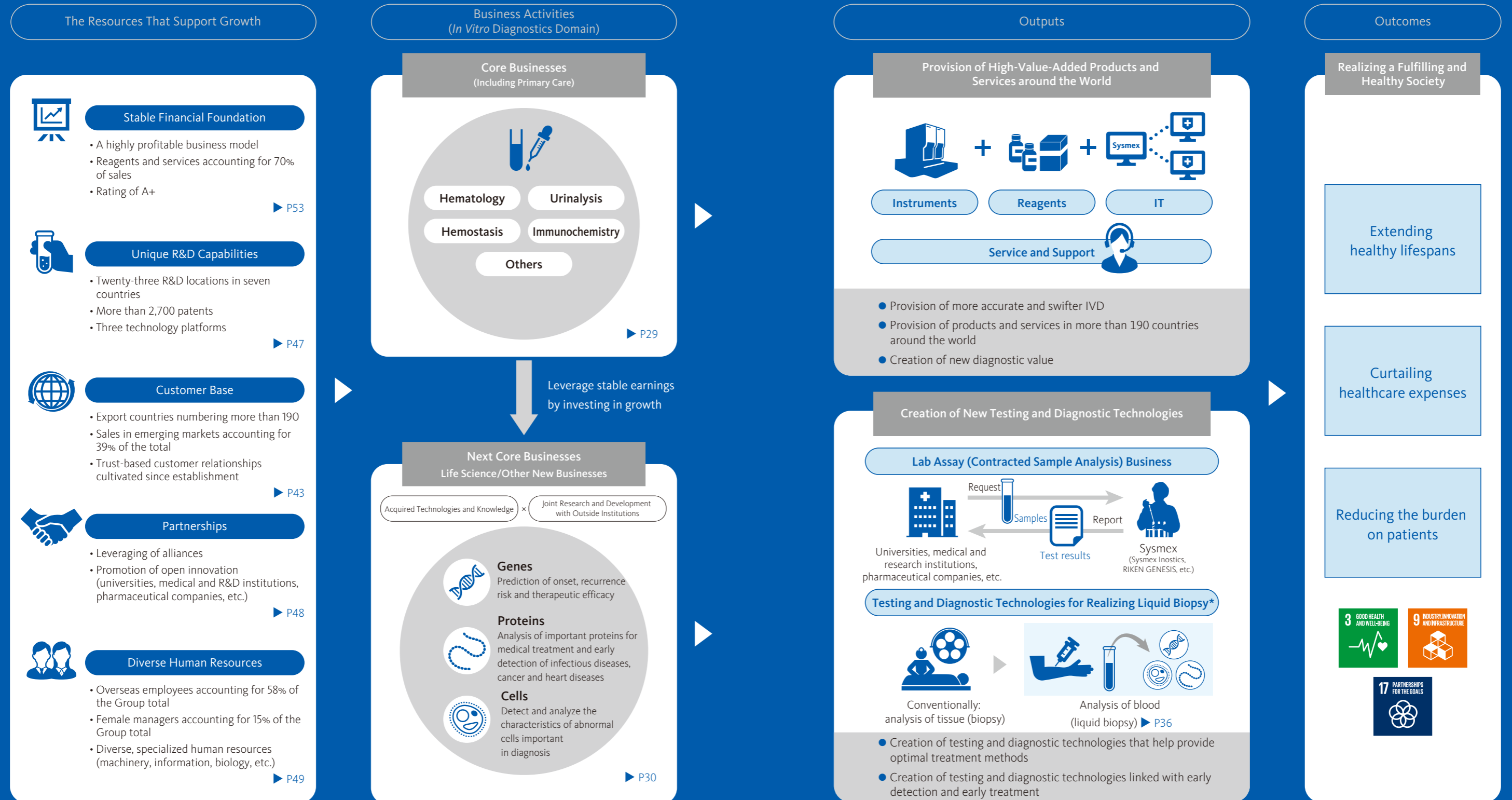
\*Group employees at director level or above



Diverse, Specialized Human Resources  
(Machinery, Information, Biology, etc.)

# Creating Value to Help Build a Fulfilling and Healthy Society

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



\*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.



# Materiality Initiatives Supporting Sustainable Growth

We have identified CSR issues (materiality) that we will prioritize and are developing action plans. Through materiality initiatives, we aim for a sustainable society and the sustainable growth of the Sysmex Group.

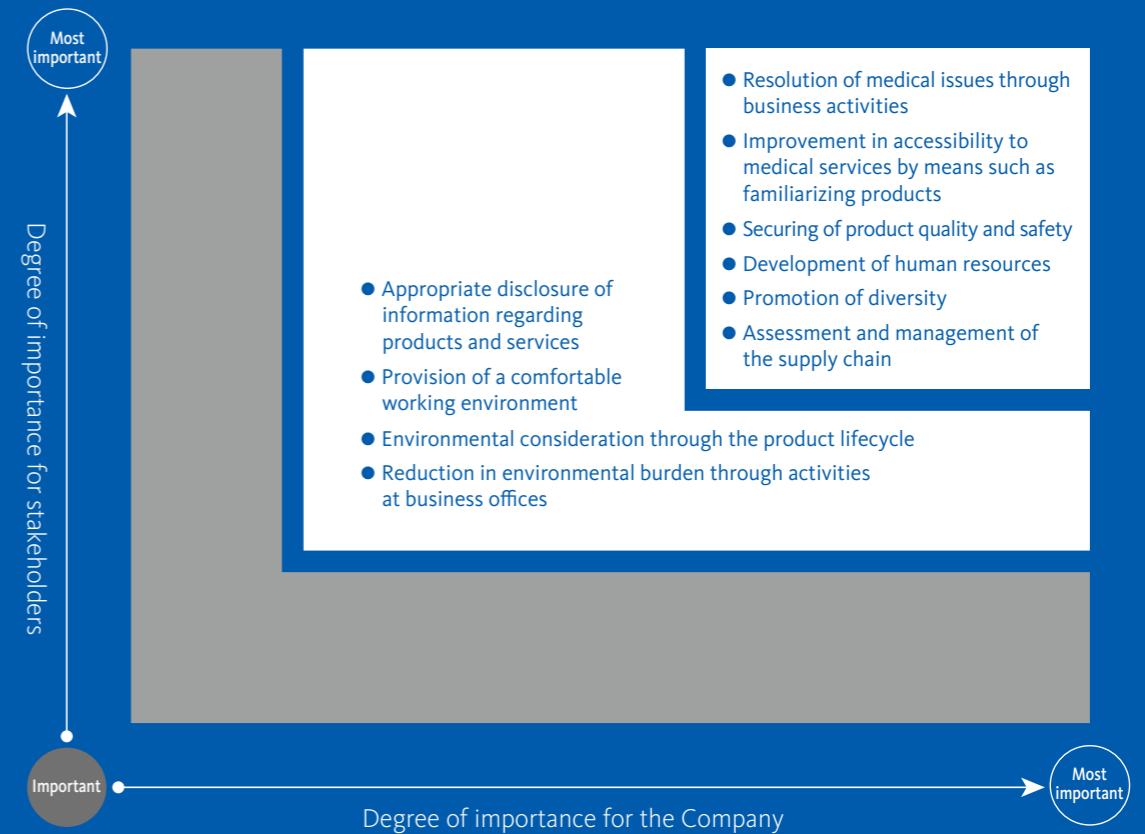
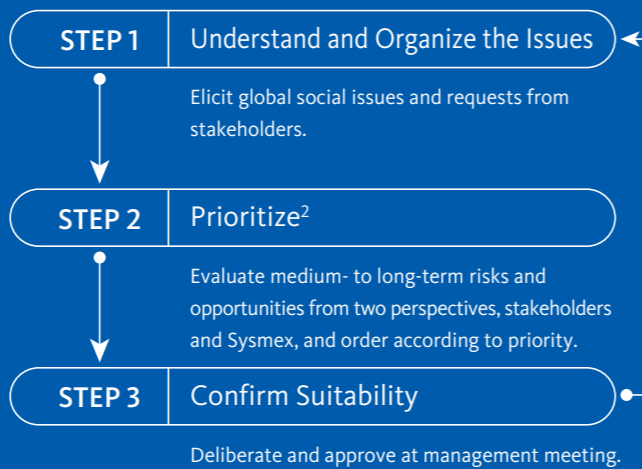
## Materiality Identification and Initiatives

To achieve sustainable growth, we have identified CSR issues (materiality) that we will prioritize from a medium- to long-term perspective. In the fiscal year ended March 31, 2018, we engaged in stakeholder dialogue to confirm the suitability of these materiality items.

We are developing action plans and promoting initiatives in line with the materiality we have identified. In addition, through efforts to resolve these issues we are contributing to the SDGs<sup>1</sup>.

► For details on materiality, please refer to the *Sysmex Sustainability Report*.  
<http://www.sysmex.co.jp/en/csr/report/index.html>

### ■ The Process of Identifying Materiality



<sup>1</sup> SDGs: The Sustainable Development Goals to be achieved by 2030 were adopted at the United Nations Sustainable Development Summit in September 2015.

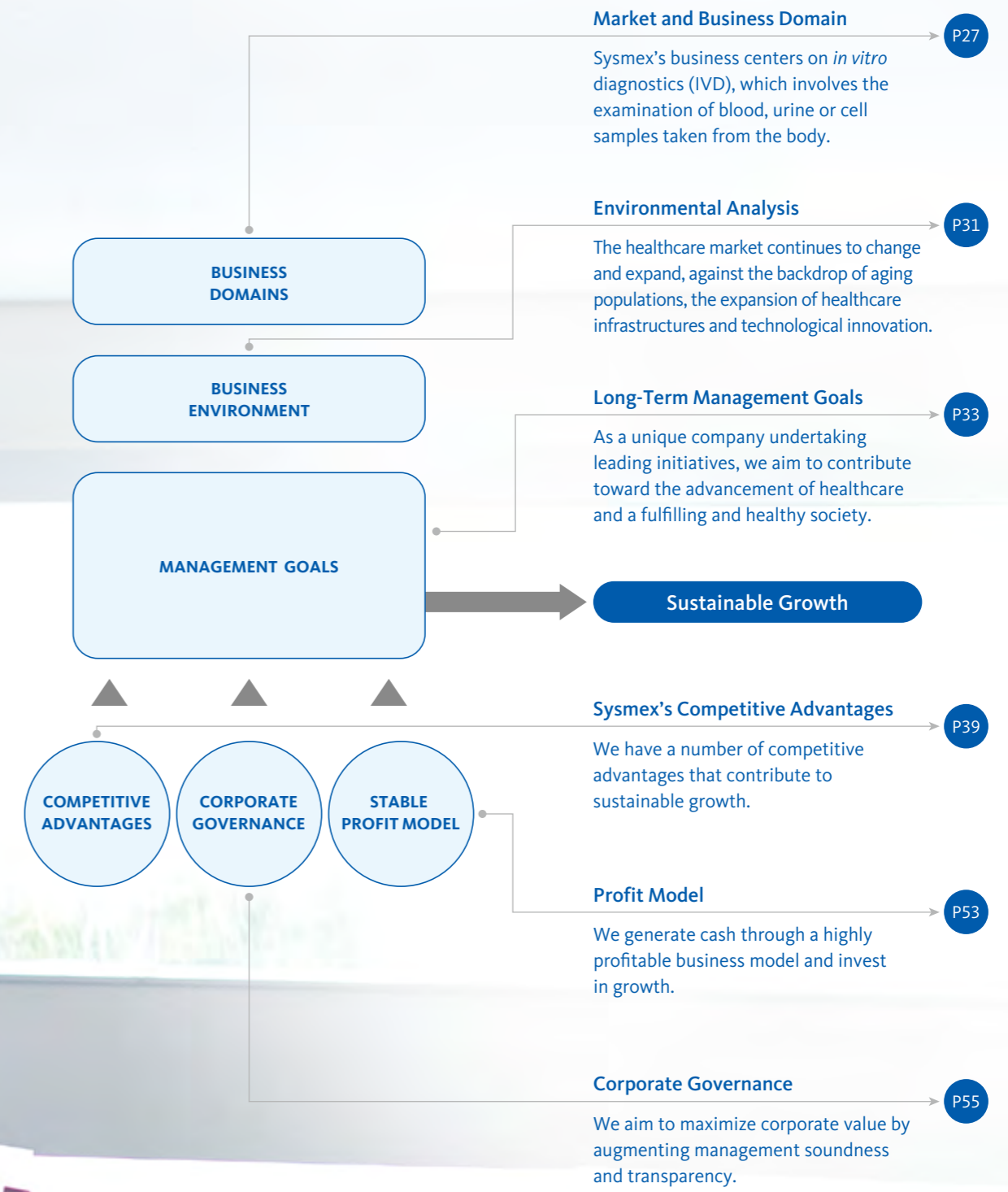
<sup>2</sup> As governance is a priority issue in terms of reinforcing the management base, it was excluded from prioritization.

Materiality	Major Initiatives
<ul style="list-style-type: none"> <li>Resolution of medical issues through business activities</li> <li>Improvement in accessibility to medical services by means such as familiarizing products</li> </ul>	<ul style="list-style-type: none"> <li>Create new testing and diagnostic technologies, promote commercialization</li> <li>Support efforts to raise the level of healthcare in emerging markets and developing countries</li> <li>Promote initiatives to prevent the spread of three major infectious diseases</li> </ul>
<ul style="list-style-type: none"> <li>Securing of product quality and safety</li> <li>Appropriate disclosure of information regarding products and services</li> <li>Assessment and management of the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Create and operate quality management systems</li> <li>Provide scientific information</li> <li>Conduct CSR-considerate procurement activities</li> </ul>
<ul style="list-style-type: none"> <li>Provision of a comfortable working environment</li> <li>Development of human resources</li> <li>Promotion of diversity</li> </ul>	<ul style="list-style-type: none"> <li>Utilize diverse human resources and realize diverse working styles</li> <li>Develop human resources</li> </ul>
<ul style="list-style-type: none"> <li>Environmental consideration through the product lifecycle</li> <li>Reduction in environmental burden through activities at business offices</li> </ul>	<ul style="list-style-type: none"> <li>Promote environmental activities toward the realization of Sysmex Eco-Vision 2025</li> </ul>
<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Compliance</li> <li>Risk management</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce the corporate governance structure</li> <li>Put in place systems to reinforce Group compliance</li> </ul>

Impact on Sysmex	Value Provided to Stakeholders	Related SDGs
<ul style="list-style-type: none"> <li>Obtain business opportunities through market expansion</li> <li>Realize sustainable growth by expanding the business portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Extend healthy lifespans</li> <li>Reduce healthcare costs</li> <li>Reduce burden on patients</li> </ul>	
<ul style="list-style-type: none"> <li>Enhance customer satisfaction</li> <li>Strengthen brand power</li> <li>Achieve sustainable development with business partners</li> </ul>	<ul style="list-style-type: none"> <li>Provide accurate test results</li> <li>Raise the quality of healthcare</li> <li>Provide stable products and services</li> </ul>	
<ul style="list-style-type: none"> <li>Augment corporate competitiveness through performance by diverse human resources</li> </ul>	<ul style="list-style-type: none"> <li>Provide opportunities for diverse human resources to realize their capabilities</li> <li>Help realize a society receptive of diversity</li> </ul>	
<ul style="list-style-type: none"> <li>Avoid or reduce environmental risks</li> <li>Achieve harmony and obtain trust in local communities</li> </ul>	<ul style="list-style-type: none"> <li>Decrease environmental impact</li> </ul>	
<ul style="list-style-type: none"> <li>Enhance the corporate structure</li> <li>Lower business risk</li> </ul>	<ul style="list-style-type: none"> <li>Enhance management soundness and transparency</li> </ul>	

# Initiatives Supporting Sustainable Growth

At the healthcare market continues to expand, we will leverage our competitive advantages to achieve sustainable growth, by developing our core businesses further and promoting the development of business in new fields.



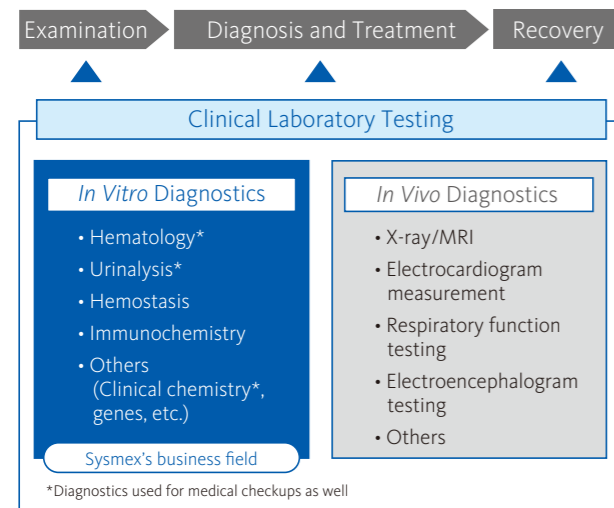


## Market and Business Domain

# Ongoing Growth in the Healthcare Market

### Active in the IVD Domain, Which Is Essential 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, urine or cell 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. In line with technological



innovation and its application to healthcare in recent years, the realization of personalized medicine has begun, such as performing risk diagnosis and monitoring the treatment results of individual patients. Thus, IVD is playing an increasingly important role in healthcare.

### Market Position

Sysmex's business in the IVD domain involves the provision of instruments, reagents and software globally, and we rank among the top seven companies in the world in the IVD domain (according to our estimates). In the three fields of hematology, urinalysis (sediment) and hemostasis, we have the leading share of the global market (including through alliances). In addition to these three fields, in Asia we are developing our business in the immunochemistry field, as we are aiming to position ourselves as the leading company in the IVD domain.

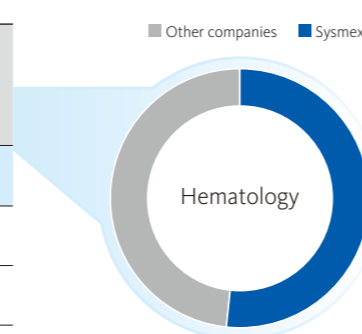
The IVD domain is forecast to continue growing to meet increasing healthcare needs in developed countries, and healthcare infrastructure is being put in place in emerging markets. At the same time, competition is growing increasingly fierce, with companies from other sectors entering our field. Sysmex is responding to this changing environment by leveraging the management resources it has cultivated and taking on the challenge of continuing to create new testing and diagnostic technologies to raise its competitive advantage in the market.

### Market Scale and Sysmex's Business Domains

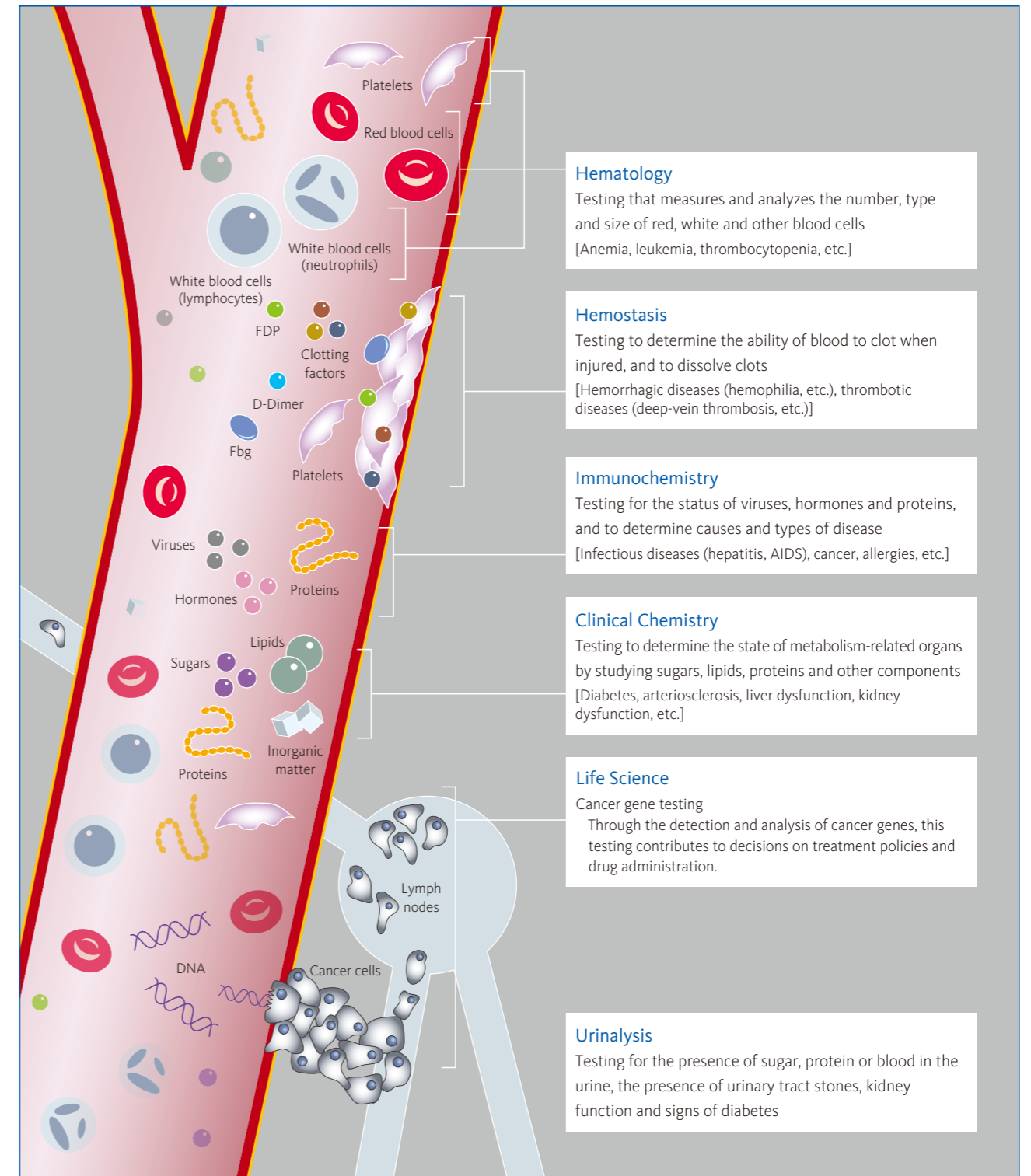
Testing Field	Market Scale (\$ million)	Market Growth Rate	Composition of Sales (Fiscal year ended March 31, 2018)	Sales and Service Area	Principal Alliances
Hematology	3,750	5%	62.0%	Global	F. Hoffman-La Roche
Urinalysis Of which, sediment urinalysis	1,050 (450)	4% 5%	7.3%	Global	EIKEN CHEMICAL
Hemostasis	2,900	6%	16.0%	Global	Siemens Healthcare Diagnostics
Immunochemistry	19,450	7%	4.0%	Asia	—
Others (Genes, FCM, etc.)	36,450	—	10.7%	Global	—
<b>IVD market</b>	<b>63,600</b>	<b>6%</b>	<b>—</b>	<b>—</b>	<b>—</b>

Note: Sysmex's estimates based on 2017 data

### Market Share in Hematology



### Sysmex's Core Testing Fields



## Market and Business Domain

# Principal Testing Fields and Products

### Core Business Hematology

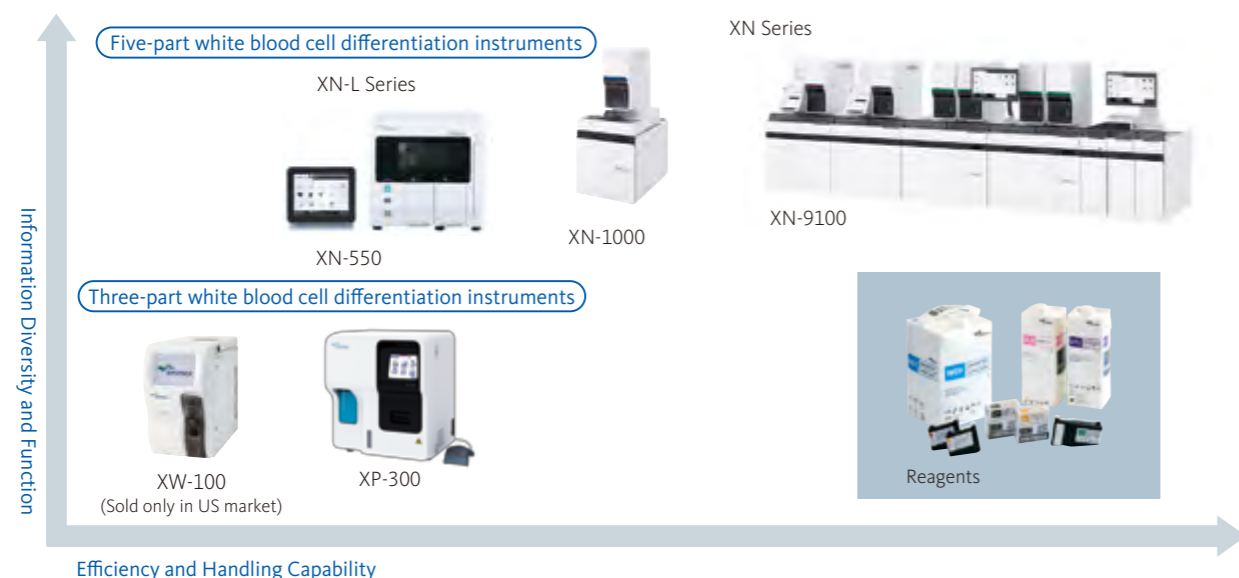
Hematology is a type of screening that counts red, white or other blood cells to determine whether a more detailed examination is necessary. In addition to instruments, these tests require specific reagents for ongoing use, such as for dilution and staining.

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. We also offer a wide-ranging lineup of system products that can be used for rapid, high-volume testing in large-scale labs.

Sysmex provides an extensive product portfolio, offering unique clinical value and differentiating itself from competitors with its service and support. As a result, in 2007 we acquired the top share of the global market in the hematology field, and our share has steadily risen since.

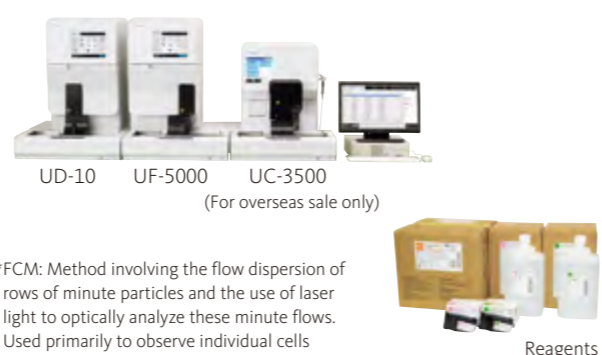
In 2018, we began selling the world's first product in this field to have obtained a CLIA waiver certification in the United States, facilitating sales to clinics, pharmacies and other small-scale medical institutions in that country. ([CLIA Waiver Certification](#) ▶ P37)

In the field of animal testing, we provide IDEXX Laboratories, Inc., with hematology analyzers for animals on an OEM basis.



### Core Business Urinalysis

Urinalysis can be broadly divided into two types: chemistry urinalysis and sediment urinalysis. The first type involves dipping a test paper into urine to determine the presence of sugar, protein or blood. In the second type, formed elements, including blood and other cells, are analyzed. We introduced the world's first urine formed sediment analysis system—the UF Series—that uses flow cytometry (FCM)\*. This series has the leading share of the global market. 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.



### Core Business Hemostasis

Hemostasis involves studying the functions of blood coagulation (stopping bleeding), preventing blood from clotting too much within blood vessels, and fibrinolysis, which dissolves clots. Hemostasis testing is performed to diagnose hemorrhagic diseases (such as hemophilia) and thrombotic disease, help decide methods of treatment, for monitoring, and to help diagnose the risk of bleeding or blood clotting prior to surgery.

In 1995, Sysmex concluded a business alliance with Siemens Healthcare Diagnostics Inc. (previously Dade Behring Inc.), forging a synergistic relationship in selling and providing support services for hemostasis products. This combined business now accounts for the leading share of the global market in the hemostasis field.



### Core Business Immunochemistry

Immunochemistry uses antigen-antibody reactions to test for the presence of HIV and the hepatitis virus, and to check for cancer. In addition to reagents to test for infectious disease and tumor markers, we are augmenting our lineup of proprietary reagents to test for liver fibrosis progression and atopic dermatitis. We are also 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 (17 minutes) on minute sample quantities.



\*Clinical sequencing: This testing technology uses genomic medicine to determine treatment plans by performing a comprehensive analysis of a cancer cell gene using a next-generation sequencer and then referring to the elucidated gene mutation data and most recent evidence.

### Core Business FCM

Using flow cytometry (FCM)\*, we are developing the clinical FCM domain (providing detailed analysis of diagnoses of leukemia and malignant lymphoma), the industry FCM domain (used in quality control for food and other items) and the research FCM domain (R&D applications such as analyzing the function of cultured cells).

### Life Science/Other New Businesses

We are engaging in the following businesses, centering on gene testing, which involves testing to diagnose gene-related diseases and drug compatibility.

#### ● Lab Assay (Contracted Sample Analysis) Business

In 2013, we converted the current Sysmex Inostics into a subsidiary. This company possesses BEAMing technology for detecting minute quantities of genes circulating in the blood. In 2016, RIKEN GENESIS, which has genome analysis technology that uses next-generation sequencers also became a subsidiary. We are leveraging these bases to develop a lab assay business, receiving samples from research institutions and pharmaceutical companies and returning the results of the samples' genetic analysis.

In addition, we conduct clinical sequencing\* with a view to promoting genomic medicine by introducing next-generation sequencers and leading-edge genetic analysis instruments for liquid biopsy.

#### ● IVD (Reagent) Business

Sysmex's system for the rapid detection of cancer lymph node metastasis, which uses the OSNA method that we developed, is already being conducted by many medical institutions through the use of IVD reagents. We are also working to make the genetic analysis technology we currently provide as a lab assay service available through *in vitro* diagnostics (IVD), and aim to provide it to medical institutions around the world.



#### ● Cytogenic Testing Business

Oxford Gene Technology (OGT), which became a subsidiary in 2017, conducts business in the area of cytogenic testing, which involves testing cells for chromosomal and genetic abnormalities. We plan to develop a new business by combining OGT's technologies with Sysmex's Flow FISH technology and other automated instruments.



## Environmental Analysis

### External Environment: The Expanding Healthcare Market

The healthcare market is currently in a period of major change.

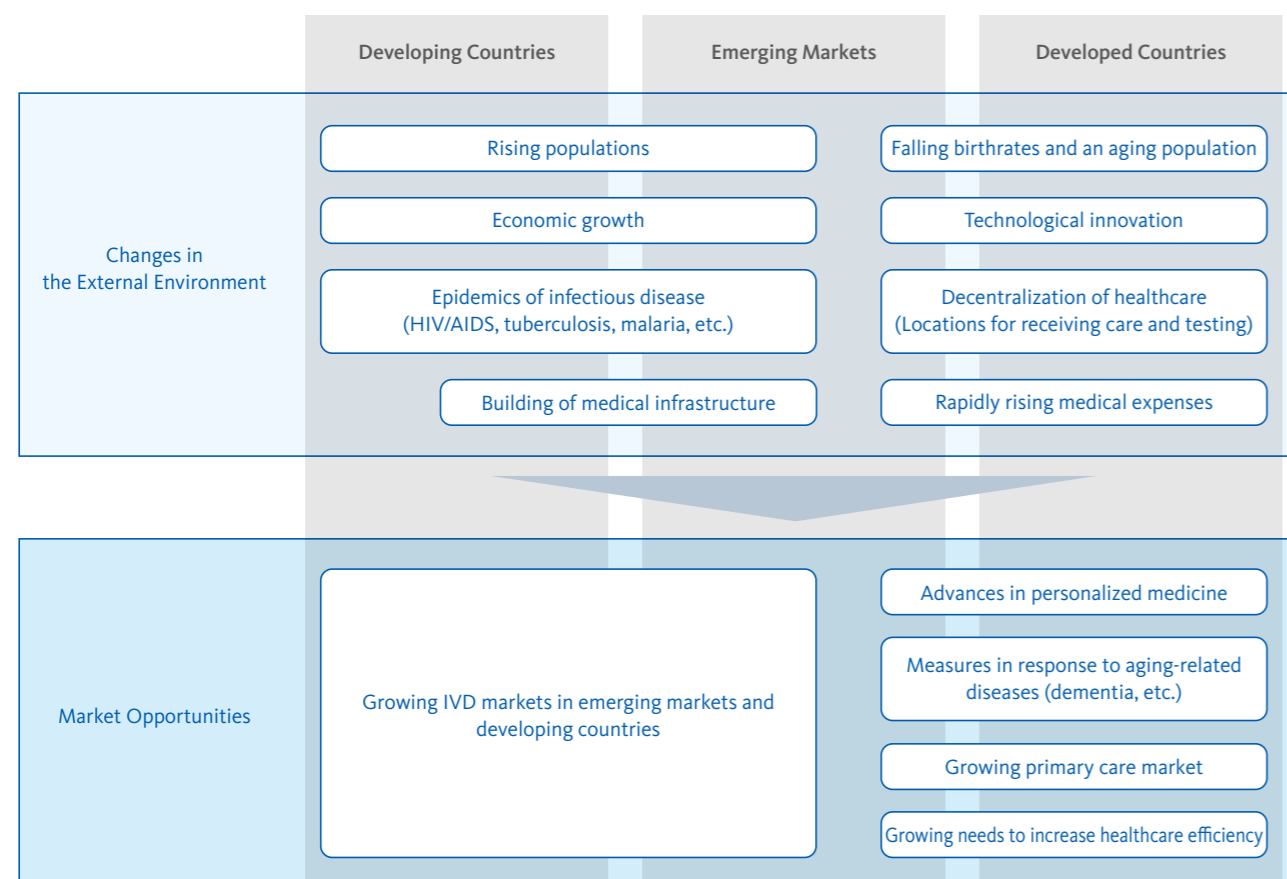
Developed countries require measures to counter dementia and other diseases, for which the number of patients is increasing in line with aging populations. These countries also need more efficient healthcare to help stem rapidly rising healthcare costs. Meanwhile, emerging markets and developing countries face a growing demand to put in place healthcare infrastructures and expand insurance systems to improve access to healthcare in line with economic development and growing populations. Furthermore, the SDGs\* target good health and well-being, confirming that the improvement of healthcare is a common theme for international society.

Technological innovation is also prompting changes in the healthcare market. Progress in molecular diagnostic technologies is leading to the realization of cancer genomic medicine and advances in regenerative medicine. Other leading-edge technologies, such as artificial intelligence (AI), big data analytics and robotics technology, are also being applied to healthcare. As a result, companies from other industries are entering the healthcare market, changing the competitive landscape.

In addition to such developments in the healthcare domain, Sysmex is working to achieve sustainable growth for the Group by creating new testing and diagnostic value.

\*The Sustainable Development Goals to be achieved by 2030 were adopted at the United Nations Sustainable Development Summit in September 2015.

#### Changes in the External Environment in Relation to Healthcare and Market Opportunities



### Internal Environment: Sustainable Growth by Addressing Healthcare Issues and Needs

#### Core Businesses

Sysmex is highly competitive in its core businesses. In particular, we have acquired a leading share of the global market in the fields of hematology, hemostasis and urinalysis (sediment).

In the IVD domain, the market is expected to continue expanding, centered on emerging markets and developing countries, in addition to developed countries. We are proactively establishing new bases to ensure we do not miss out on these opportunities for business expansion. In 2017, we began providing direct sales, service and support in Ghana. In 2018, we established a new subsidiary in Egypt and commenced direct sales, service and support there. Going forward, we will continue to reinforce our business foundations in regions that promise high rates of growth.

To further enhance our competitiveness, we are also working to expand our product portfolio. We have launched the XW-100, which is the first hematology product to receive US CLIA Waiver approval. Taking advantage of alliances, we have begun selling UN Series system products in the urinalysis field. We will continue to stay a step ahead of changes in the market to create products that will meet market needs and bolster our competitiveness in the IVD domain.

#### Life Science/Other New Businesses

To achieve sustainable growth, Sysmex is investing proactively in life science and other new businesses, which the Company is positioning as engines of future growth.

Of these, we are engaging in open innovation and M&A to expand our technology platforms and acquire applications. Inostics became a subsidiary in 2013, followed by RIKEN GENESIS in 2016 and Oxford Gene Technology (OGT) in 2017. With these companies, we are striving to reinforce the gene business.

In other new businesses, we succeeded in achieving high sensitivity in our HISCL immunoassay system, and have established a technology for detecting minute amounts of proteins in the blood. We have begun selling the HI-1000, a highly sensitive, fully automated immunoassay system for research use that makes use of these technologies.

Ongoing application of technological innovation to healthcare is causing major changes in the healthcare market. Against this backdrop, Sysmex is creating new value through proprietary technologies and acquiring technologies through M&A and by promoting open innovation.



Sysmex Egypt (established in 2018)



Oxford Gene Technology (became a subsidiary in 2017)

# Long-Term Management Goals

We have formulated long-term management goals, with 2025 as the final fiscal year. As a unique company undertaking leading initiatives, we aim to contribute toward the advancement of healthcare and a fulfilling and healthy society.

## Long-Term Management Goals (2025)

Group Corporate Philosophy  
**Sysmex Way**

Long-Term Vision

### Unique & Advanced Healthcare Testing Company

#### Unique

A unique company having its own strengths and advantages  
(Continue to be a unique existence different from global major companies)

#### Advanced

An industry leader constantly demonstrating “advanced” capabilities  
(Embody new diagnostic value, original business models and innovative corporate management)

#### Healthcare Testing

A company contributing to healthcare advancement  
(Continuously provide testing/diagnostic technologies conducive to enhancing the quality, efficiency and economy of healthcare)

Positioning

- ① Creating innovative diagnostic value as a global top-five company in IVD ▶ P35
- ② A leading company in personalized diagnostics for optimizing medical treatment ▶ P36
- ③ A solution provider contributing to the advancement of primary care diagnostics ▶ P37
- ④ An attractive company providing value and instilling confidence ▶ P38
- ⑤ One Sysmex carrying out high-speed management ▶ P38



#### Target Domains and Growth Opportunities

In anticipation of changes in the external environment surrounding healthcare, in addition to the conventional IVD domain we are expanding business in the new domains of personalized diagnostics and primary care. Our long-term management goals approach this focus from two perspectives: highly advanced testing and the decentralization of testing locations.

	Target Domains	Growth Opportunities	Positioning
Highly advanced testing	<b>Personalized diagnostics domain</b> Life science (molecular diagnosis, regenerative medicine, etc.)	Increase in testing needs for increasingly precise and personalized medicine  Technological innovation and healthcare applications (such as genomic medicine)	②
	<b>Conventional IVD</b> Hematology, urinalysis, hemostasis, immunochemistry, clinical FCM, etc.	Expanded demand for testing due to ongoing aging  Rising value of diagnosis and testing in developed countries  Growth in emerging markets	①
Decentralization of testing locations	<b>Primary care</b> Primary care testing	Increasing access to healthcare  Data aggregation and utilization through ICT	③





## Long-Term Management Goals Sysmex's Target Positioning

### MANAGEMENT GOALS

## 1 Creating innovative diagnostic value as a global top-five company in IVD

- Aim to become a global top-five company through sustained growth in our conventional IVD businesses
- In addition to increasing our share of the IVD market, which continues to grow globally, create new diagnostic value

According to our estimate, we currently rank seventh in the world in the IVD market. Going forward, we aim to enter the top five by increasing our market share and create new testing and diagnostic value, thereby realizing sustainable growth.

In our core businesses—hematology, urinalysis and hemostasis—we anticipate particularly high demand in fast-growing emerging markets. Accordingly, we are expanding our lineup of products particularly suited to these regions and markets. Furthermore, by incorporating technological innovation we will provide customers with new testing and diagnostic value.

In the immunochemistry field, we are expanding our distinctive reagent lineup, including for infectious diseases and hepatitis. We are also enhancing our systems for acquiring regulatory approvals in different countries, introducing new parameters into the market at an early stage, and accelerating launches in Asian countries outside Japan and China.

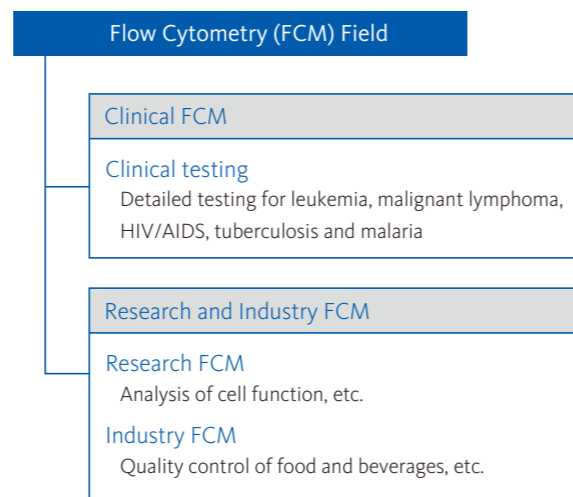
In the clinical FCM field, we are working toward commercialization by leveraging synergies derived from our sales, service and support systems, and knowhow that we have cultivated in the hematology field.

### Creating New Diagnostic Value in the FCM Business

FCM is a technology for flowing minute particles along channels and optically analyzing the individual particles as they flow through them. These basic principles are used in Sysmex's hematology and urinalysis analyzers.

This FCM technology can be used for clinical FCM (clinical testing to perform detailed testing in diagnosing leukemia, malignant lymphoma, HIV/AIDS, tuberculosis and malaria), research FCM (analyzing the function of cultured cells and other research applications) and industry FCM (used in the quality control of food and beverages).

In these fields, we are combining our own technologies with the FCM technologies possessed by Partec, which we converted to a subsidiary in 2013. As a result, we expect to generate new value in the FCM field.



## 2 A leading company in personalized diagnostics for optimizing medical treatment

- Create new testing and diagnostic value that contributes to the selection of treatment methods
- Fuse our technology platforms with new technologies and knowledge acquired through open innovation and others

In line with advances in the application of leading-edge technologies, progress is accelerating in medical precision and personalized medicine. Accordingly, the market for testing and diagnostic technologies that play an important role in enabling such medical precision and personalized medicine is expected to expand rapidly. Sysmex will fuse its own gene, protein and cell technology platforms with new technologies and knowledge it acquires through open innovation. In this manner, we aim to take the global lead in creating new testing and diagnostic value and realizing personalized medicine, which will be important in the selection of treatment methods.

Looking at our technology platforms, in the gene platform we are concentrating on the realization of genomic medicine<sup>1</sup>.

In the protein platform, we are working on Alzheimer's testing and other protein detection using ultrahigh-sensitivity HISCL. In the cell platform, we are working to automate FISH testing<sup>2</sup> using imaging FCM technology and developing technology for the detection of circulating tumor cells (CTCs). We are also utilizing testing technologies, centered on liquid biopsy, to provide proprietary testing and diagnostic value in the areas of preventive and advanced medicine.

1 Genomic medicine: The study of individuals' genome information and the provision of more efficient and effective disease diagnosis, treatment and prognoses based on these results  
2 FISH testing: Testing method that uses fluorescent material binding only specific genes to detect target genes within a chromosome

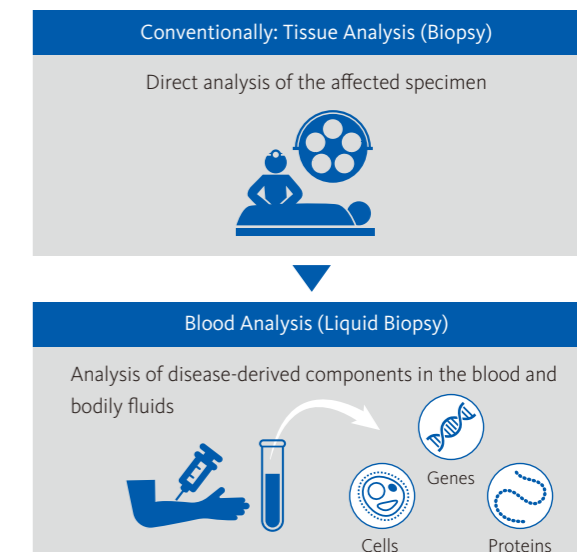
### Liquid Biopsy Contributing to the Realization of Personalized Medicine

In recent years, it has become evident that the genes, proteins and cells present in blood and bodily fluids contain information about areas affected by disease. Consequently, it is becoming possible to use sensitive analysis of blood and bodily fluids to obtain the same level of testing results as the conventional method of conducting physical biopsies of the affected specimen—a highly invasive and costly approach.

This technology, known as liquid biopsy, reduces the physical, mental and economic burden on the patient. It has also gained attention for its advantage in enabling repeated testing (monitoring).

Sysmex has set the strategy of realizing liquid biopsy for personalized medicine and is conducting research and development to this end.

#### Reducing Physical, Mental and Economic Burdens with Liquid Biopsy





MANAGEMENT GOALS

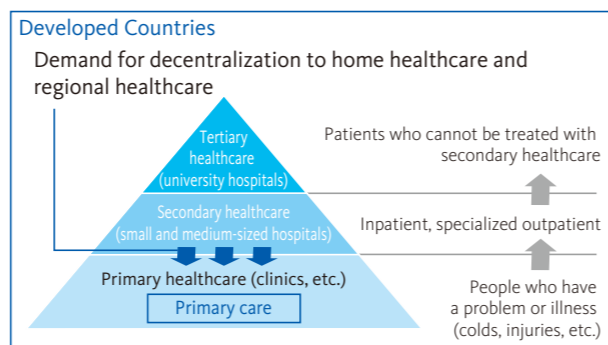
### 3 A solution provider contributing to the advancement of primary care diagnostics

- Leverage the diagnostic technologies and IT we have cultivated in the IVD domain
- Provide solutions that contribute to increased access to healthcare

Primary care refers to the initial care provided at clinics or other locations when a patient first falls ill. In developed countries, the medical institutions that provide primary care engage in preventive medicine and initial treatment, as well as handling patients in chronic or stable phases. In recent years, primary care has grown in importance as a way of promoting the early detection and early treatment of disease and in holding down healthcare costs. In emerging markets, the primary care market is expected to expand against the backdrop of increasing access to healthcare.

The growing prominence of alliances in regional healthcare is highlighting the importance of IT in the primary care market, allowing patient information to be shared quickly and appropriately.

Systemex provides doctors, nurses and other healthcare professionals with testing and services that utilize the diagnostic technologies and IT it has cultivated to date in order to contribute to more efficient and effective medicine and improved access to healthcare.



**Emerging Markets**  
Calls for increased access to healthcare (provision of appropriate medicine)

**Market Trends**

China	Introduction of a classification system, reinforcement of facilities and human resources at Tier 1 hospitals
Indonesia	Introduction of a nationwide insurance system in 2014; enrollees number around 200 million people, or more than 70% of the population (as of March 31, 2018)
India	February 2018 announcement of "Modicare," a system for subsidizing medical expenses (date of introduction undetermined)

#### The First Automated Hematology Analyzer to Receive CLIA Waiver Approval

In the United States, many small-scale medical institutions obtain CLIA waivers, a type of certification that enables them to perform simple clinical testing. Until now, however, no CLIA-waived products existed that could measure multiple parameters in a fully automated manner in the hematology field.

Systemex has received approval for its new XW-100 as a CLIA-approved product—the first for a fully automated hematology analyzer—for the US market. By introducing this product, Systemex makes it possible for clinics, pharmacies and other CLIA-waived facilities to perform hematology testing.

Different from outsourced testing, providing in-house testing allows test results to be provided swiftly to patients, which is expected to enhance healthcare services at target facilities.



XW-100 multiparameter automated hematology analyzer

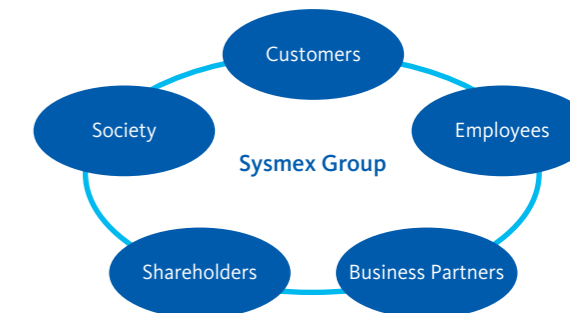
### 4 An attractive company providing value and instilling confidence

- Earn support from diverse stakeholders through distinctive technologies and business models, dynamic human resources and sound and advanced corporate management

As a member of society, Systemex recognizes that achieving sustainable growth requires the support of its stakeholders. To obtain support from its diverse stakeholders, Systemex engages in a variety of activities to remain an attractive company, providing value and instilling confidence.

To achieve these goals, we are taking the initiative in several ways. These include providing creative technologies and products to resolve society's issues through our business, offering a workplace where diverse human resources can work with peace of mind, and reinforcing corporate governance to heighten management soundness and transparency.

■ Systemex's Stakeholders



Specific Value Provided to Individual Stakeholders ▶ P23

### 5 One Systemex carrying out high-speed management

- Provide attractive workplaces where diverse human resources can exercise their talents
- Make use of sophisticated teamwork to achieve efficient and high-speed management

Systemex's net sales have grown by more than 2.5 times over the past decade, and the Group has expanded in scale and become more diverse. To grow further, we aim to carry out high-speed management as "One Systemex." We cultivate an organizational culture where diverse human resources can work with a sense of unity. We aim to create a flexible workplace that is attractive to diverse human resources with different values, different working locations and different working styles around the world, enabling them to maximize their specializations and strengths. In addition, to ensure optimal teamwork we endeavor to cultivate innovative next-generation leaders from the standpoint of managing diverse human resources and Group optimization.



Training for next-generation leaders (discussion with the CEO)



# Sysmex's Competitive Advantages

**Sysmex has a number of competitive advantages that enable sustainable growth.**



## COMPETITIVE ADVANTAGES

### Solutions for Enhancing Testing Productivity

By fusing instrument, reagent and information technologies, Sysmex creates unique solutions that meet customers' needs and help curtail healthcare costs.

#### Product Capabilities That Bolster Laboratory Productivity

Sysmex is highly competitive in the IVD domain, particularly in the field of hematology, where Sysmex products have a global market share of more than 50%.

In recent years, curtailing healthcare costs has become a social issue. Also, laboratories are calling for ways to provide accurate data more efficiently.

"High productivity" is one factor customers cite for selecting Sysmex products. For example, our transport systems use robotics technologies, our concentrated reagents reduce the frequency of changing reagents, and our software enables integrated control of test information. By combining instruments, reagents and IT in these ways, we continue to respond to customer needs with unique solutions that increase laboratory productivity.

#### Transport Systems Using Robotics Technologies

In 1990, Sysmex became the first company in the world to successfully develop a transport system for hematology. By enabling the connection of multiple instruments, this system automated testing to minimize labor requirements, reduce personnel expenses, decrease the risk of infection when handling samples and help to prevent samples from being mishandled.

We have continued to come up with innovative initiatives for raising productivity, as well. The newest model of our XN Series, launched in 2017, has a downsized transport line, making for a smaller system footprint. In addition, multiple instruments can be added within a single transport line, allowing higher test-processing capacity for a given amount of space.

Space in hospital laboratories is at a premium, and labs require flexible transport designs that can be tailored to the number of patient samples and the available space. Sysmex's products can be flexibly adjusted to meet these needs.



The world's first hematology transport system (launched in 1990)

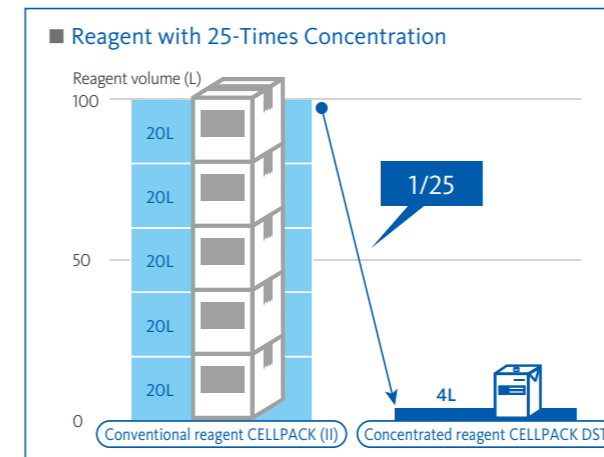


The XN transport line, which can be arranged in an L shape

#### Substantially Reducing Reagent Switching with Concentrated Reagents

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, 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's first in the hematology field. The use of concentrated reagents greatly reduces reagent switching frequency, which makes operations more efficient, reduces the physical burden on laboratory technicians and greatly decreases the space required for reagent storage.



#### Applications Outside the Hematology Field

Sysmex is applying its expertise in transport systems that use robotics technologies to fields other than hematology, as well.

In 1995, Sysmex was the first to realize the automated quantitative analysis of formed elements in urine by using the flow cytometry method, reducing the need for laboratory technicians to confirm samples visually using microscopes. However, samples that analyzers determined to be abnormal needed to be confirmed visually, so customers centrifuged samples and prepared specimens on slides. In 2016, Sysmex addressed this issue by launching the UN Series, which draws on the automation expertise the Company has cultivated in the hematology 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 in the urinalysis field as well.



UN Series



COMPETITIVE ADVANTAGES

## Innovations in Service and Support

Delivering accurate testing data requires service and support that is tailored to regional characteristics. We have introduced a number of innovations that instill customer confidence and ensure high testing quality.

### Innovation in Service and Support

As diagnosis and treatment are based on test results, health-care settings require accurate data and reduced downtime due to instrument failure. Based on the "Three Aspects of Confidence," our fundamental management policy since establishment, we prioritize instilling confidence among our customers and have worked to enhance our service and support.

Our service goes beyond just repairing instruments. Rather, we believe in the importance of preventing instrument failure and getting instruments back on line quickly if a failure occurs. One particular focus is on a system for offering services that utilize IT. In 1999, we introduced System Network Communication Systems (SNCS). This service connects customers' instruments to the System Customer Support Center via a network, allowing analysis of instrument activity logs, helping to prevent failure and providing a quality control framework.

Going forward, this quality control expertise should be a major competitive advantage toward a full-fledged entry into primary care and when commercializing new types of testing and diagnostics with a view to realizing personalized medicine.

### Service Innovations Leveraging IT

The best way to provide services differs according to regional characteristics. In the United States, for example, medical institutions are dispersed across a vast territory, making it difficult for service engineers to visit customers frequently. Consequently, we needed to find a way to enhance customer satisfaction by providing services efficiently. Leveraging one of System's distinctive service innovations—virtual training—we used a network to connect a studio at System America with customers' facilities and provide customers with real-time

training on how to use their products. Customers are thereby able to receive the training they need without having to visit System's training facilities in person.

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

### Initiatives for Maintaining High Levels of Service Quality

In the EMEA region, we provide services in more than 100 countries and regions. In some countries, we provide services directly, while in others we work through distributors. Regional characteristics are also varied, including differences in language and business practices.

To maintain and enhance service quality across the hugely diverse EMEA region, we have established a training structure, called System Academy, in seven locations. System Academy provides training on System products for customers, distributors and employees. In areas where IT infrastructure is not advanced, particularly in emerging markets and developing countries, this approach enables the people receiving training to avoid traveling long distances and reduces training costs.

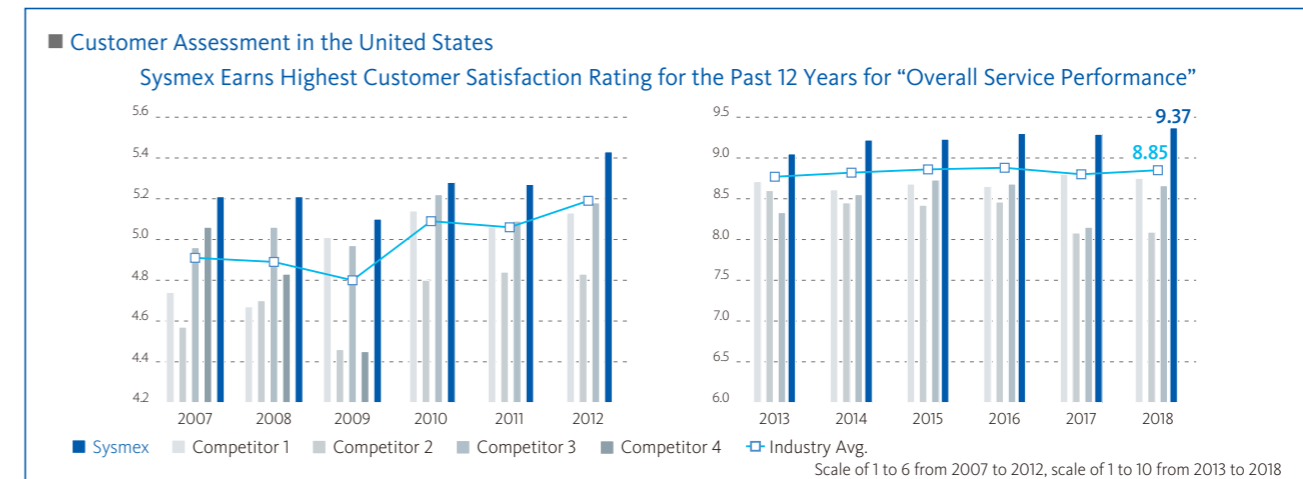
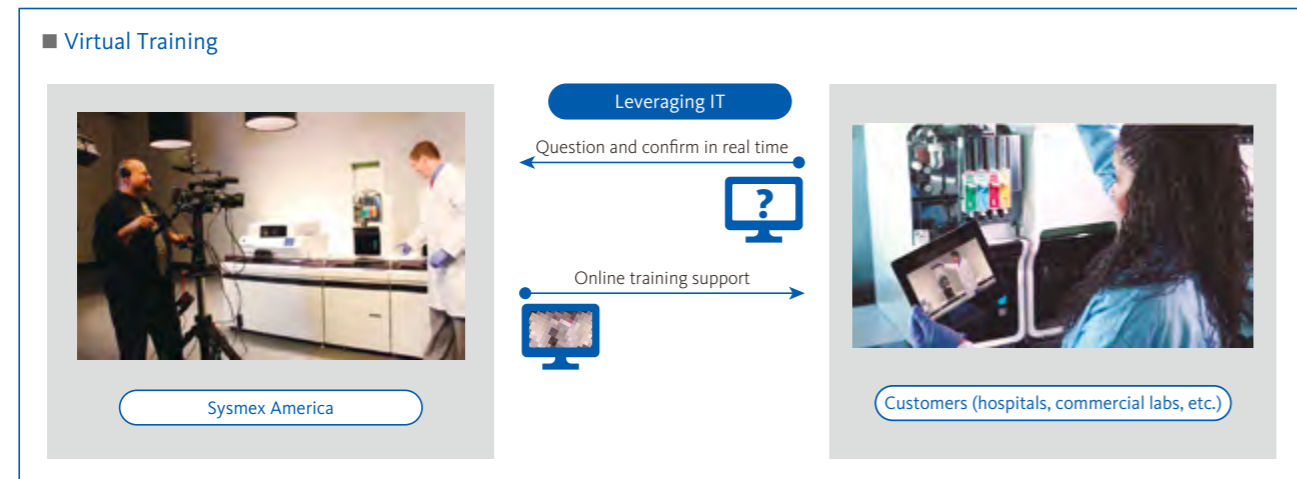
### Scientific Activities That Help Maximize Product Value

To use System's products appropriately and get the most out of product functionality, customers need to have specialized knowledge and a full understanding of product features. For this reason, System focuses on scientific support activities.

For example, we began conducting scientific seminars in 1978 to communicate leading-edge information on clinical testing and other topics; 2018 marks the 40th year of providing such seminars. In addition to Japan, we proactively conduct seminars in emerging markets to raise the quality of health-care. We began conducting seminars 20 years ago in China, and some 1,500 people attended these seminars in 2017.

We also offer web-based online seminars, particularly in developed countries. This approach is popular in the United States, as it minimizes the amount of time customers need to travel across the vast expanse of the country and allows customers to undergo training at any time.

In addition to facilitating accurate product use, scientific activities aimed at raising the quality of healthcare boost our corporate image and provide a competitive advantage in the marketplace.







COMPETITIVE ADVANTAGES

## Structures for Delivering the Innovation We Create to the World

Sysmex has built structures to provide products, service and support globally. Our network covers more than 190 countries and facilitates a stable supply.

### A Network Covering More Than 190 Countries

As well as selling testing instruments, Sysmex has in place a global structure for providing a steady supply of reagents and offering service and support. Sysmex products and services are currently used in more than 190 countries.

We set our sights on developing our business overseas soon after establishment, and in 1972 we established our first overseas location, in Germany. In 1991, we began providing direct sales, service and support overseas for the first time, in the United Kingdom. After that point, we steadily established bases in Europe, the Americas and Asia, working to create a sales, service and support structure. In recent years, we have accelerated the establishment of bases in emerging markets, including Central and South America and Africa. To build sales,

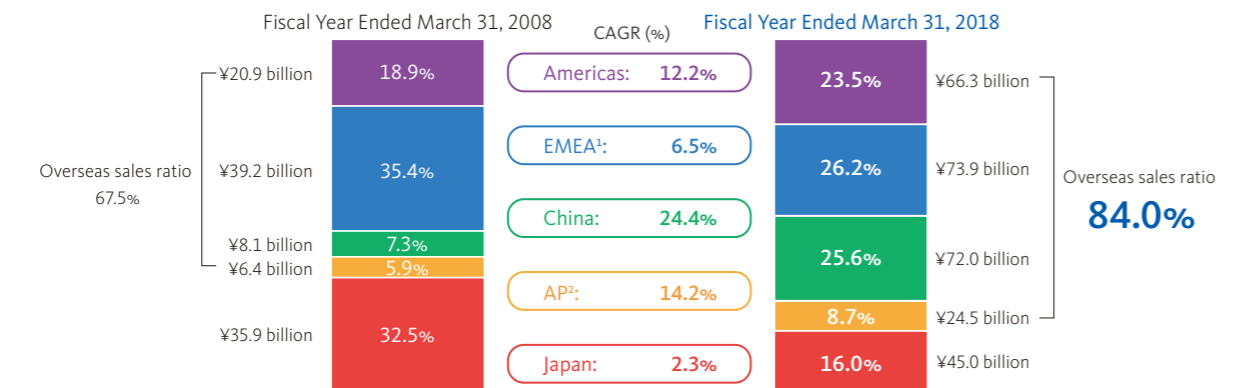
service and support structures tailored to individual regions, in some countries and regions we develop business by making effective use of distributors.

Having proactively developed our business overseas, our overseas sales ratio reached 84% in the fiscal year ended March 31, 2018. Our overseas sales are also well balanced by region, providing us with a solid foundation as a global company.

### Reinforcing Our Business Structure in Emerging Markets

Sysmex has established affiliated companies in 43 countries and is building a sales, service and support structure including in fast-growing emerging markets (such as Asia, Central and South America, the Middle East, Africa, Eastern Europe and Russia).

#### Net Sales by Destination



<sup>1</sup> EMEA: Europe, the Middle East and Africa <sup>2</sup> Asia Pacific  
 Note: Net sales by destination is defined as the sales amount recorded by Group companies to customers in a particular region. However, net sales by geographical region refers to the sales amount made by a Group company in a particular location.

To develop our business in emerging markets, we recognize the importance of quickly establishing a base and creating a sales, service and support structure. For example, in 1995 we established a base in China, ahead of the rapid expansion in the health-care market that occurred in line with the dramatic economic growth that occurred later, allowing us to grow our business there. In recent years, we have stepped up our efforts to anticipate market expansion, establishing bases in Ghana and Egypt.

In countries where we have not established our own subsidiaries, we develop business by working with trusted distributors. To ensure the same level of quality as we provide through direct sales, service and support, we focus on building an educational support system for distributors. [\(Focus on Education to Enhance Quality and Safety ▶ P45\)](#)

As a result of these initiatives, Sysmex's sales in emerging markets have grown by 4.6 times over the past decade, to account for 39% of net sales.

### A Structure for the Stable Supply of Reagents

Sysmex's global business development is supported by a structure that covers the world, providing a stable supply of reagents. As reagents are used on a daily basis and need to be changed periodically, customers require a stable supply of reagents in order to use our products with confidence.

Sysmex has reagent factories at nine locations in seven countries. We have also established our own factories in India, Brazil and other emerging markets to produce high-quality reagents. In addition, we are building a supply structure that enables factories to supply each other in the event of a disaster or other emergency. Furthermore, we conduct thorough quality control activities for reagents in the aim of enhancing testing quality around the world. [\(Building of Structures to Augment Quality ▶ P45\)](#)

#### Global Reagent Supply Structure







**Ralph Taylor**  
CEO,  
Sysmex America, Inc.

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

**Iwane Matsui**  
Senior Executive Officer,  
Deputy Head of  
Global Marketing  
Sysmex Corporation

**Frank Buescher**  
CEO,  
Sysmex Asia Pacific  
Pte Ltd.

**Alain Baverel**  
CEO,  
Sysmex Europe GmbH

**COMPETITIVE ADVANTAGES**

## Pursuit of Customer Satisfaction through Products with Reliable Quality

Since establishment, Sysmex has prioritized instilling confidence among its customers. By providing products of reliable quality, we strive to enhance customer satisfaction and strengthen competitiveness.

## A Management Structure for Achieving Global Growth

To achieve sustainable growth, people well-versed in local conditions communicate throughout the Group to realize optimal management.

### Building of Structures to Augment Quality

Sysmex products that are used for testing play an extremely important role in people's lives and in protecting their health.

Since establishment, Sysmex has striven to enhance customer satisfaction by providing products of reliable quality. In addition, we believe that augmenting quality is essential, as it lowers service costs and enhance product competitiveness.

For these reasons, throughout the Group we work to maintain and increase the quality of our products, as well as by meeting safety standards in countries around the world. We have in place a system to gather quality-related information globally and in a timely manner. We use the system to quickly determine the cause of complaints and prevent nonconforming products from entering the market. Furthermore, we share information with related divisions, using this information to improve quality and develop new products.

The Regulatory Affairs & Quality Assurance Division contains approximately 200 specialized staff members around the world conduct quality assurance in response to the laws and regulations. We regularly hold global meetings to share information related to regulatory affairs and quality. In January 2018, this meeting was attended by around 40 people from seven countries.

### Focus on Education to Enhance Quality and Safety

Service and support is essential for maintaining product quality. For this reason, Sysmex has in place a framework that enables staff handling maintenance services in various regions, as well as those working at call centers, providing customer training and offering other types of service and support, to acquire appropriate technical skills and knowledge.

Trainers at each of our headquarters locations are directly trained by specialists in Japan. These trainees then become trainers themselves, communicating the technical skills and knowledge they have acquired to staff handling service and support at local subsidiaries and distributors.

In the fiscal year ended March 31, 2018, we further reinforced trainer education, providing individual training based on local market conditions and needs, as well as extensive product-related update training. By augmenting the technical levels of the trainers that communicate these technical skills, we aim to raise the technical level of service and support staff and further enhance customer satisfaction. ([Innovative Service and Support](#) ▶ P41)

[Policies Related to Quality and Safety](#) ▶ [Sysmex Sustainability Report](#)  
<http://www.sysmex.co.jp/en/csr/report/index.html>

### Management Localization and Respect for Local Characteristics

Our business is heavily weighted overseas: Sysmex has an overseas sales ratio of 84%, and around 5,000 of the Group's approximately 8,000 employees belong to affiliated companies overseas. Personnel who are familiar with local conditions are essential to our ability to stay abreast of rapidly changing markets and achieve business success in individual regions.

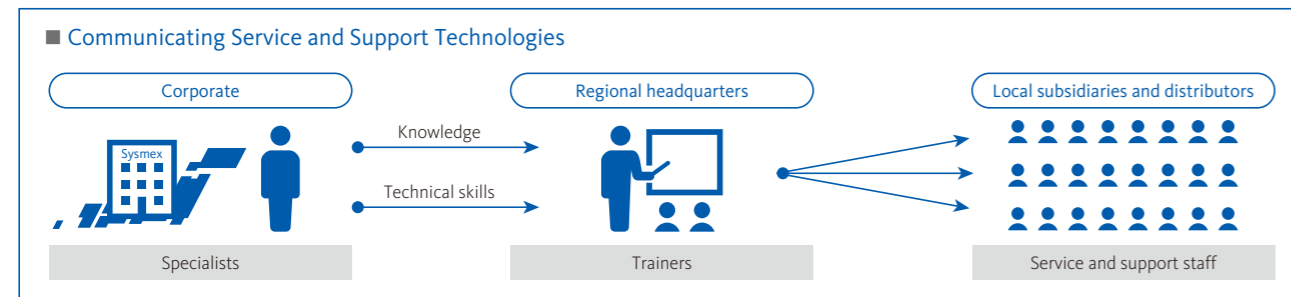
Sysmex divides its sales regions into five for management purposes. Rather than dispatching managers from Japan, we encourage management localization, putting in charge people who are familiar with those regions. This approach facilitates swift decision-making that is appropriate for local market conditions and is one reason for the rapid growth of our overseas business.

In individual regions, we also strive to manage our business in a way that respects the cultures and values of individual countries and regions rather than insisting on Japanese

working styles. Creating friendly working environments helps to ensure high levels of performance and serves as a driving force for global business expansion. ([Third-Party Evaluation of Working Environments](#) ▶ P52)

### Cultivating a Sense of Unity Throughout the Group

While localizing management on the one hand, on the other we need to share information on the status of overseas business in an accurate and timely manner among management in order to develop our business in more than 190 countries. To do so, every three months we hold a Group management reporting meeting, in which we report progress on important activities related to Group business execution. Members of management, directors of overseas regional headquarters and division managers gather to discuss issues in individual regions and divisions from a global perspective and work to devise optimal solutions.



	Corporate				
	Americas	EMEA	China	AP	Japan
Sales by geographic region (billions of yen)	62.5	75.5	72.0	24.4	47.4
Number of affiliated companies	10	36	4	13	12
Employees	1,162	2,367	627	772	3,517

(Fiscal year ended March 31, 2018)



COMPETITIVE ADVANTAGES

## Unique R&D Capabilities for Creating New Testing and Diagnostic Technologies

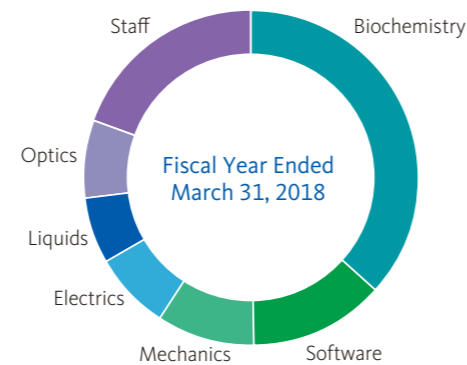
Personalized medicine involves providing effective healthcare optimized for individual patients. Sysmex is leveraging its R&D capabilities, partnerships, human resources and other management resources to create new testing and diagnostic technologies with a view to realizing personalized medicine.

### A Global R&D Structure and Diverse Human Resources

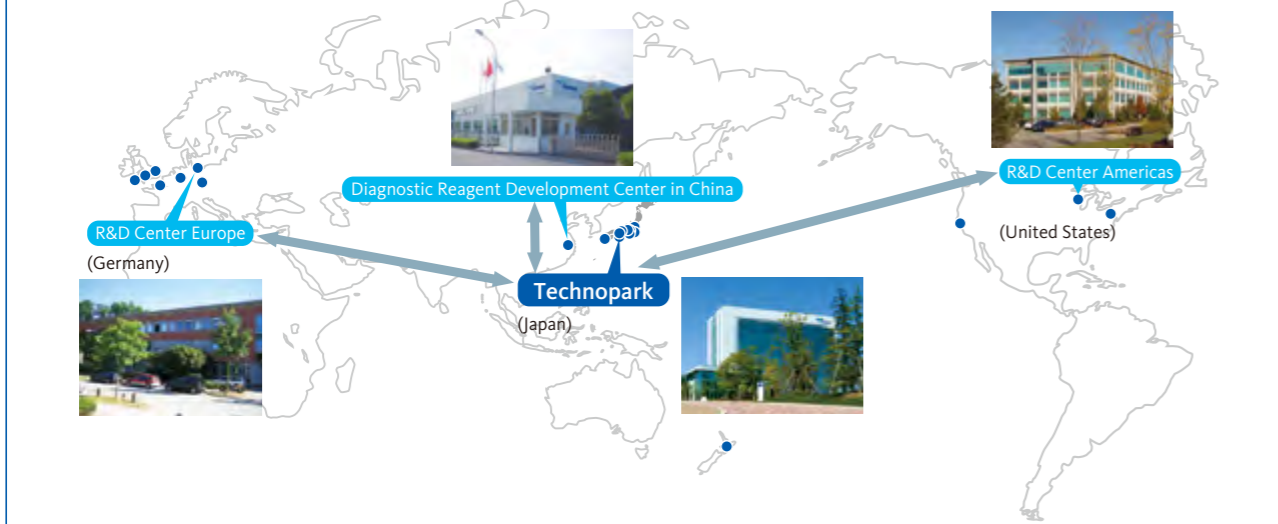
One of Sysmex's biggest strengths in R&D is the diversity of its R&D personnel. We develop instruments, reagents and software in-house, and each of these areas requires people with different specialties. For that reason, our R&D divisions have people with diverse backgrounds, and the synergies between these people are a source for creating new technologies.

Another strength is our global R&D structure. Technopark (Japan) serves as our hub for R&D, and we have other bases at locations around the world, including Europe, the United States and China. Through these locations, we work to strengthen relationships with affiliated institutions in individual regions, acquire new technologies, provide clinical trial support and otherwise globalize our R&D activities.

### Breakdown of Specializations among R&D Personnel



### Global R&D Structure



### Technology Platforms

One characteristic of Sysmex's R&D capabilities is its technology platforms for measuring genes, proteins and cells in the blood and elsewhere in the body.

Our gene platform comprises technologies for measuring gene quantities inside cancer cells and detecting circulating cancer cell-derived DNA. The protein platform is moving forward with technologies to detect proteins in blood and urine at high speeds and with a high degree of sensitivity. With our cell platform, we analyze the number and type of cells in the blood and are working on technologies that enable the analysis of information within cells.

In addition to the existing IVD field, the positioning of Sysmex's long-term management goals includes the aim of being a leading company in personalized diagnostics for optimizing medical treatment. Our three technology platforms, combined with the instrument, reagent and software development expertise we have cultivated through our existing businesses, will enable Sysmex to create distinctive new value.

### Further Accelerating R&D Activities

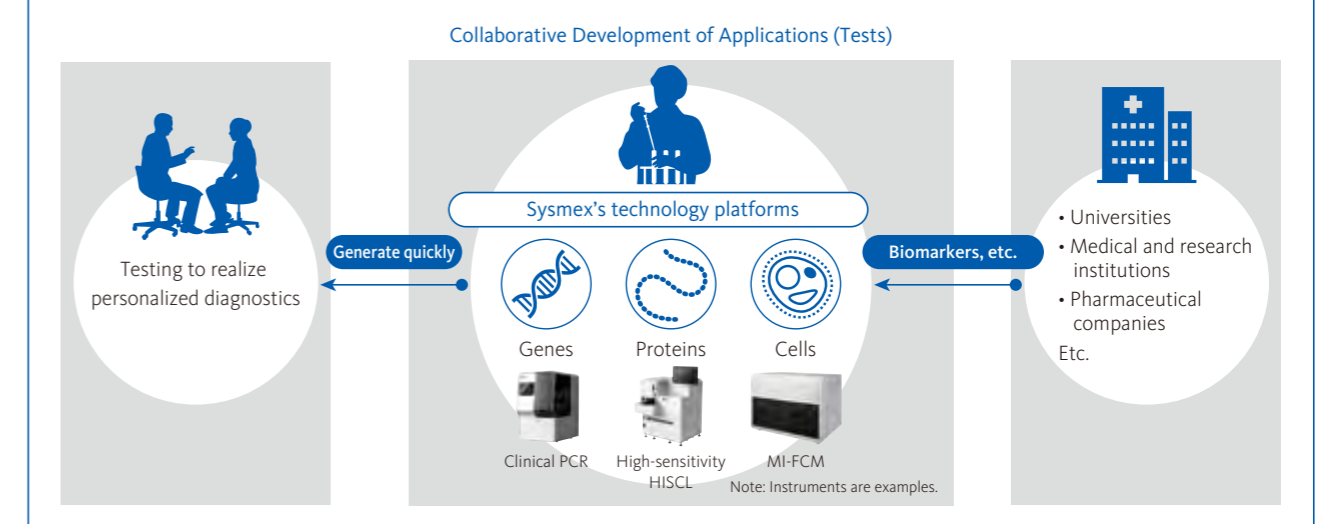
The healthcare environment is changing rapidly, and we are nearing a major turning point. Given this situation, the ability to rapidly develop technologies and promote commercialization is important.

Sysmex makes proactive use of open innovation to bring new technologies and products to the market in a timely manner. We aim to create new value quickly by combining the technologies and expertise of universities, medical and research institutions, pharmaceutical companies and outside institutions with our own management resources.

We also obtain new technologies through M&A. In recent years, Sysmex has acquired and converted to subsidiaries the current Sysmex Inostics and Sysmex Partec (both in 2013), RIKEN GENESIS (2016) and Oxford Gene Technology (2017).

To resolve healthcare issues, going forward we will continue investing aggressively to create new testing and diagnostic technologies in the aim of helping to realize a healthy society.

### The Process of Collaborative Innovation with Customers







New employee training

COMPETITIVE ADVANTAGES

## Diverse Human Resources

To innovate and raise corporate competitiveness, Sysmex works to recruit and develop diverse human resources and provide a workplace that can maximize their capabilities.

### Obtaining Diverse Human Resources

By expanding our business portfolio in the aim of realizing personalized medicine, we are entering new fields of business and obtaining new technologies and specialized human resources. We are also pursuing diversified recruiting activities to obtain the highly specialized and global human resources that will support our growth over the medium to long term.

For instance, in addition to holding local briefings and interviews overseas, as part of its efforts to obtain global human resources Sysmex Corporation holds briefings and interviews online and hosts overseas interns. As a result of these activities, overseas personnel accounted for around 8% of new-graduate recruits in the fiscal year ended March 31, 2018.

### Cultivating the Human Resources Who Will Lead the Next Generation

Based on our human resource development system, we work at an early stage to develop next-generation leaders who will be capable of promoting reforms at Sysmex from a global perspective and conduct initiatives to raise their level of knowledge and skills.

Each year, Sysmex Corporation targets next-generation leadership candidates by conducting training for selected employees, including a program in which the CEO serves as lecturer.

Overseas Group companies also undertake such initiatives. For example, Sysmex America runs the Sysmex Management Academy in the aim of strengthening management and administrative capabilities and fostering leadership. This company also runs a "mini-MBA program" to cultivate

business leaders. Sysmex Europe offers the "Tsunagari (Connection) Program" as leadership training for administrators across the EMEA region.

### Strengthening R&D Personnel

We promote the education and development of R&D personnel to create new testing and diagnostic technologies. At Technopark, our R&D hub, we began an R&D innovation activity in addition to basic training in the fiscal year ended March 31, 2014. We foster individual growth through this activity, in which participants exchange opinions and report successes on research themes. We also foster teamwork through a process in which managers, team leaders and people in charge of projects help one another. By conducting these activities on an ongoing basis, we provide a venue for passing on technologies and knowledge to next-generation leaders.

We also established the new Technology HR Development Division in April 2017 to further reinforce our product development divisions' systems and human resources.



Sysmex Management Academy (Sysmex America)

### Understanding and Penetration of the "Sysmex Way"

Sysmex has 43 affiliated companies around the world, and in the fiscal year ended March 31, 2018, overseas employees accounted for 58% of the total, attesting to the diversification of our human resources. To foster unity and synergy among employees with diverse values, perspectives and specializations and encourage swift business activities, we cultivate an understanding and the penetration of the "Sysmex Way," the corporate philosophy of the Sysmex Group.

The "Sysmex 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. These activities to instill the corporate philosophy incorporate numerous opportunities for dialogue with management and discussion in individual divisions about the "Three Aspects of Confidence," which we have upheld since establishment, and the "Sysmex Way."

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. (Sysmex Way ▶ P4)

### Comments from a CEO Award Recipient



**Mr. Scott Leshner**  
Director,  
Technical Quality Assurance,  
Sysmex America, Inc. (SAI)

**Background to receiving the award:** The Beyond Care Quality Monitor (BCQM) is a quality control support tool that automates quality control. The development of this tool allows for the automation of quality control operations and realization of increased quality. In addition to offering substantial operational improvements at the laboratories that are Sysmex customers, the tool helps reduce Sysmex's service costs. BCQM earns high marks as a unique and innovative tool because it has contributed to quality improvements for healthcare overall and raised expectations for the rollout of a new revenue model to other regions.



"I am delighted to be able to work on this sort of new program development and in improving the quality of clinical testing, and I hope to continue devoting my energies to Sysmex going forward. Sysmex has employees overflowing with talent who contribute to the company. Being selected to receive an award from among such people is a great honor, and one that makes me very proud."





Kids Park, our in-house daycare center

COMPETITIVE ADVANTAGES

Working to Achieve Diversity and Inclusion

System embraces diversity and inclusion, which involves creating a working environment that is amenable to diverse human resources, and we promote these activities in individual regions.

For example, System America and System Europe conduct training to cultivate an understanding and awareness of diversity. In April 2017, System Corporation established the Diversity Promotion Group to foster an organizational culture that promotes further understanding of diversity and LGBT\*. One of this department's activities has been to hold diversity roundtables, where employees exchange opinions on such broad-ranging themes as careers, work-life balance and cultural understanding. In the fiscal year ended March 31, 2018, we held these roundtables six times, including some in English.

\*LGBT: Acronym referring to sexual minorities (lesbian, gay, bisexual and transgender)

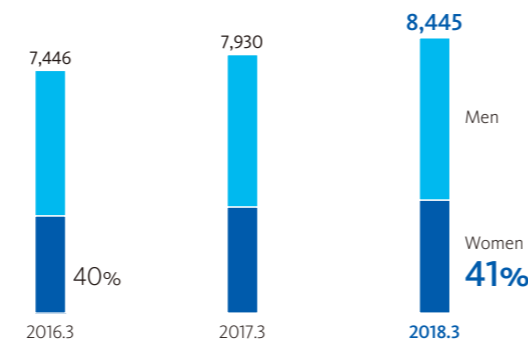
Promoting the Participation and Advancement of Women

System promotes the participation and advancement of women. In the fiscal year ended March 31, 2018, across the Group the percentage of female employees was 41%, and the percentage of female managers\* was 15%.

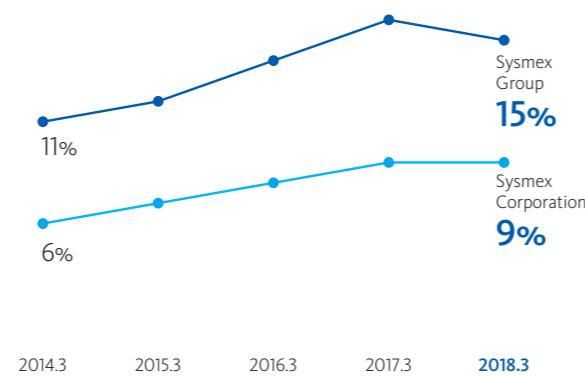
In Japan, we have introduced a work-at-home system and established an in-house daycare center, putting in place an environment that supports a balance between work and family. As a result, in the fiscal year ended March 31, 2018, the percentage of female employees at System Corporation was 39%. In the same year, the percentage of female managers was 9%, up from 6% five years ago, in the fiscal year ended March 31, 2014. As a positive evaluation of such initiatives, in the fiscal year ended March 31, 2017, System obtained Level 3 "Eruboshi" certification—the highest level—from the Ministry of Health, Labour and Welfare as an excellent company based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

\*Employees who are director level or higher

Percentage of Female Employees (System Group) (People)



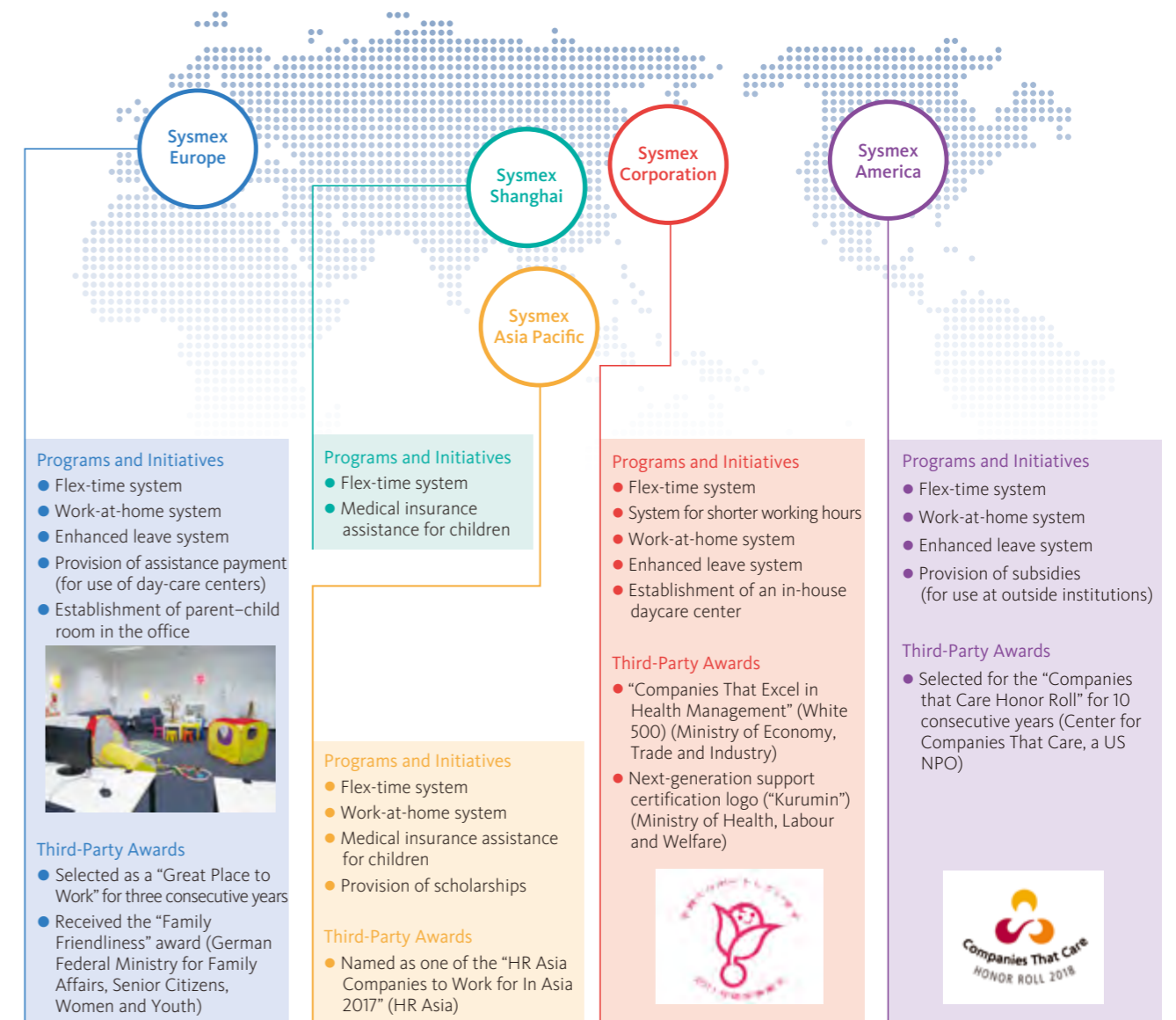
Percentage of Female Managers (%)



Creating a Working Environment

Around the world, we have introduced a variety of programs to support a work-life balance in the aim of creating a pleasant working environment for diverse human resources. Employee satisfaction has risen as a result, and we are highly rated from outside the Company.

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



## Profit Model

# A Stable Profit Model Supporting Investment in Sustainable Growth

### Characteristics of Our Profit Model for Realizing Growth

The healthcare industry tends to be “defensive,” in the sense that healthcare demand is relatively unaffected by economic performance. Furthermore, IVD requires the use of reagents each time a test is performed, and service and support are essential to ensure stable instrument operations. For these reasons, Sysmex can expect stable earnings to continue after customers purchase instruments, as the Company continues to provide a stable supply of reagents, service and support.

Sysmex has also earned a high level of customer satisfaction by providing customers with products that resolve the issues they face and through innovative service and support. Many customers indicate their satisfaction with Sysmex’s products and services. Their ongoing use is another factor supporting stable profit increases.

### Driving Steady Growth through Reagents, Service and Support

Reagents, service and support are contributing to steady growth in Sysmex’s profits. In the fiscal year ended March 31, 2018, they accounted for 67% of net sales, up 28 percentage points from 20 years earlier.

One of the reasons this category is making up a higher percentage of sales is that sales of high-end instruments are growing. In 1990, Sysmex launched the world’s first transport system in the hematology field, and since then we have continued to offer products that achieve high levels of productivity. Given the need to curtail healthcare costs, demand for highly productive testing is growing. Large-scale hospitals, commercial labs and other facilities that handle high testing volumes give high marks to Sysmex’s high-end products, causing our share in this market category to rise.

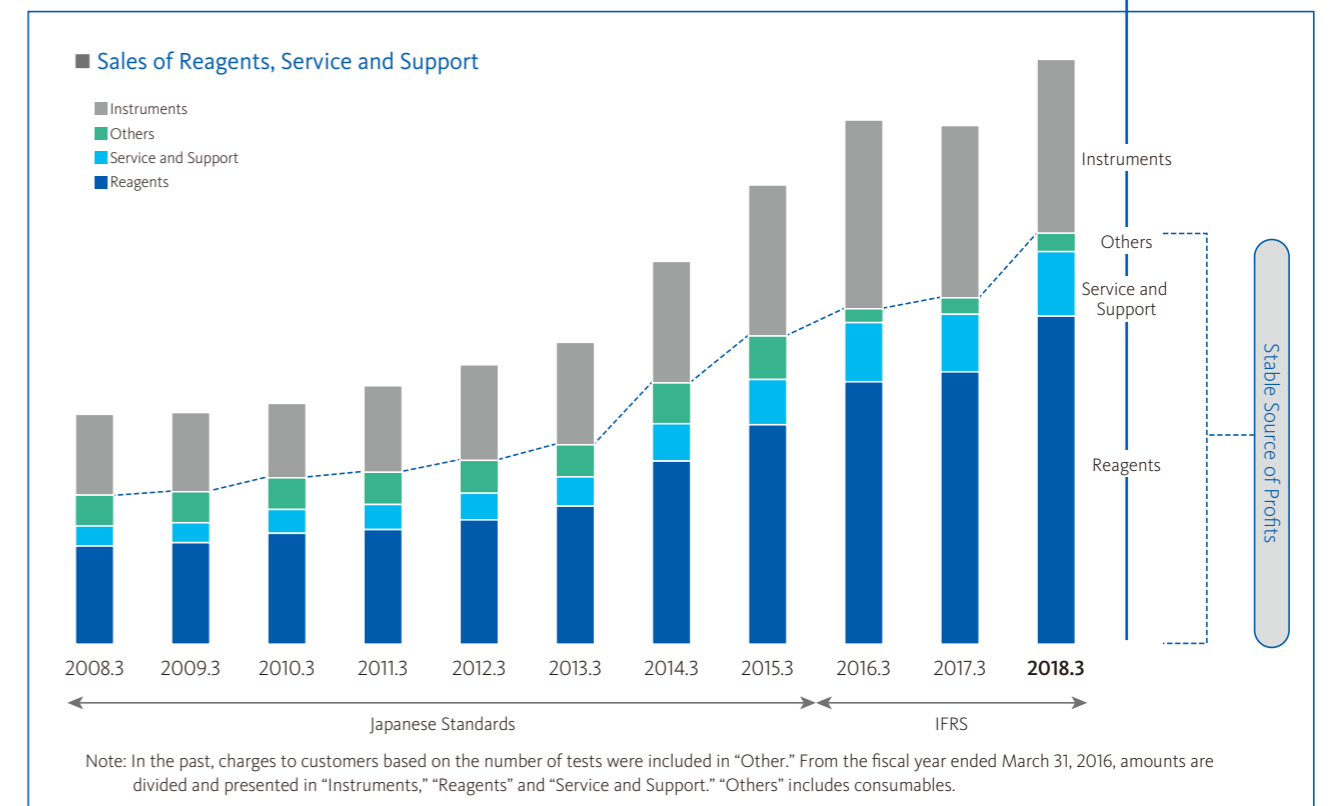
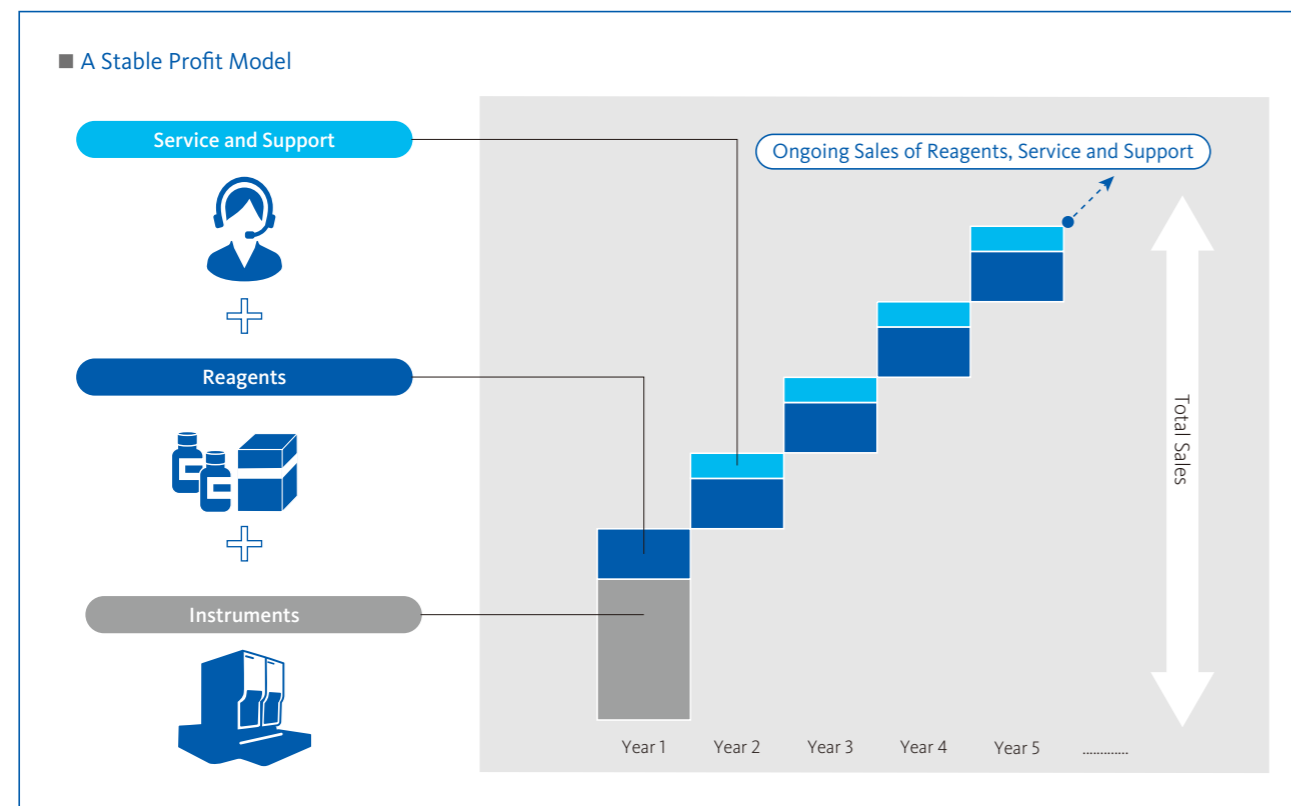
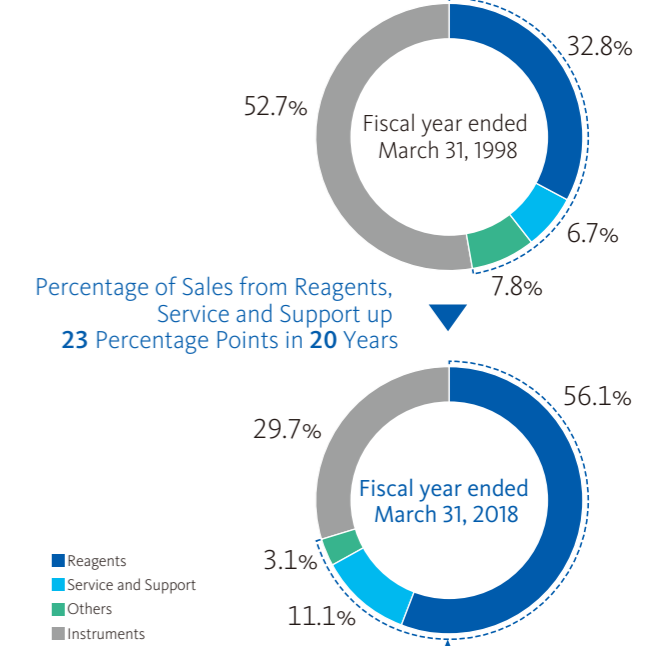
Another factor is our growing product portfolio. Products in the hematology field, for example, we worked to make five-part white blood cell differentiation models more compact. Five-part white blood cell differentiation models offer high clinical significance and use a larger amount of reagents. As the size of these instruments has shrunk, sales have grown because of widespread customer adoption, including in emerging markets.

In service and support, we have begun offering new services that leverage IT and rolled out high-quality service and support. Customer satisfaction has increased as a result, and we have had success in receiving compensation for our service activities.

As a result of these initiatives, the installed instrument base has risen, prompting a substantial rise in sales of reagents, service and support.

Going forward, Sysmex will continue working to bolster profitability. We will use these profits to invest aggressively in the creation of new value in resolving medical issues, leading to sustainable growth.

### Changes in the Composition of Net Sales



## Corporate Governance

# By enhancing management soundness and transparency, we aim to maximize the corporate value of the entire Group.

### Management Organization

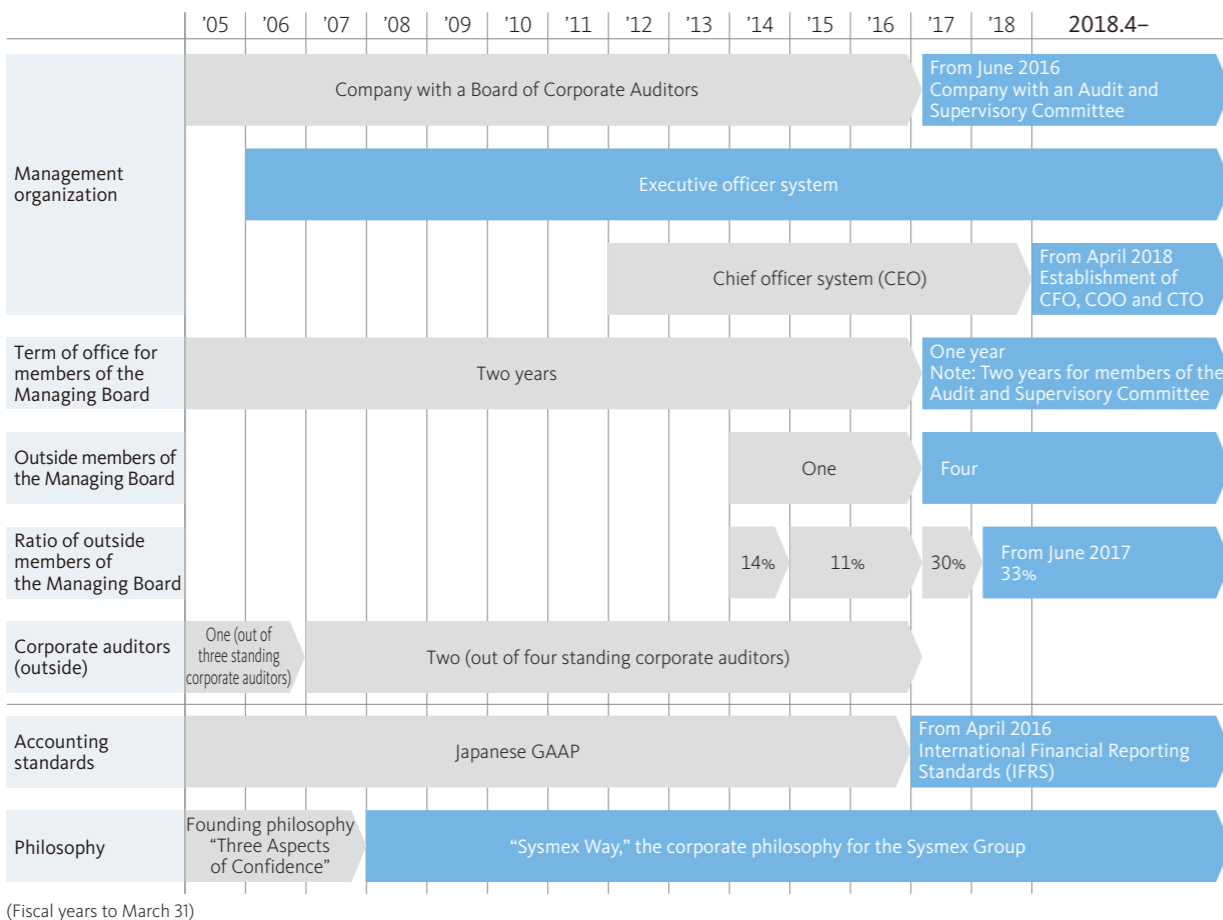
Systemex recognizes that reinforcing corporate governance is an important management issue. Based on the “Systemex Way,” the corporate philosophy of the Systemex Group, we are working to maximize corporate value of the overall Group by enhancing management soundness and transparency and raising management speed and efficiency.

Systemex 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

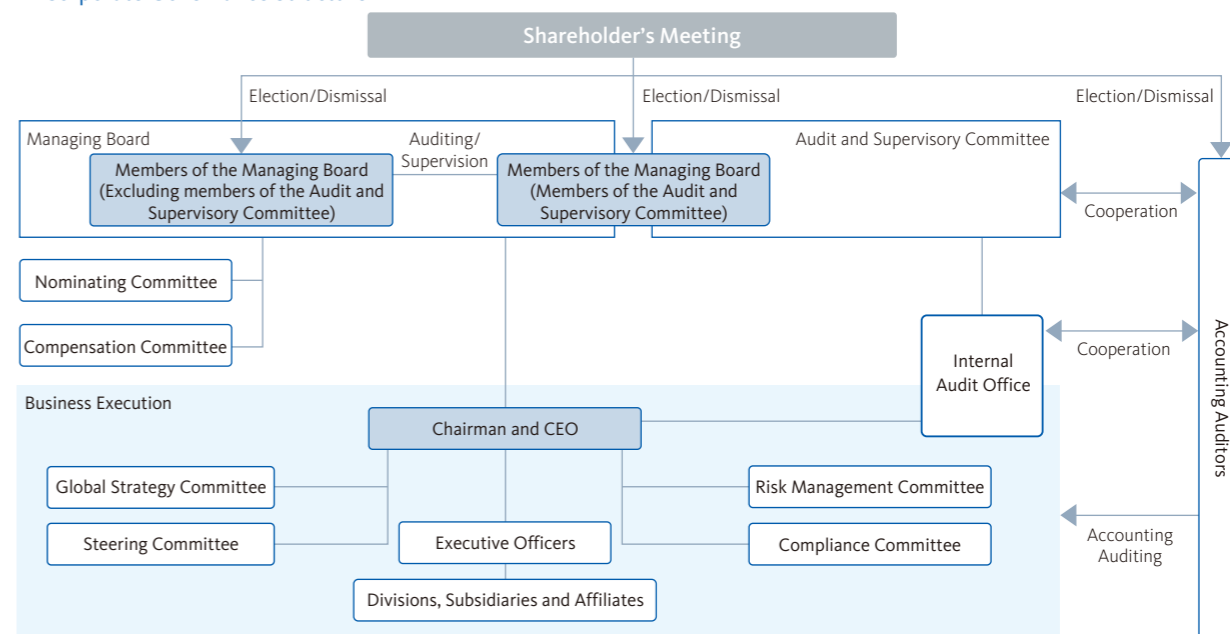
Board, thereby strengthening the board’s supervisory function. Furthermore, we have introduced an executive officer system to accelerate decision-making on business execution and respond swiftly to changes in the business environment. In April 2018, we expanded our chief officer system, establishing the posts of CFO, COO and CTO to clarify roles and responsibilities for finance, operations and technology, and increased the speed of strategic execution in those areas.

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).

### Advances in Corporate Governance



### Corporate Governance Structure



Organization	Activities	Members	Meetings in the fiscal year ended March 31, 2018
Managing Board	Deliberate important matters related to management	Members of the Managing Board	15 (Attendance by outside members of the Managing Board: 96%)
Global Strategy Committee	Deliberate on the Group’s management direction and matters of strategic importance	Chairman and CEO and senior executive officers	12
Steering Committee	Deliberate important matters related to overall Group operations as an advisory body to facilitate decision-making by the chairman and CEO In addition, hold meetings of executive officers to resolve issues on operationally important projects.	Chairman and CEO and executive officers Executive officers	26

\*Some content moved from the Steering Committee to the Global Strategy Committee in April 2018.

### Evaluating the Effectiveness of the Managing Board

To enhance the functions of the Managing Board, we conducted a questionnaire survey of all members of the Managing Board (including members of the Audit and Supervisory Committee) and evaluated the Managing Board’s effectiveness through deliberation of the aggregate results by the Managing Board. An overview of the analysis and evaluation of results follows. (Composition) The scale of the Managing Board and ratio of independent outside members of the Managing Board are generally appropriate, both in nature and diversity. (Operation) The provision of information necessary to fully discuss the Managing Board’s agenda is generally appropriate. To further improve effectiveness, the Company is continually working to improve the Managing Board’s operation through the distribution of materials beforehand, 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 individual members of the Managing Board 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 determined that it will respond to operational issues and continue to discuss medium-to long-term issues.

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



## Corporate Governance

### Audit and Supervisory Committee

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 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 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 on the annual audit plan and results reports, exchanging information and opinions, such as when conducting internal control audits related to financial reporting.

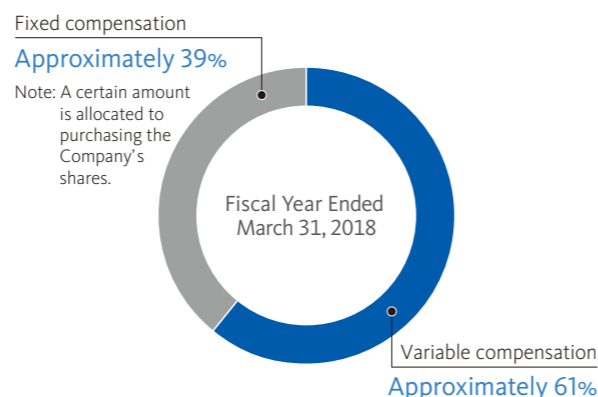
### Executive Compensation

Sysmex's system of executive compensation 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, divides broadly into fixed and variable portions. Fixed compensation is determined on the basis of a member's position, while variable compensation varies depending on profit attributable to owners of the parent for the subject fiscal year. Remuneration for members of the Managing Board who are members of the Audit and Supervisory Committee and outside executives consists of fixed remuneration only. Compensation for members of the Managing Board, except members of the

Audit and Supervisory Committee, is discussed and determined by the Managing Board following deliberation by the Compensation Committee.

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 continue holding the acquired shares during their terms of office. As of March 31, 2018, the chairman, president and CEO held 609 thousand shares, and other members of the Managing Board and executive officers held an average of 25 thousand shares.

#### ■ Compensation for Members of the Managing Board (Excluding Outside Members)



#### ■ Breakdown of Executive Compensation (Fiscal Year Ended March 31, 2018)

Executive category	¥ million					Number of subject members
	Total compensation	Basic executives compensation	Stock options	Bonuses	Retirement benefits	
Members of the Managing Board (excluding members of the Audit and Supervisory Committee) (excluding outside members)*	681	251	—	426	3	9
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, 2018

#### Executives Receiving Total Compensation of ¥100 Million or More

Name	Executive category	Company category	¥ million			
			Total compensation	Basic compensation	Stock options	Bonuses
Hisashi Ietsugu	Member of the Managing Board	Submitting company	203	59	—	144

### Responding to Japan's Corporate Governance Code

Sysmex complies with each of the principles of Japan's Corporate Governance Code, introduced by the Tokyo Stock Exchange. We publish reports submitted to the Tokyo Stock Exchange on our website.

### 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.

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, 2018, we received a total of 32 consultations, including in Japan and

overseas. We conducted factual inquiries for consultations and dealt with each of them appropriately.

### Risk Management

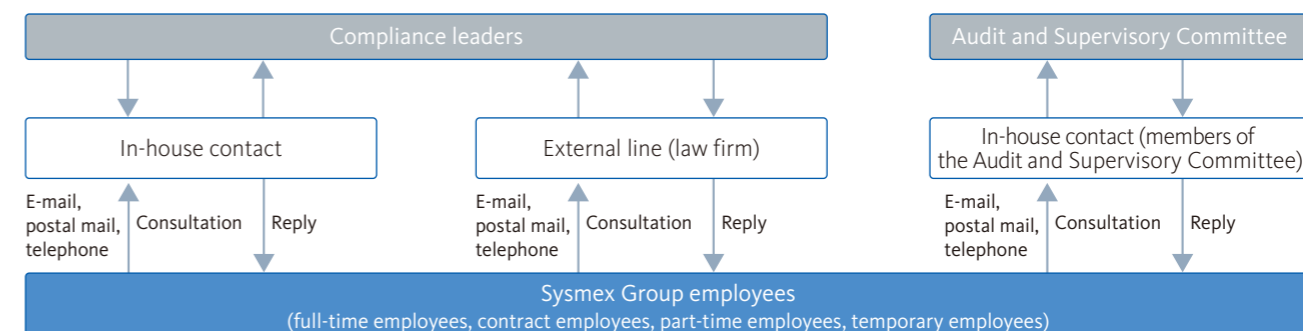
Sysmex has established the Risk Management Committee to control groupwide risk management activities. The committee is chaired by a risk management officer, a senior managing director. Committee members include members of the Managing Board who are involved with risk, as well as executive officers.

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.

#### ■ The "Campanula Lines" Internal Reporting System



## Corporate Governance

### Principal Business Risks

#### Impact of Exchange Rate Fluctuations

Current Status	Risk	Countermeasure
System derives more than 80% of its sales from overseas, and most of the Company's transactions with overseas medical institutions, distributors and alliance partners are denominated in foreign currencies. Furthermore, as our business in emerging markets and developing countries is expanding, a growing number of transactions are taking place in local currencies that are not key currencies.	Fluctuations in individual exchange rates have the potential to affect System's operating performance and financial condition.	Our corporate finance division liaises closely with related divisions at local subsidiaries, using foreign exchange contracts to hedge risk and lessen the impact of foreign exchange fluctuations.

#### Impact of Healthcare System Reforms

Current Status	Risk	Countermeasure
Healthcare costs have risen in recent years, against the backdrop of aging societies and population growth. This factor, plus the application of technical innovations to healthcare, is prompting significant changes in the healthcare market. Under these circumstances, regulatory authorities are stepping up their initiatives to curtail healthcare costs and build regulatory systems for healthcare instruments that make use of new technologies.	In addition to revisions in medical remuneration and other medical system reforms, the time and cost required to obtain regulatory approval of new products increases as regulatory systems grow more stringent. Such factors could affect System's operating performance and market competitiveness.	Our corporate Regulatory Affairs Department takes the lead in ascertaining recent regulatory trends, working in close cooperation with related departments at local subsidiaries, and responds appropriately.

#### Product Quality

Current Status	Risk	Countermeasure
System provides products that play an important role in people's lives and health, so is called upon to deliver highly reliable test results.	We do our utmost to provide quality assurance based on a thorough quality control structure. However, if a quality problem were to occur, we could face notifications from regulatory authorities and product recalls, which might affect our operating performance.	System has put in place and operates frameworks that comply with individual countries' laws and regulations and maintains quality that complies with international standards. We also survey and analyze information related to reliability and safety from markets in Japan and overseas, as well as in-house; we amass technological information that could help enhance design quality; and we check the quality of new products prior to beginning mass production and market launch. In these ways, we strive to ensure the quality and safety of our products.

#### Stable Supply of Products

Current Status	Risk	Countermeasure
System's products are used in more than 190 countries around the world, and we strive to provide the market with a stable supply. In particular, reagents and consumables need to be changed regularly, so we are called upon to have production and supply structures that can respond to customers' needs.	If a manufacturing base were to experience a major accident, such as a natural disaster or fire, or if trouble were to occur at a supplier, our product supply could be interrupted.	System has reagent factories dispersed across seven countries, and we are building a supply structure that enables factories to supply each other even if one is forced to halt operations. We are also enhancing initiatives to prevent damage to production bases and to restore facilities in the event damage is incurred. We strive to hedge risk related to raw materials by sourcing them from multiple, dispersed suppliers.

#### Risks Related to the Use of Information Systems

Current Status	Risk	Countermeasure
System employs information systems to transmit information and support core businesses, and most operational information is managed and processed by networks.	We face the risk of operations being hindered in the event of disruptions of our information systems or networks, infections by computer viruses, or unauthorized external access to information systems.	System is undertaking initiatives to reinforce its internal controls and ensure thorough internal education. For example, the Company has in place secondary, alternate network routes, implements routine system administration procedures, runs security measures including virus gateways, and controls access through strict user management procedures and fingerprint authorization.

### IR Activities to Enhance Corporate Value

System 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.

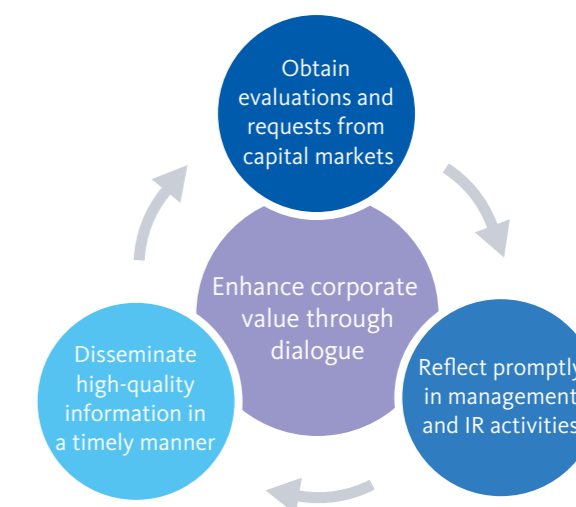
At meetings with institutional investors and analysts, we engage proactively on such themes as our management strategies, business model and medium-term management plans, as well as R&D, shareholder returns capital policies and ESG. Although headquartered in Kobe, System visits locations including Tokyo, the United States, and European and Asian countries to conduct IR meetings. In the fiscal year ended March 31, 2018, we held such meetings with around 400 companies.

In terms of information disclosure, in addition to business results briefings and conference calls, in the supplements to its financial data System proactively discloses voluntary information such as operating performance by geographic 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, 2018, we

conducted facility tours in the United States and explained our strategies for, and the potential of, the Americas. We provide simultaneous English-language interpretation at our IR events in an effort to promote fair disclosure.

Targeting individual shareholders and investors, we conduct briefings in combination with securities companies, and through our shareholder newsletter and various video content on our website we endeavor to introduce our business activities in an easy-to-understand manner.

#### ■ Objectives of System's IR Activities



#### ■ Major Awards Received in the Fiscal Year Ended March 31, 2018 (IR Activities)

Sponsor	Awards
Securities Analysts Association of Japan	Selected for excellence in disclosure at the 2017 Awards for Excellence in Corporate Disclosure, ranking second in the pharmaceuticals category and in disclosure to individual investors
Institutional Investor	Ranked among the Best CFOs (Buy Side) and "Best Analyst Days" in Institutional Investor 2018 in the Japanese healthcare and pharmaceuticals division

#### ■ Principal IR Events

Event	Activities
Technology presentations	Explanations from people in charge of R&D divisions about R&D progress
System IR Day (business office tours)	Every other year. In the fiscal year ended March 31, 2017, we provided explanations on the invisible value generated by System's corporate culture, our human resources and our business strategy for personalized medicine.
Overseas facility tours	Every other year. Tours of hospitals and other facilities actually using our products and explanations by executives at local subsidiaries about the market and System's strengths. Introduced in the United States in the fiscal year ended March 31, 2018.
Company tours for individual shareholders	Tours of instrument factories and other business offices
Company briefings for individual investors	Company briefings at major cities throughout Japan by top management and people in charge of IR

## Members of the Managing Board



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

**Kazuya Obe**  
Member of the Managing Board and Senior Executive Officer  
Managing Director

**Hisashi Ietsugu**  
Chairman and CEO

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

**Mitsuru Watanabe**  
Member of the Managing Board and Senior Executive Officer  
Managing Director

**Yukitoshi Kamao**  
Member of the Managing Board (Member of the Audit and Supervisory Committee)

**Koichi Onishi**  
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

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

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

**Susumu Nishiura**  
Member of the Managing Board (Outside)  
Independent Director

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



## Corporate Governance

## Members of the Managing Board

**Hisashi Ietsugu**  
Chairman and CEO

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)

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 is 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.

**Kenji Tachibana**

Member of the Managing Board and Senior Executive Officer, Senior Managing Director, COO IVD Business Unit  
 Business Strategy Development, Core Business

Mar. 1980 Joined the Company  
 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 is essential for increasing corporate value through the growth of businesses.

**Yukio Nakajima**

Member of the Managing Board and Senior Executive Officer  
 Senior Managing Director, CFO  
 Corporate Business Planning and Administration

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 is essential for increasing corporate value.

**Kazuya Obe**

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

Apr. 1991 Joined the Company  
 Apr. 1996 President of TOA Medical Electronics (Europe) GmbH (current Sysmex Europe GmbH)  
 Oct. 2002 Chairman of the Board of Sysmex Corporation of America (current Sysmex America, Inc.)  
 Apr. 2005 Executive Officer, Executive Vice Chairman & CEO of Sysmex America, Inc.  
 Jun. 2009 Member of the Managing Board and Executive Officer  
 Apr. 2013 Member of the Managing Board and Senior Executive Officer, Managing Director (current)

Reasons for Appointing

He has been involved in international business serving as representatives of several overseas regional headquarters for many years and has contributed to global business development. He was appointed because his abundant experience and wide-ranging insight is 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  
 R&D Strategic Planning, Next-Core Business

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 is essential for increasing corporate value.

**Mitsuru Watanabe**

Member of the Managing Board and Senior Executive Officer, Managing Director  
 Scientific Affairs, Bio-Diagnostics  
 Reagent Technology

Mar. 1980 Joined the Company  
 Apr. 2005 Executive Officer, Executive Vice President of R&D Strategic Planning  
 Jun. 2009 Member of the Managing Board and Executive Officer  
 Apr. 2013 Member of the Managing Board and Senior Executive Officer, Managing Director (current)

Reasons for Appointing

He has been involved in product and market development for many years and has contributed to business development. He was appointed because his wide-ranging insight is essential for increasing corporate value.

**Junzo Yamamoto**

Member of the Managing Board and Senior Executive Officer  
 Managing Director  
 Manufacturing and SCM

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 is essential for increasing corporate value.

**Yukitoshi Kamao**

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

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.

**Susumu Nishiura**

Member of the Managing Board (Outside)  
 Independent Director

Apr. 1969 Joined TOA Electric Co., Ltd. (current TOA Corporation)  
 Jun. 1998 Member of the Managing Board  
 Oct. 2004 Member of the Managing Board and Senior Executive Officer, Managing Director  
 Jun. 2008 Member of the Managing Board and Senior Executive Officer, Senior Managing Director  
 Jun. 2010 Retired from TOA Corporation  
 Jun. 2013 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.

**Koichi Onishi**

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

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  
 June 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.

**Masayo Takahashi**

Member of the Managing Board (Outside)  
 Independent Director

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 (current)  
 Jun. 2016 Joined the Company, Member of the Managing Board (current)

Reasons for Appointing

She was appointed to utilize her abundant experience and deep insight relating to advanced medical research, medical ethics and other fields as a clinician and researcher for management of the Company.

**Kazuhiro Kajiu**

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

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 leading and auditing global companies.

## Interviews with Outside Members of the Managing Board



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

#### How would you evaluate Sysmex's initiatives in the healthcare industry, where the application of technological innovation is moving forward?

I believe there are a number of areas for improvement in healthcare today. In some cases, testing and treatment is taking place that is not entirely necessary, while at the same time other people who require healthcare are not receiving it. We healthcare professionals are very aware of this situation, and Sysmex's initiatives are aimed at resolving these problems.

For instance, tests to check the likely efficacy of drugs before they are provided can help reduce the unnecessary administration of drugs. Such testing is highly evaluated because it contributes to the quality of healthcare while helping to curtail healthcare costs.

#### A growing number of companies from other sectors are entering the healthcare industry; what do you see as Sysmex's strengths?

Sysmex is closely involved in and familiar with healthcare settings. Sysmex goes beyond just selling testing instruments. Rather, the Company provides maintenance and training on instruments, as well as quality assurance on measured data, working alongside healthcare professionals to create healthcare environments. A major difference between Sysmex and other companies is that Sysmex is keenly aware of the problems people in healthcare settings face. For example, Sysmex provides networks that connect instruments, so if test

values start to deviate slightly Sysmex is aware of this situation even before the doctors and laboratory technicians themselves. I believe the importance Sysmex places on data and its perspective on preventing the risks of testing being halted is in line with the demands of healthcare professionals. I think that understanding the essence of healthcare and its needs will be a major strength as the healthcare industry changes going forward.

#### What are your expectations of Sysmex going forward, and what issues do you foresee for the Company?

The healthcare industry is in a period of transition, and even within the industry the testing and diagnostic domains are changing most of all. The role and importance of testing is evolving in line with the proliferation of advanced healthcare and the decentralization of healthcare due to the expansion of testing locations. As I have pointed out to the Managing Board, Sysmex is a company that stimulates change rather than one

that reacts to it. Instead of considering its situation from the standpoint of expanding existing business, we need to center our thinking on how to produce changes. We need to put the skills of our junior and mid-level employees to good use in creating the businesses of the future, working to change the form of healthcare through new ideas.



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

#### How will you configure an appropriate governance system as the Company's scale of business continues to grow?

Sysmex's net sales have nearly doubled over the past five years. Members of the Managing Board have the extremely important responsibility of managing the Company in a way that will allow this expansion to continue. The Managing Board has a good balance between members who are familiar with the Company's principal functions, such as development, manufac-

turing and sales, and outside members, who account for one-third of the total. In April 2018, the Company designated a CFO, COO and CTO to clarify roles and the responsibility for finance, operations and technology. I see this as a forward-looking move to increase the speed of strategy implementation.

#### Does the Managing Board engage in lively deliberations?

I see no deficiencies in terms of the Managing Board's appropriateness in tabling agenda items to be decided upon. Also, our agenda items are brought to the board after having been deliberated extensively by other management bodies.

For this reason, appropriate deliberation takes place on the Managing Board, centering on questions by outside members. Some of the items on the Managing Board's agenda are quite specialized and require sufficient time for preparation.

#### As a member of the Audit and Supervisory Committee, how do you play an active role overseas?

Sysmex's overseas sales ratio is high, at 84%. The Company manages overseas regions via four regional headquarters (in the United States, Germany, China, and Singapore), which oversee numerous subsidiaries. Consequently, we members of the Audit and Supervisory Committee consider communications with

regional headquarters to be very important. We meet at least once or twice each year with the people responsible for regional headquarters. We also visit around two locations each year in person to discuss risks and issues directly.

#### What issues do you foresee as Sysmex continues to grow?

The number of employees has surged in line with sales growth, and I believe securing sufficient human resources will continue to be an important issue. Operating in the healthcare domain, Sysmex must ensure it has sufficient R&D personnel in place to conduct R&D that sows the seeds of future business.

Furthermore, as the locus of our main businesses is overseas, we need to recruit excellent human resources globally. To this end, we will need to continue emphasizing the building of frameworks that help diverse human resources to shine.



## Executive Officers



Back row, from left: Tomokazu Yoshida, Mamoru Kubota, Ikuo Otani, Juergen Schulze, Peng Zuo Hui, Kensuke Iizuka  
Front row, from left: Yukio Hamaguchi, Hiroshi Kanda, Iwane Matsui, John Kershaw, Keiji Fujimoto

**Iwane Matsui**

Senior Executive Officer  
Deputy Head of Global Marketing

**Yukio Hamaguchi**

Executive Officer  
President and CEO,  
Sysmex International Reagents Co., Ltd.

**Mamoru Kubota**

Executive Officer  
Deputy Head of Next-Core Business

**Hiroshi Kanda**

Senior Executive Officer  
Deputy Head of Core Business

**Keiji Fujimoto**

Executive Officer  
Regulatory Affairs & Quality Assurance

**Peng Zuo Hui**

Executive Officer  
President and CEO, Sysmex Shanghai Ltd.

**John Kershaw**

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

**Ikuo Otani**

Executive Officer  
Deputy Head of Core Business

**Tomokazu Yoshida**

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

**Juergen Schulze**

Executive Officer  
Chairman, Sysmex Europe GmbH

**Kensuke Iizuka**

Executive Officer  
Deputy Head of Corporate Business  
Planning and Administration  
Executive Vice President of Corporate  
Business Administration

## Financial and Other Information

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### Financial Information

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Q1

**Please describe the Company's operating performance in the fiscal year ended March 31, 2018, including successes and the issues you face.**

Sales were up in all geographic regions on both a local currency and a yen basis, and both net sales and operating profit rose for the first time in two years. Profit attributable to owners of the parent decreased year on year, due to a temporary factor in the previous fiscal year, but business itself was robust and I would rate the details of our business as being relatively solid. In particular, sales in our mainstay hematology and other core businesses were up 11.9% year on year. Another success was our performance in the life science business, which surged 94.2% year on year, thanks in part to the contributions of a new subsidiary, OGT.

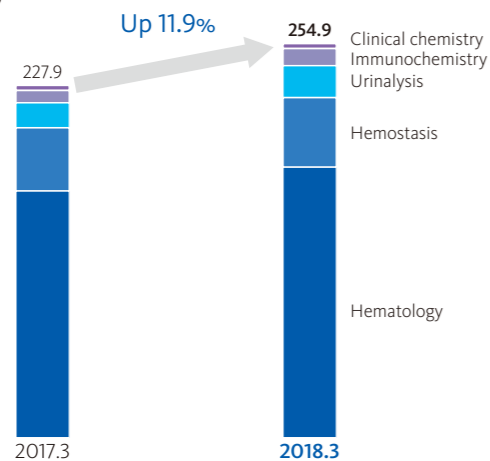
In terms of issues, regulatory systems are growing increasingly stringent around the world. In addition to our core businesses, laws are being enacted rapidly in the area of cancer genomic medicine, and compliance with regulatory systems will grow increasingly important. At the corporate end, specifically, we need to reinforce our systems to ensure close interaction with overseas subsidiaries.

Q2

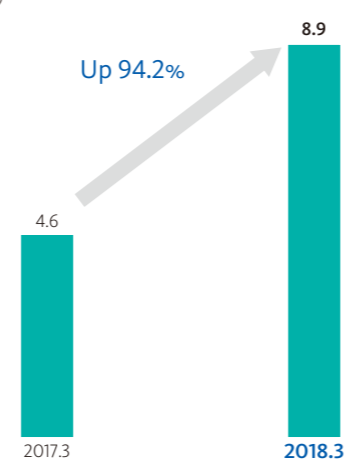
**Systemex is investing to reinforce its business portfolio in such fields as life science and FCM. How would you evaluate the progress so far?**

One of the positioning targets of our long-term management goals is to be "a leading company in personalized diagnostics for optimizing medical treatment." To reach this target, we

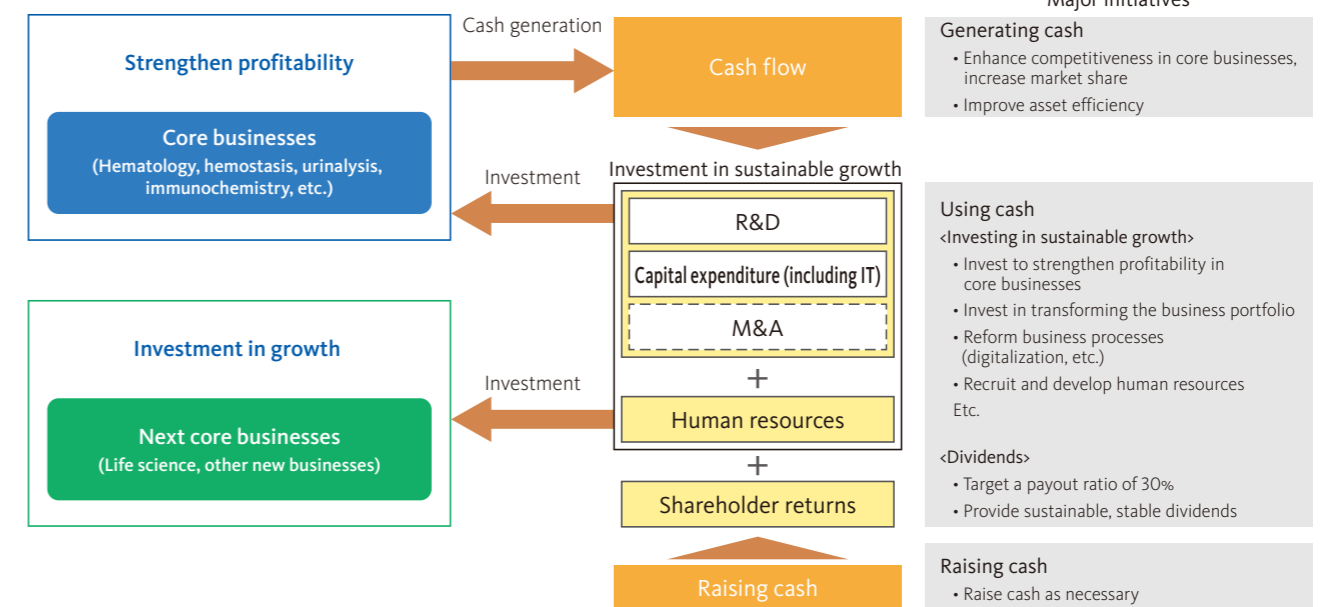
■ Core Businesses (¥ billion)



■ Life Science Business (¥ billion)



■ Perspective on Investment



are stepping up investment in the life science field. In 2013, we acquired the current Sysmex Inostics, followed by RIKEN GENESIS in 2016 and OGT in 2017, and converted them to subsidiaries. In these ways, we are making aggressive moves to acquire technologies and expand our business. In April 2018, gene panel testing, using the cancer-related gene panel testing system we developed in collaboration with the National Cancer Center, received advanced medical care approval in Japan. Although we are at the investment stage, I think we are making steady progress in sowing the seeds of this business.

In the FCM field, Sysmex acquired the current Sysmex Partec and converted it to a subsidiary in 2013, but we generated an impairment loss due to the reevaluation of our business plan in this area (March 2018). Going forward, we plan to launch clinical FCM products that are currently under development, in an effort to quickly become profitable in this business.

(scheduled to begin operations in April 2019), strengthening our business in the hemostasis, immunochemistry and life science fields. This center will provide us with an integrated structure for R&D, raw material procurement, production and distribution of bio-diagnostic reagents\*, for which demand is expected to grow.

We will leverage digitalization to boost productivity by transforming business processes throughout the Company. Furthermore, we are investing proactively to enhance competitiveness by acquiring and developing the specialized human resources to expand our business going forward and realize sustainable growth.

\*Bio-diagnostic reagents: Reagents that make use of protein and other leading-edge biotechnologies

Q3

**What is Sysmex's policy on investing to realize sustainable growth going forward?**

Our fundamental investment policy is to generate cash through hematology and other core businesses and to use this cash in investment to support the future growth of such fields as life science, thereby transforming our business structure. In addition, we will bolster competitiveness by investing in digitalization in order to reform our business processes, and in human resource development.

From this perspective, we are investing a total of ¥18.0 billion to build the Bio-Diagnostic Reagent Center in Kobe

Q4

**In closing, please share Sysmex's perspective on shareholder returns.**

We aim to maintain a balance between proactive investment to support sustainable growth and ensuring the appropriate return of profits to our shareholders. Backed by ongoing business growth, we have continued to raise dividends for 16 consecutive fiscal years. We will continue paying attention to maintaining stable dividends, distributing funds backed by successful business operations. We are targeting a consolidated dividend payout ratio of 30% or more. We will continue working to meet our shareholders' expectations, and we ask for your ongoing support.



## Management's Discussion and Analysis

### Operating Environment

Looking at economic conditions during the fiscal year ended March 31, 2018, overall the economy continued to recover modestly despite growing uncertainty, stemming from mounting geopolitical risks in the Middle East and East Asia and protectionist moves by the United States and China. In Japan, capital expenditure rose modestly, and the employment and income environment continued to improve.

The business environment surrounding the healthcare industry was characterized by growing demand in developed countries for efficiency increases to curtail healthcare costs. In emerging markets, demand increased to develop healthcare infrastructures and heighten quality in tandem with economic development, and Sysmex expects high levels of growth to continue. We also anticipate further growth opportunities, including the proactive application of information technologies—such as artificial intelligence (AI) and big data analytics, advances in personalized medicine due to the progress of genetic analysis technologies, and inroads in research on regenerative medicine.

By country, in the United States the Affordable Care Act that was introduced to reduce the number of people without medical insurance is being reviewed. In China, the country is introducing policies to curtail medical expenses, but the foundations of healthcare-related demand remain solid. In Japan, the government has included the healthcare field in its growth strategies, so we expect healthcare-related business to remain energetic.

### Overview of Operating Performance

In the fiscal year ended March 31, 2018, Sysmex converted Oxford Gene Technology (OGT) to a subsidiary. OGT has high-quality reagent development expertise that should reinforce our technological base in genomic medicine. To enhance its R&D related to information analysis technology, centered on

bioinformatics\*, Sysmex established a new R&D facility, the Skyfront Research Campus. In these ways, we are transforming the Group with a view to sustainable growth.

On the operating performance front, overseas instrument sales were essentially flat, as these sales expanded in the urinalysis field but decreased in the hematology and hemostasis fields. Reagent sales grew, however, centered on the hematology, hemostasis and immunochemistry fields. As a result, overseas sales increased 14.8%, to ¥236.9 billion, and the overseas sales ratio rose 1.4 percentage points, to 84.0%.

In Japan, domestic sales grew 3.6%, to ¥45.0 billion, due to higher sales of instruments and reagents in the hematology field and higher sales of reagents centered on the life science and immunochemistry fields.

As a result, net sales for the fiscal year ended March 31, 2018, came to ¥281.9 billion, up 12.8% year on year. Cost of sales rose 13.7%, to ¥122.9 billion, while the cost of sales ratio edged up 0.3 percentage point, to 43.6%. Selling, general and administrative (SG&A) expenses expanded 9.5%, to ¥82.5 billion, as we reinforced our sales system. Operating profit rose 14.3%, to ¥59.0 billion, due to the impact of higher sales on gross profit, despite the posting of impairment losses related to Sysmex Partec. Profit attributable to owners of the parent fell 3.5% year on year, to ¥39.2 billion.

Our mid-term management plan, which concludes in the fiscal year ending March 31, 2020, targets net sales of ¥350.0 billion and operating profit of ¥72.0 billion. On the path toward these goals, our targets for the fiscal year ended March 31, 2018, were net sales of ¥280.0 billion and operating profit of ¥58.0 billion. Having met both goals in the fiscal year ended March 31, 2018, we believe we have made steady progress toward achieving our mid-term management plan objectives.

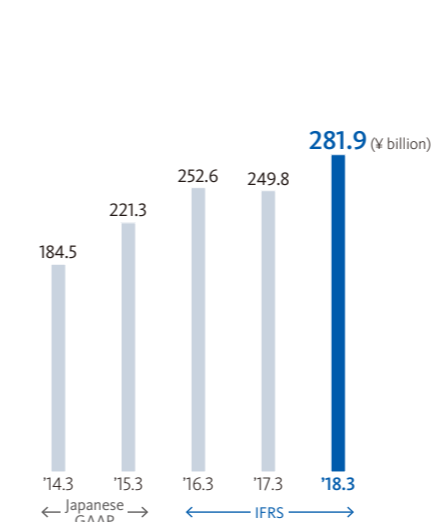
\*Bioinformatics: Information technology that analyzes genetic and protein information to explain biological function and phenotype; in particular, signifying the technology for analyzing relationships between genetic information and disease

### Mid-Term Management Plan Overview (Announced in May 2017)

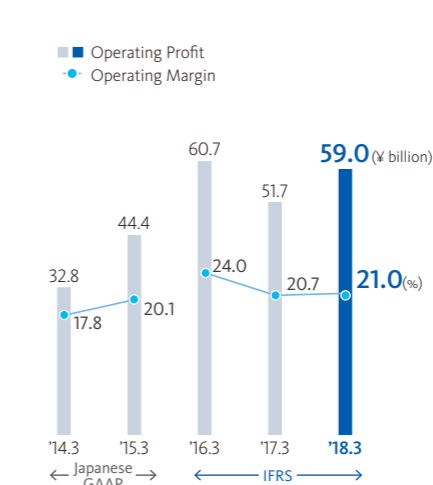
Targets for the Fiscal Year Ending March 31, 2020	Net sales	Operating profit	ROE	Operating cash flow	Free cash flow
	<b>¥350.0</b> billion	<b>¥72.0</b> billion	<b>20%</b> or more	<b>¥55.0</b> billion	<b>¥30.0</b> billion

Assumed exchange rates: 1USD=¥110.0, 1EUR=¥115.0, 1CNY=¥16.0

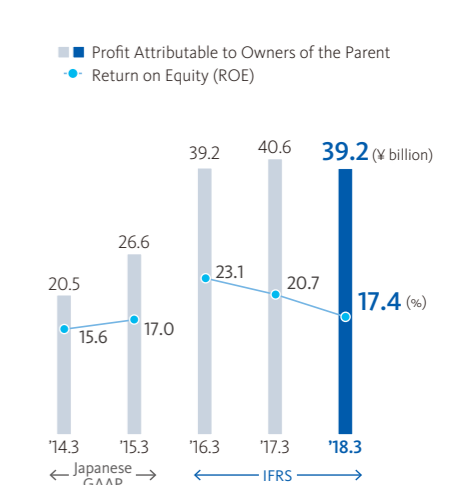
### Net Sales



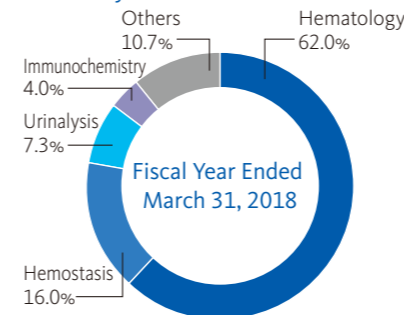
### Operating Profit



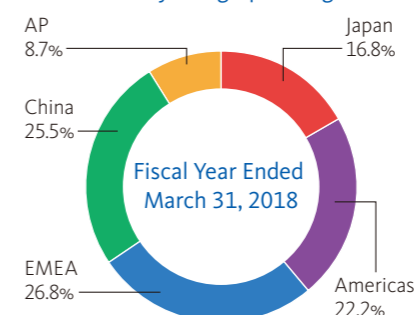
### Profit Attributable to Owners of the Parent



### Sales by Business



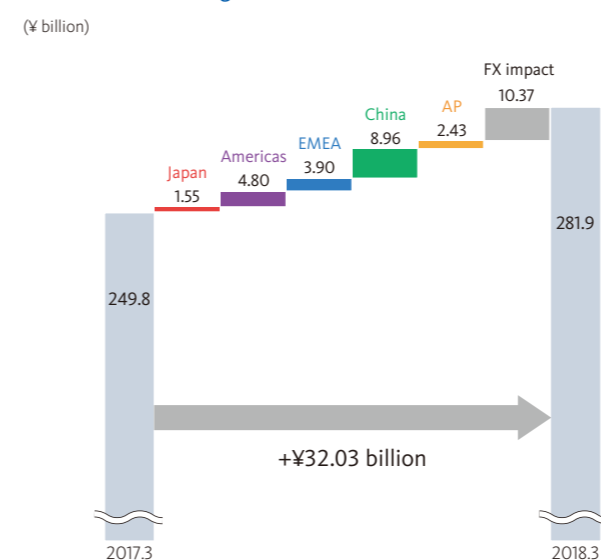
### Net Sales by Geographic Region



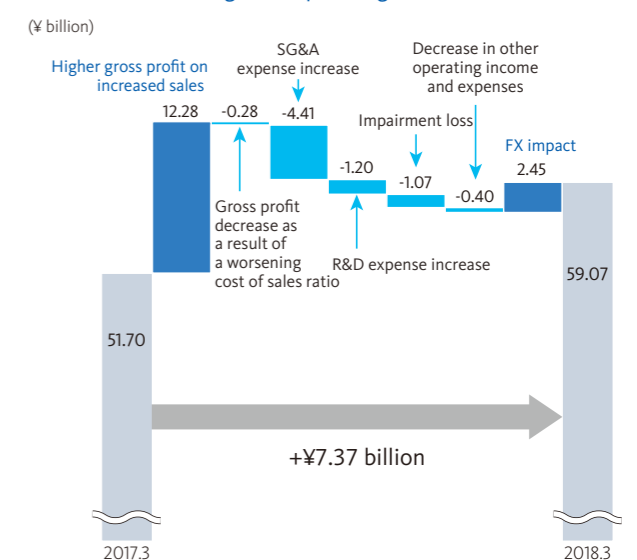
### Exchange Rates

	'16.3	'17.3	'18.3
1USD	120.1	108.4	110.9
1EUR	132.6	118.8	129.7
1CNY	18.9	16.1	16.8

### Reasons for Changes in Net Sales



### Reasons for Changes in Operating Profit



### Overview of Operating Performance by Geographic Region

#### Americas

In the Americas, Sysmex aims to obtain the No. 1 position in the markets it is entering, leveraging innovation and outstanding customer service. In North America, we have achieved a high level of customer satisfaction backed by extensive service and support in the hematology field, earning the top market share. In Central and South America, we are putting in place our own bases in the aim of further growth that takes advantage of anticipated market expansion as the economy grows.

In the fiscal year ended March 31, 2018, sales of instruments fell in the United States in the hematology and hemostasis fields. However, an increase in the installed instrument base led to higher sales of reagents and services, pushing up overall sales. In Canada, sales increased as we secured a hematology deal for a large commercial lab, and in Central and South America sales expanded in the hematology and hemostasis fields. As a result, overall sales in the Americas grew 10.5% year on year, to ¥62.5 billion.

Buoyed by higher sales and a revision in intragroup transaction prices, operating profit surged 72.7% year on year, to ¥5.5 billion.

#### EMEA

In the EMEA region, Sysmex's business covers more than 100 countries, including developed countries and emerging markets, and we are creating sales, 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. Furthermore, in the aim of transforming our business portfolio we are reinforcing our FCM and life science businesses, which we expect to become our next growth drivers.

In the fiscal year ended March 31, 2018, sales of instruments declined in our principal fields of hematology and hemostasis, but sales of reagents increased in the hematology field due to expansion of the installed instrument base, and reagent sales grew in the life science field. Consequently, overall sales in the region increased 16.4% year on year, to ¥75.5 billion.

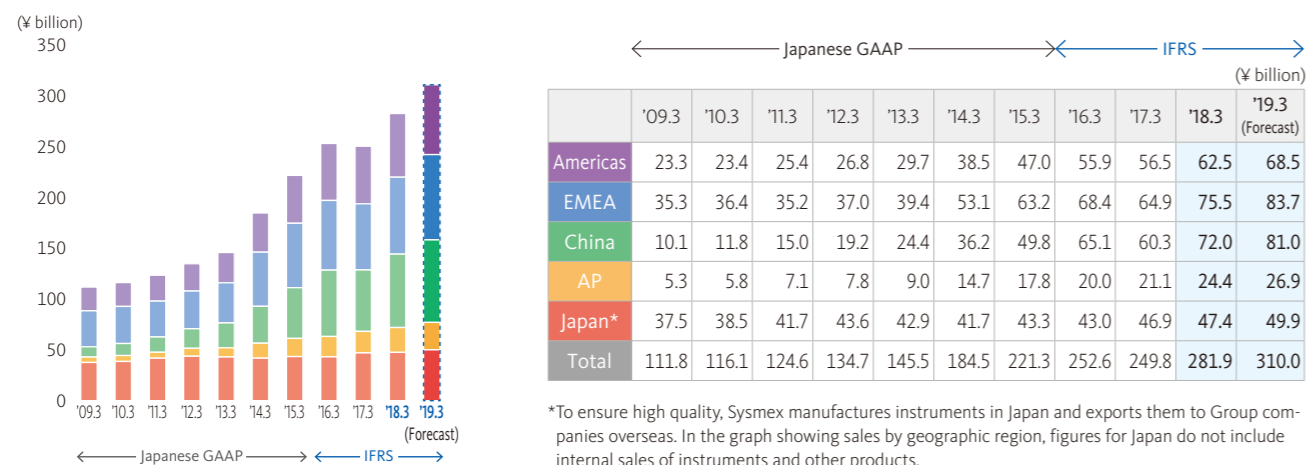
On the profit front, higher sales and an improved cost of sales ratio bolstered gross profit, but SG&A expenses grew as we worked to enhance our sales structure. Accordingly, operating profit dipped 0.4% year on year, to ¥4.9 billion.

#### China

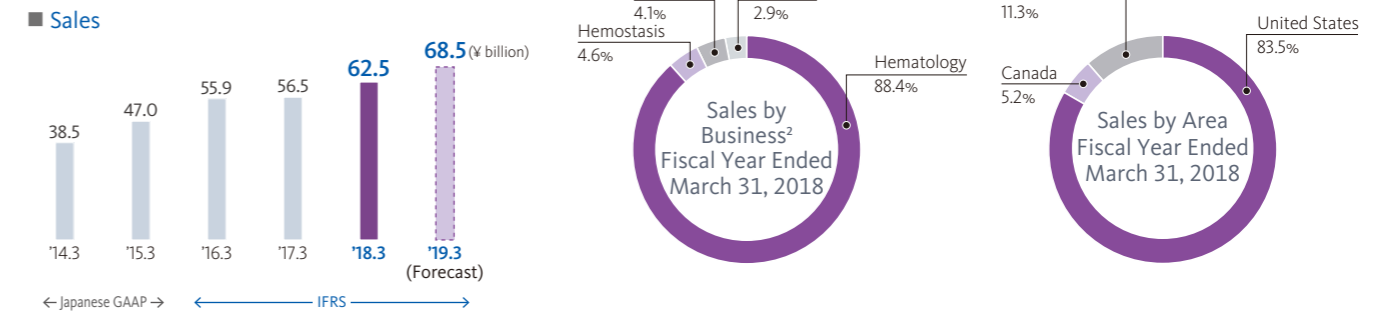
Sysmex recognized the growth potential of the Chinese market early on, and we took the lead over competitors in developing local business structures in the country. We have built a robust infrastructure in China, working with more than 200 sales distributors to provide products and services throughout the country. In addition to the hematology, hemostasis and urinalysis fields, we are working to expand sales in the field of immunochemistry, a growth market, establishing a position as a leading company in IVD.

In the fiscal year ended March 31, 2018, sales increased 19.4% year on year, to ¥72.0 billion, pushed up by higher sales of reagents in the hematology, hemostasis and

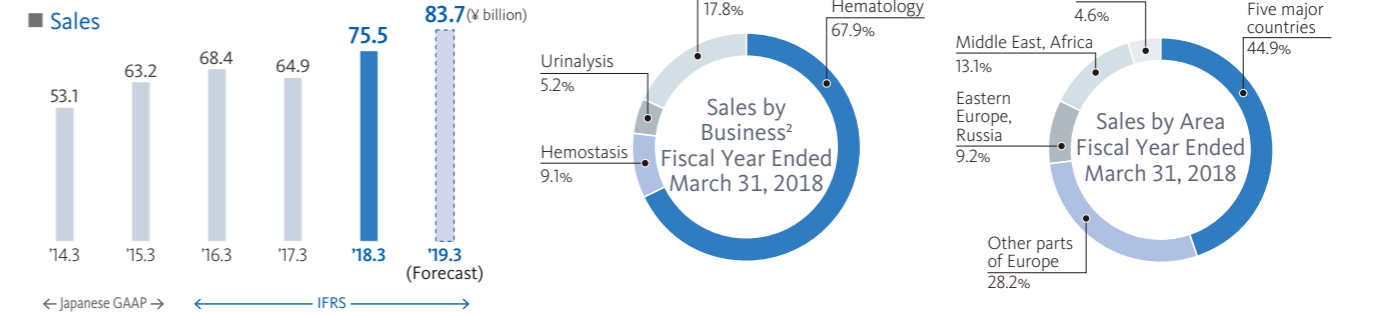
#### Sales by Geographic Region



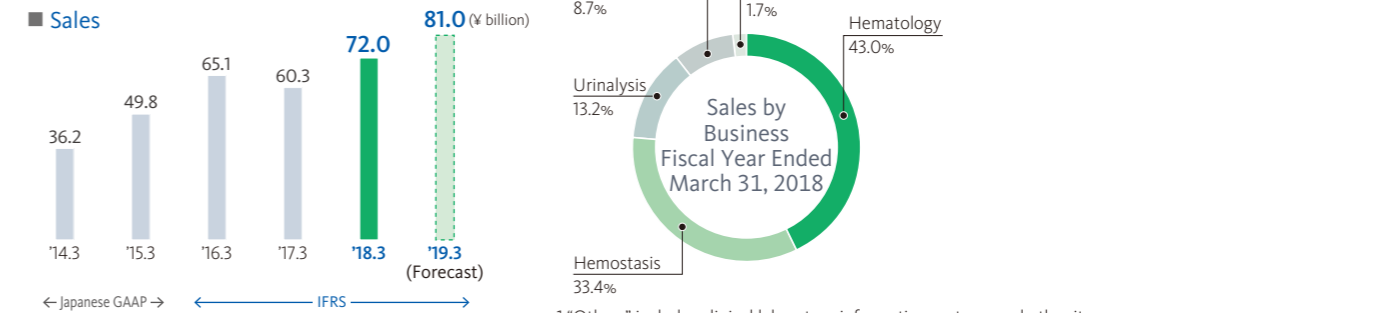
#### Americas



#### EMEA

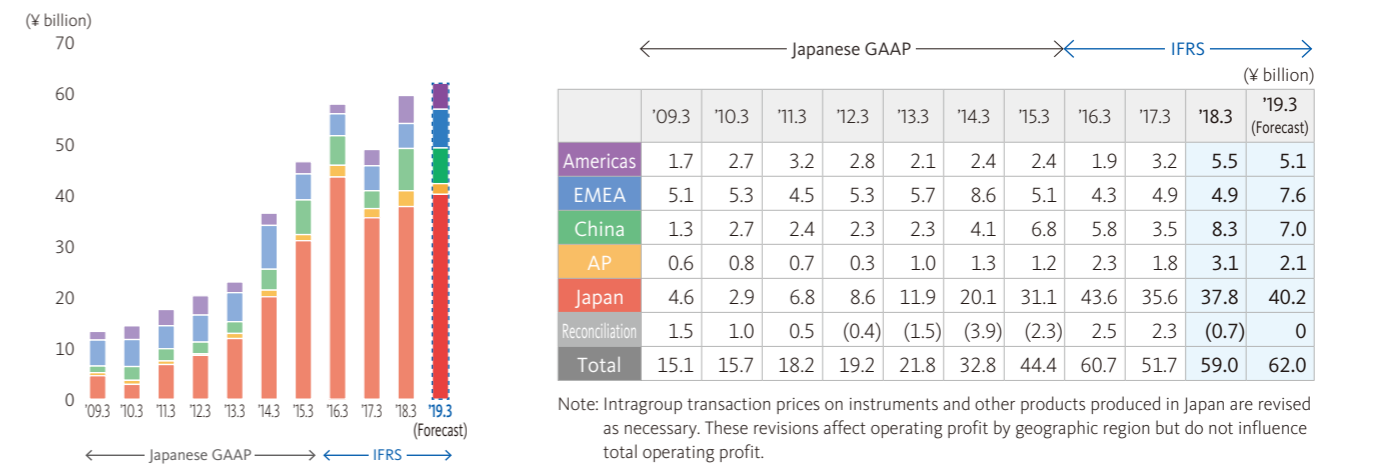


#### China



<sup>1</sup> "Others" includes clinical laboratory information systems and other items.  
<sup>2</sup> Includes sales from Japan to IDEXX (for animals)

#### Operating Profit by Geographic Region





immunochemistry fields, even though instrument sales declined, mainly in the fields of hematology and hemostasis.

Although SG&A expenses rose as we enhanced our sales structure, the impact of higher sales and a revision in intra-group transaction prices prompted an improvement in the cost of sales ratio, boosting gross profit and causing operating profit to grow 131.4% year on year, to ¥8.3 billion.

**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 No. 1 position in hematology by providing solutions from a customer viewpoint and meeting local needs. In addition, we are stepping up sales of products in the hemostasis, urinalysis, immunochemistry and clinical chemistry fields. Specifically, we are making progress on obtaining regulatory approval for reagent

parameters in the immunochemistry field. Going forward, we aim to establish a unique market position.

In the fiscal year ended March 31, 2018, sales in Southeast Asia expanded, centered on the hematology field in Thailand and Vietnam. In South Asia, sales increased in the hematology and hemostasis fields in India and Bangladesh. In Australia, sales were down in comparison with the previous fiscal year, when we secured a deal for a major commercial lab, but sales grew in South Korea and Taiwan. As a result, sales in the region expanded 15.3% year on year, to ¥24.4 billion.

Although SG&A expenses increased, higher sales boosted gross profit, leading to a 71.6% year-on-year increase in operating profit, to ¥3.1 billion.

**Japan**

Aiming to establish an undisputed No. 1 position in the IVD market in Japan, Sysmex differentiates itself from competitors in its core businesses, including the hematology, hemostasis,

urinalysis and immunochemistry fields. In particular, we have created our most extensive sales, service and support systems in this market, and we enjoy a high level of customer satisfaction. Making use of synergies with our subsidiary, RIKEN GENESIS, we are reinforcing activities in the life science field, such as cancer genomic medicine.

In the fiscal year ended March 31, 2018, sales in Japan increased for both instruments and reagents in the hematology field, and reagent sales rose, centered on the life science and immunochemistry fields. Sales accordingly increased 1.1%, to ¥47.4 billion.

On the profit front, higher sales, including intragroup exports, had a positive impact, and efforts to curtail SG&A expenses outpaced the rise in cost of sales. These and other factors led to a 6.1% increase in operating profit, to ¥37.8 billion.

**Capital Expenditure**

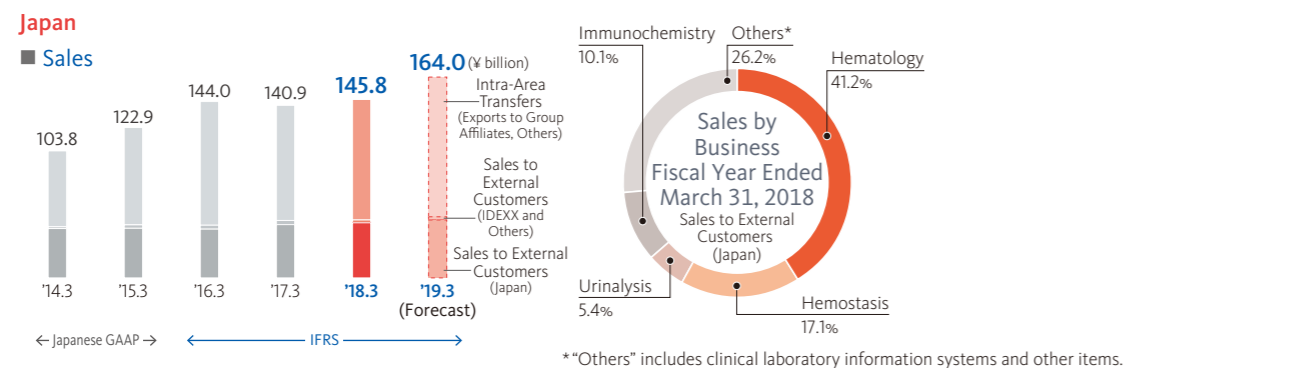
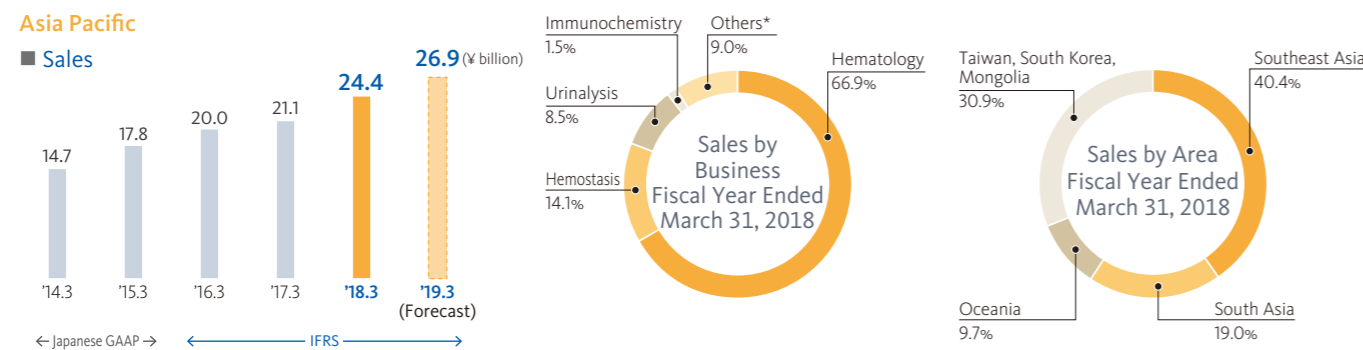
Sysmex invests aggressively to respond to a rapidly changing business environment and strengthen its competitive advantages by augmenting its production, building new technology platforms, and reinforcing its sales, service and support structures in existing businesses. In the fiscal year ended March 31, 2018, capital expenditure amounted to ¥15.8 billion, up 33.5% year on year. Main areas for capital expenditure were the expansion of development bases and factories and the establishment of new locations to augment product competitiveness and ensure a stable supply of IVD reagents. Focusing on the bio-diagnostic reagents business, where we expect demand to grow going forward, we are establishing a Bio-Diagnostic

Regent Center (Kobe), which will integrate R&D, raw material procurement, production and distribution in this area. Another major reason for the higher spending was the expansion of our reagent factory in the United States in the aim of meeting higher demand for reagents as our share of the hematology market grows. We also invested in the expansion of service and support bases in the United States, aiming to bolster customer satisfaction even further. Meanwhile, depreciation and amortization increased 18.3% year on year, to ¥14.6 billion.

**R&D Expenditure**

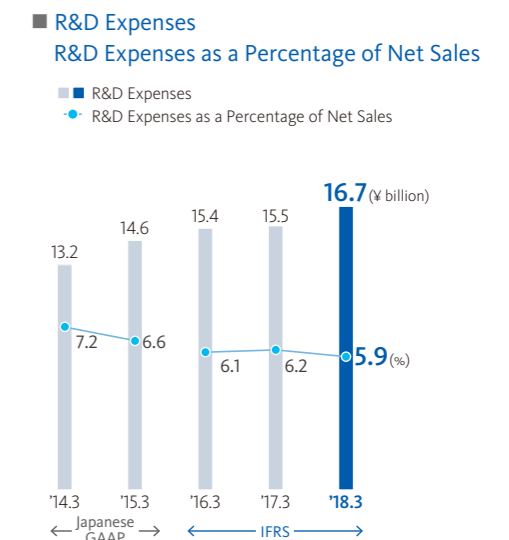
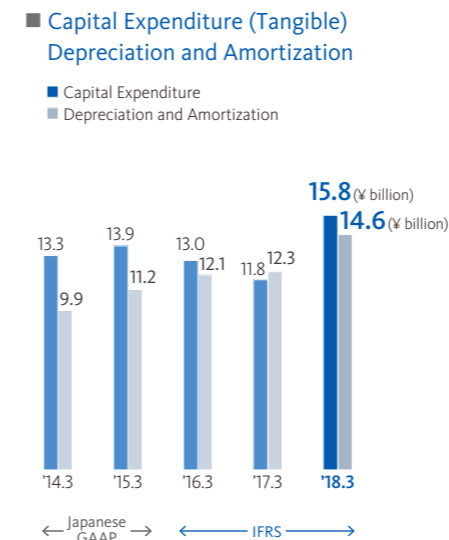
Sysmex is working to enhance competitiveness in the existing IVD domain, investing in the life science field in the aim of contributing toward the realization of personalized medicine, and working on initiatives to promote the expansion of primary care. In the existing IVD domain, we focus on product development in the clinical FCM field, as well as in our core businesses in the hematology, urinalysis, hemostasis and immunochemistry fields. Meanwhile, in life science and other new fields we are investing proactively in gene businesses, including toward the realization of cancer genomic medicine. We are also developing technologies in the area of liquid biopsy, which enables large amounts of information to be obtained from blood. In primary care, we are working to make instruments more compact, enhance operability, leverage IT networks and develop product combinations.

In addition to developing new products that will expand our product portfolio in this way, we pursued R&D centering on the existing IVD domain and the life science field.



**Direct and Indirect Sales (%)**

	Americas	EMEA	China	Asia Pacific	Japan
Direct Sales	70.2	71.3	1.3 (Hong Kong)	54.7	100.0
Indirect Sales	29.8	28.7	98.7	45.3	0.0



As a result, R&D expenditure grew 7.7% year on year, to ¥16.7 billion. R&D expenditure as a percentage of sales dipped 0.3 percentage point, from 6.2% to 5.9%.

### Fund Procurement

The Company 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 to increase efficiency by unifying financing and capital management at affiliates in Japan.

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, 2018, the Company mainly funded its capital expenditure and R&D activities out of cash generated through operating activities. We also expect to fund capital expenditure for the Bio-Diagnostic Reagent Center we are establishing primarily through operating activities.

### Assets, Liabilities and Equity

As of March 31, 2018, total assets amounted to ¥321.9 billion, up ¥42.1 billion from March 31, 2017. As principal factors, trade and other receivables (current assets) rose ¥9.4 billion, intangible assets increased ¥8.5 billion, property, plant and equipment grew ¥7.5 billion, inventories expanded by ¥3.9 billion, and goodwill increased ¥3.9 billion.

Meanwhile, total liabilities as of March 31, 2018, were ¥80.5 billion, up ¥10.9 billion from their level on March 31,

2017. Principal reasons were increases of ¥4.8 billion in income taxes payable and ¥4.2 billion in trade and other payables.

Total equity came to ¥241.4 billion, up ¥31.1 billion from March 31, 2017. Among principal reasons, retained earnings rose ¥26.4 billion, and other components of equity increased ¥3.8 billion. Also, equity attributable to owners of the parent to total assets as of March 31, 2018 was 74.8%, unchanged year on year.

### Cash Flows

As of March 31, 2018, cash and cash equivalents amounted to ¥61.4 billion, up ¥3.5 billion from March 31, 2017.

#### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥52.2 billion, up ¥19.4 billion from the preceding fiscal year. As principal factors, profit before tax provided ¥58.1 billion (¥9.1 billion more than in the preceding year), depreciation and amortization provided ¥14.6 billion (up ¥2.2 billion), an increase in trade receivables used ¥7.3 billion (up ¥0.9 billion), an increase in inventories used ¥1.9 billion (down ¥0.1 billion), an increase in trade payables provided ¥3.5 billion (used ¥2.4 billion in the previous year), a decrease in advance received used ¥2.0 billion (down ¥1.5 billion), and income taxes paid used ¥12.4 billion (down ¥3.7 billion).

#### Cash Flows from Investing Activities

Net cash used in investing activities was ¥37.8 billion (up ¥18.4 billion). Among major factors, purchase of property, plant and equipment used ¥16.5 billion (up ¥4.8 billion from the previous fiscal year), purchase of intangible assets used ¥9.1 billion

(up ¥1.6 billion) and acquisitions of subsidiaries or other businesses used ¥11.6 billion (up ¥10.2 billion).

#### Cash Flows from Financing Activities

Net cash used in financing activities was ¥11.5 billion (up ¥0.6 billion). This was mainly due to dividends paid of ¥12.4 billion (up ¥0.8 billion).

### Dividend Policy

Systemex aims to maintain a proper balance between aggressive investment, which is designed to sustain steady high growth, and returns to our shareholders as our earning power increases. 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, Systemex 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 ¥66 per share, which includes an interim dividend of ¥30. This amounted to the 16th consecutive year of dividend increases and a consolidated payout ratio of 35.1%.

Going forward, Systemex 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.

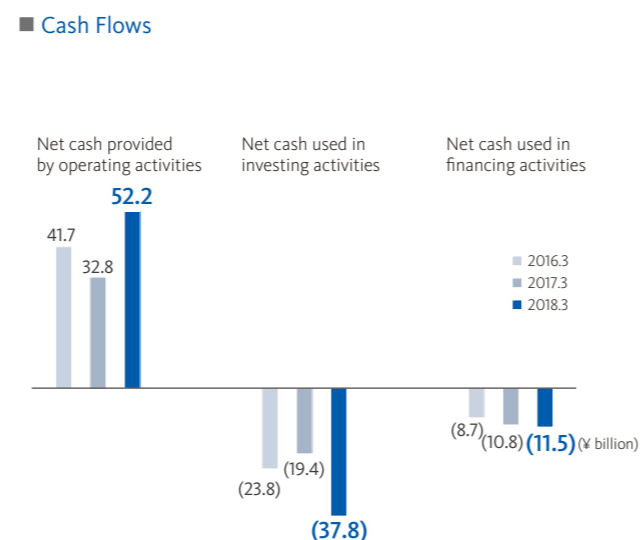
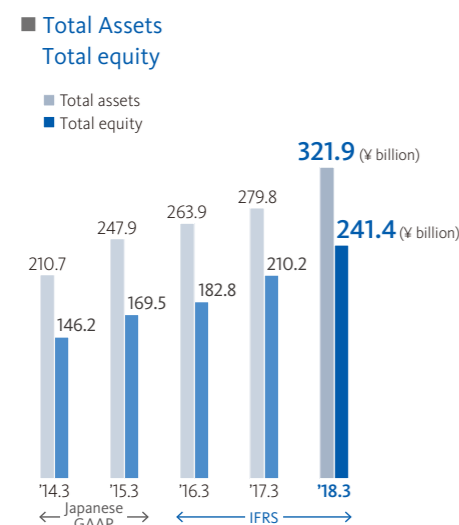
### Forecast for the Fiscal Year Ending March 31, 2019

In the fiscal year ending March 31, 2019, as a unique and advanced healthcare testing company Systemex will endeavor to increase growth and strengthen profitability in the hematology, hemostasis, urinalysis and immunochemistry fields. We will also pursue investment and other measures to achieve growth in the FCM and life science fields.

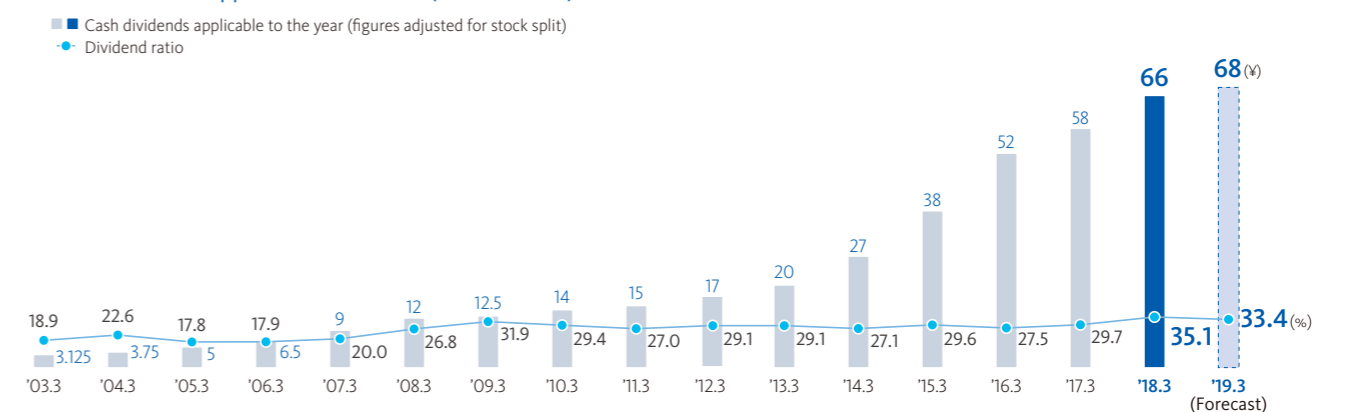
For the upcoming fiscal year, we forecast net sales of ¥310.0 billion (up 10.0% year on year), operating profit of ¥62 billion (up 4.9%), profit before tax of ¥60.0 billion (up 3.2%) and profit attributable to owners of the parent of ¥42.5 billion (up 8.4%). We assume exchange rates for the year of ¥110 to the US dollar and ¥130 to the euro.

#### Forecast for the Fiscal Year Ending March 31, 2019

	'17.3	'18.3	'19.3 (Forecast)
Net sales	249.8	281.9	310.0
Operating profit	51.7	59.0	62.0
Profit before tax	48.9	58.1	60.0
Profit attributable to owners of the parent	40.6	39.2	42.5



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



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



## Consolidated Financial and Non-Financial Data (10 Years)

Japanese GAAP								(Billions of yen)			IFRS			(Billions of yen)		
Fiscal years ended March 31	2009	2010	2011	2012	2013	2014	2015	2016	Fiscal years ended March 31	2016	2017	2018	Fiscal years ended March 31	2016	2017	2018
For the year:																
Net sales	111.8	116.1	124.6	134.7	145.5	184.5	221.3	253.1	Net sales	252.6	249.8	281.9	Net sales	252.6	249.8	281.9
Operating income	15.1	15.7	18.2	19.2	21.8	32.8	44.4	56.9	Operating profit	60.7	51.7	59.0	Operating profit	60.7	51.7	59.0
Net income attributable to owners of the parent <sup>1</sup>	8.0	9.7	11.4	12.0	14.1	20.5	26.6	36.2	Profit attributable to owners of the parent	39.2	40.6	39.2	Profit attributable to owners of the parent	39.2	40.6	39.2
Capital expenditure	9.3	4.5	5.8	7.9	8.9	13.3	13.9	13.8	Capital expenditure	13.0	11.8	15.8	Capital expenditure	13.0	11.8	15.8
Depreciation	7.2	7.0	6.8	7.0	7.9	9.9	11.2	12.2	Depreciation and amortization	12.1	12.3	14.6	Depreciation and amortization	12.1	12.3	14.6
R&D expenses	10.7	11.2	12.3	11.9	12.1	13.2	14.6	17.7	R&D expenses	15.4	15.5	16.7	R&D expenses	15.4	15.5	16.7
Net cash provided by (used in) operating activities	13.1	21.2	18.1	17.0	25.8	36.5	38.6	39.5	Net cash provided by (used in) operating activities	41.7	32.8	52.2	Net cash provided by (used in) operating activities	41.7	32.8	52.2
Net cash provided by (used in) investing activities	(13.5)	(6.6)	(8.9)	(10.3)	(12.5)	(33.9)	(19.5)	(21.6)	Net cash provided by (used in) investing activities	(23.8)	(19.4)	(37.8)	Net cash provided by (used in) investing activities	(23.8)	(19.4)	(37.8)
Net cash provided by (used in) financing activities	0.7	(10.0)	(3.4)	(3.8)	(3.1)	(2.8)	(7.5)	(8.7)	Net cash provided by (used in) financing activities	(8.7)	(10.8)	(11.5)	Net cash provided by (used in) financing activities	(8.7)	(10.8)	(11.5)
At year-end:																
Total assets	118.5	120.7	130.0	142.2	173.0	210.7	247.9	267.6	Total assets	263.9	279.8	321.9	Total assets	263.9	279.8	321.9
Cash and cash equivalents, end of year	9.4	13.8	18.9	21.8	34.3	36.5	50.2	56.4	Cash and cash equivalents, end of year	56.4	57.9	61.4	Cash and cash equivalents, end of year	56.4	57.9	61.4
Total equity	79.8	87.1	94.2	102.5	119.1	146.2	169.5	188.0	Total equity	182.8	210.2	241.4	Total equity	182.8	210.2	241.4
Interest-bearing liabilities	10.3	2.5	1.9	1.0	0.7	1.9	0.7	1.3	Interest-bearing liabilities	1.3	1.1	0.9	Interest-bearing liabilities	1.3	1.1	0.9
Per share data:																
Equity (yen)	1,548.1	1,684.9	910.6 <sup>3</sup>	990.5	1,151.3	703.7 <sup>3</sup>	812.3	899.5	Equity attributable to owners of the parent (yen)	879.32	1,005.86	1,154.57	Equity attributable to owners of the parent (yen)	879.32	1,005.86	1,154.57
Net income (basic) (yen)	156.7	190.7	111.1 <sup>3</sup>	116.8	137.5	99.4 <sup>3</sup>	128.4	174.4	Profit attributable to owners of the parent (basic) (yen)	189.08	195.31	188.29	Profit attributable to owners of the parent (basic) (yen)	189.08	195.31	188.29
Net income (diluted) (yen)	156.4	190.5	110.9 <sup>3</sup>	116.6	137.0	99.1 <sup>3</sup>	128.0	173.7	Profit attributable to owners of the parent (diluted) (yen)	188.30	194.74	187.84	Profit attributable to owners of the parent (diluted) (yen)	188.30	194.74	187.84
Cash dividends applicable to the year <sup>2</sup> (yen)	12.50	14.00	15.00 <sup>3</sup>	17.00	20.00	27.00 <sup>3</sup>	38.00	52.00	Cash dividends applicable to the year (yen)	52.00	58.00	66.00	Cash dividends applicable to the year (yen)	52.00	58.00	66.00
Dividend ratio (%)	31.9	29.4	27.0	29.1	29.1	27.1	29.6	29.8	Dividend ratio (%)	27.5	29.7	35.1	Dividend ratio (%)	27.5	29.7	35.1
Other data:																
Operating margin (%)	13.5	13.5	14.7	14.3	15.0	17.8	20.1	22.5	Operating margin (%)	24.0	20.7	21.0	Operating margin (%)	24.0	20.7	21.0
Overseas sales ratio (%)	68.0	68.3	69.1	70.5	72.4	78.2	81.7	84.3	Overseas sales ratio (%)	84.2	82.6	84.0	Overseas sales ratio (%)	84.2	82.6	84.0
Equity ratio (%)	66.8	71.5	71.9	71.6	68.7	69.2	68.0	69.9	Equity ratio (%)	69.3	74.8	74.8	Equity ratio (%)	69.3	74.8	74.8
Return on equity (ROE) (%)	10.1	11.8	12.7	12.3	12.8	15.6	17.0	20.4	Return on equity (ROE) (%)	23.1	20.7	17.4	Return on equity (ROE) (%)	23.1	20.7	17.4
Return on assets (ROA) <sup>4</sup> (%)	7.0	8.2	9.1	8.8	9.0	10.7	11.6	14.1	Return on assets (ROA) <sup>5</sup> (%)	15.7	14.9	13.0	Return on assets (ROA) <sup>5</sup> (%)	15.7	14.9	13.0
Number of employees																
(Including part-time and other employees)	4,148	4,576	4,957	5,521	5,594	6,211	6,742	7,446	(Including part-time and other employees)	7,446	7,930	8,445	(Including part-time and other employees)	7,446	7,930	8,445
Female managers (%) <sup>6</sup>	—	—	—	—	—	10.6	11.6	14.3	Female managers <sup>6</sup> (%)	14.3	16.2	15.2	Female managers <sup>6</sup> (%)	14.3	16.2	15.2
Greenhouse gas emissions at business offices per unit of consolidated sales <sup>7</sup> (t-CO <sub>2</sub> /¥100 million)	10.08	10.86	9.53	8.65	8.63	7.98	7.28	7.26	Greenhouse gas emissions at business offices per unit of consolidated sales <sup>7</sup> (t-CO <sub>2</sub> /¥100 million)	7.26	7.36	7.16	Greenhouse gas emissions at business offices per unit of consolidated sales <sup>7</sup> (t-CO <sub>2</sub> /¥100 million)	7.26	7.36	7.16
Number of Patents <sup>8</sup>	883	1,018	1,217	1,493	1,680	2,004	2,228	2,414	Number of Patents <sup>8</sup>	2,414	2,525	2,709	Number of Patents <sup>8</sup>	2,414	2,525	2,709

<sup>1</sup> Figures shown for fiscal years ended on or before March 31, 2015 are "net income."

<sup>2</sup> Dividend (actual) converted to post-split basis.

<sup>3</sup> Two-for-one stock split

<sup>4</sup> ROA = Net income attributable to owners of the parent/Total assets (Yearly Average)×100

<sup>5</sup> ROA = Profit attributable to owners of the parent/Total assets (Yearly Average)×100

<sup>6</sup> Group employees who are director level or above

<sup>7</sup> Main business offices in Japan, instrument factories in Japan, reagent factories in Japan, main overseas locations and overseas reagent factories

<sup>8</sup> Total number of patents, utility model rights and design rights obtained

## Consolidated Statement of Financial Position

Systemx Corporation and Its Subsidiaries  
As of March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	¥ 61,444	¥ 57,944	\$ 579,660
Trade and other receivables	72,567	63,084	684,594
Inventories	40,975	36,998	386,557
Other short-term financial assets	214	528	2,019
Income taxes receivable	619	457	5,840
Other current assets	9,131	7,303	86,142
<b>Total current assets</b>	<b>184,952</b>	<b>166,318</b>	<b>1,744,830</b>
<b>Non-current assets</b>			
Property, plant and equipment	67,651	60,144	638,217
Goodwill	12,251	8,308	115,575
Intangible assets	29,765	21,228	280,802
Investments accounted for using the equity method	411	552	3,877
Trade and other receivables	10,882	8,813	102,660
Other long-term financial assets	7,486	6,107	70,623
Asset for retirement benefits	802	666	7,566
Other non-current assets	2,343	2,095	22,104
Deferred tax assets	5,432	5,581	51,245
<b>Total non-currents assets</b>	<b>137,027</b>	<b>113,499</b>	<b>1,292,708</b>
<b>Total assets</b>	<b>¥321,979</b>	<b>¥279,817</b>	<b>\$3,037,538</b>

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 ¥106 to \$1, the approximate rate of exchange at March 31, 2018.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	¥ 28,579	¥ 24,376	\$ 269,613
Other short-term financial liabilities	690	956	6,509
Income taxes payable	7,717	2,915	72,802
Provisions	614	610	5,792
Advance received	4,588	6,418	43,283
Accrued expenses	10,632	8,330	100,302
Accrued bonuses	7,474	6,636	70,509
Other current liabilities	10,501	9,708	99,066
<b>Total current liabilities</b>	<b>70,796</b>	<b>59,952</b>	<b>667,887</b>
<b>Non-current liabilities</b>			
Long-term financial liabilities	712	549	6,717
Liability for retirement benefits	731	654	6,896
Provisions	202	2,318	1,906
Other non-current liabilities	2,652	3,527	25,019
Deferred tax liabilities	5,439	2,562	51,311
<b>Total non-current liabilities</b>	<b>9,739</b>	<b>9,612</b>	<b>91,877</b>
<b>Total liabilities</b>	<b>80,536</b>	<b>69,564</b>	<b>759,774</b>
<b>Equity</b>			
Equity attributable to owners of the parent			
Capital stock	12,276	11,611	115,811
Capital surplus	17,664	17,303	166,642
Retained earnings	214,952	188,506	2,027,849
Treasury stock	(295)	(289)	(2,783)
Other components of equity	(3,847)	(7,725)	(36,292)
<b>Total equity attributable to owners of the parent</b>	<b>240,749</b>	<b>209,406</b>	<b>2,271,217</b>
Non-controlling interests	693	845	6,538
<b>Total equity</b>	<b>241,443</b>	<b>210,252</b>	<b>2,277,764</b>
<b>Total liabilities and equity</b>	<b>¥321,979</b>	<b>¥279,817</b>	<b>\$3,037,538</b>

## Consolidated Statement of Income

Sysmex Corporation and Its Subsidiaries  
For the Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Net sales	¥281,935	¥249,899	\$2,659,764
Cost of sales	122,986	108,122	1,160,245
Gross profit	158,948	141,777	1,499,509
Selling, general and administrative expenses	82,544	75,401	778,717
Research and development expenses	16,754	15,554	158,057
Impairment losses	1,073		10,123
Other operating income	857	1,277	8,085
Other operating expenses	355	397	3,349
Operating profit	59,078	51,701	557,340
Financial income	356	514	3,358
Financial expenses	206	372	1,943
Share of loss on equity method	(1,059)	(677)	(9,991)
Gain on sale of investment in associates	1,221		11,519
Foreign exchange loss	(1,272)	(2,218)	(12,000)
Profit before tax	58,117	48,946	548,274
Income tax expenses	19,040	8,493	179,623
Profit	¥ 39,076	¥ 40,453	\$ 368,642
Profit attributable to			
Owners of the parent	¥ 39,222	¥ 40,636	\$ 370,019
Non-controlling interests	(145)	(182)	(1,368)
Profit	¥ 39,076	¥ 40,453	\$ 368,642

Earnings per share	Yen		U.S. Dollars
	2018	2017	2018
Basic	¥188.29	¥195.31	\$1.78
Diluted	187.84	194.74	1.77

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 ¥106 to \$1, the approximate rate of exchange at March 31, 2018.

## Consolidated Statement of Comprehensive Income

Sysmex Corporation and Its Subsidiaries  
For the Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Profit	¥39,076	¥40,453	\$368,642
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Net gain on financial assets measured at fair value through other comprehensive income	327	158	3,085
Remeasurements of defined benefit plans	117	139	1,104
Total	444	298	4,189
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	3,153	(3,606)	29,745
Share of other comprehensive income of investments accounted for using the equity method	(3)	(0)	(28)
Total	3,150	(3,607)	29,717
Total other comprehensive income (loss)	3,595	(3,309)	33,915
Comprehensive income	¥42,672	¥37,144	\$402,566
Comprehensive income attributable to			
Owners of the parent	¥42,817	¥37,327	\$403,934
Non-controlling interests	(145)	(182)	(1,368)
Comprehensive income	¥42,672	¥37,144	\$402,566

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 ¥106 to \$1, the approximate rate of exchange at March 31, 2018.



## Consolidated Statement of Changes in Equity

Sysmex Corporation and Its Subsidiaries  
For the Year Ended March 31, 2018

	Millions of Yen							
	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2016	¥11,016	¥16,969	¥159,375	¥(285)	¥(4,275)	¥182,800	¥ 0	¥182,801
Profit			40,636			40,636	(182)	40,453
Other comprehensive income (loss)					(3,309)	(3,309)	(0)	(3,309)
Comprehensive income (loss)			40,636		(3,309)	37,327	(182)	37,144
Exercise of warrants	594	333				928		928
Cash dividends			(11,646)			(11,646)		(11,646)
Purchase of treasury stock				(3)		(3)		(3)
Transfer to retained earnings			141		(141)			
Changes due to business combination							1,028	1,028
Equity transactions with non-controlling interests		0				0	(0)	
Total transactions with the owners	594	334	(11,505)	(3)	(141)	(10,721)	1,028	(9,692)
As of March 31, 2017	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			
Changes due to business combination								
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

	Thousands of U.S. Dollars							
	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of March 31, 2017	\$109,538	\$163,236	\$1,778,358	\$(2,726)	\$(72,877)	\$1,975,528	\$ 7,972	\$1,983,509
Profit			370,019			370,019	(1,368)	368,642
Other comprehensive income (loss)					33,915	33,915	(0)	33,915
Comprehensive income (loss)			370,019		33,915	403,934	(1,368)	402,566
Exercise of warrants	6,264	3,509				9,774		9,774
Cash dividends			(117,858)			(117,858)		(117,858)
Purchase of treasury stock				(57)		(57)		(57)
Transfer to retained earnings			(2,660)		2,660			
Changes due to business combination								
Equity transactions with non-controlling interests		(104)				(104)	(57)	(170)
Total transactions with the owners	6,264	3,406	(120,528)	(57)	2,660	(108,255)	(57)	(108,311)
As of March 31, 2018	\$115,811	\$166,642	\$2,027,849	\$(2,783)	\$(36,292)	\$2,271,217	\$ 6,538	\$2,277,764

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 ¥106 to \$1, the approximate rate of exchange at March 31, 2018.

## Consolidated Statement of Cash Flows

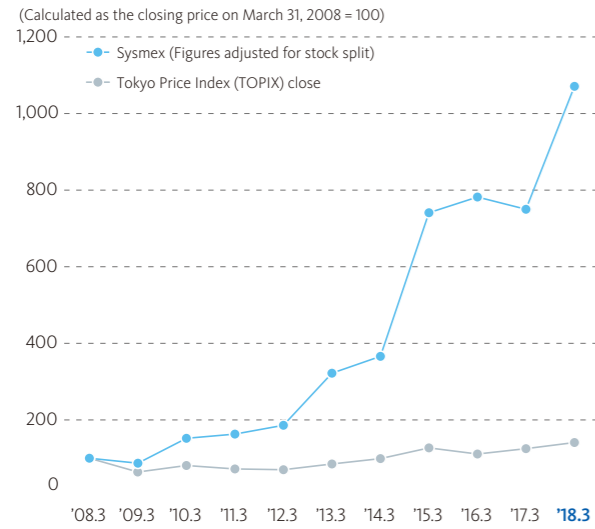
Sysmex Corporation and Its Subsidiaries  
For the Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
	<b>Operating activities</b>		
Profit before tax	¥ 58,117	¥ 48,946	\$ 548,274
Depreciation and amortization	14,643	12,381	138,142
Impairment loss	1,073		10,123
Interest and dividend income	(323)	(425)	(3,047)
Interest expenses	90	104	849
Share of loss on equity method	1,059	677	9,991
Gain on sale of investment in associates	(1,221)		(11,519)
Increase in trade receivables	(7,341)	(6,368)	(69,255)
Increase in inventories	(1,962)	(2,104)	(18,509)
Increase (decrease) in trade payables	3,531	(2,483)	33,311
Decrease/increase in consumption taxes receivable/payable	(74)	817	(698)
Decrease in asset for retirement benefits	33	117	311
Decrease in advance received	(2,067)	(3,635)	(19,500)
Increase in accrued bonuses	817	107	7,708
Other-net	(1,813)	634	(17,104)
Subtotal	64,563	48,770	609,085
Interest and dividend received	255	415	2,406
Interest paid	(81)	(85)	(764)
Income taxes paid	(12,497)	(16,268)	(117,896)
<b>Net cash provided by operating activities</b>	<b>52,240</b>	<b>32,832</b>	<b>492,830</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(16,573)	(11,682)	(156,349)
Proceeds from sales of property, plant and equipment	140	200	1,321
Purchase of intangible assets	(9,122)	(7,424)	(86,057)
Purchase of investments in equity instruments	(1,875)	(632)	(17,689)
Proceeds from the sale of investments in equity instruments	1,500		14,151
Acquisitions of subsidiaries or other businesses	(11,672)	(1,453)	(110,113)
Net decrease in short-term loans receivable		1,930	17,232
Other-net	(226)	(338)	(2,132)
<b>Net cash used in investing activities</b>	<b>(37,828)</b>	<b>(19,400)</b>	<b>(356,868)</b>
<b>Financing activities</b>			
Exercise of warrants	1,036	928	9,774
Dividends paid	(12,493)	(11,646)	(117,858)
Other-net	(89)	(148)	(840)
<b>Net cash used in financing activities</b>	<b>(11,545)</b>	<b>(10,866)</b>	<b>(108,915)</b>
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>633</b>	<b>(1,102)</b>	<b>5,972</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,500</b>	<b>1,462</b>	<b>33,019</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>57,944</b>	<b>56,481</b>	<b>546,642</b>
<b>Cash and cash equivalents, end of year</b>	<b>¥ 61,444</b>	<b>¥ 57,944</b>	<b>\$ 579,660</b>

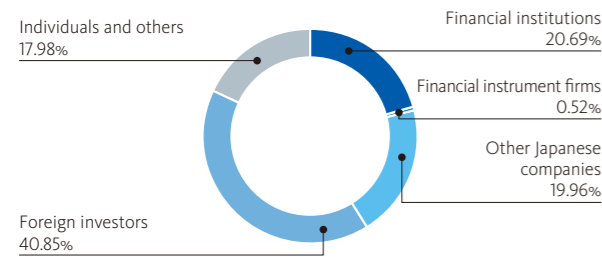
Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to \$1, the approximate rate of exchange at March 31, 2018.

## Stock Information (As of March 31, 2018)

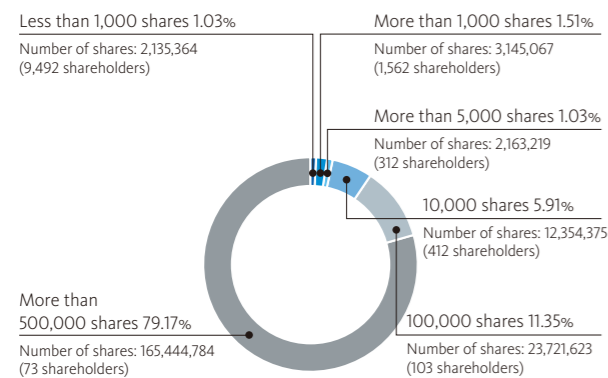
### Stock Price Range



### Composition of Shareholders



### Distribution of Shares by Number of Shares Held

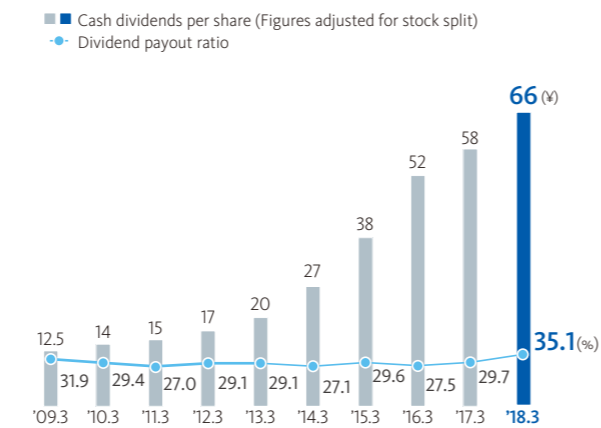


### Principal Shareholders (Top 10)

Shareholders	Number of shares held (Thousands)	Percentage of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	22,045	10.6
The Kobe Yamabuki Foundation	12,000	5.8
Nakatani Foundation for Advancement of Measuring Technologies in Biomedical Engineering	11,830	5.7
Nakatani Kosan, Ltd.	10,457	5.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,011	4.3
Kazuko Ietsugu	6,124	2.9
Taeko Wada	6,124	2.9
JPMorgan Chase Bank 380055	6,056	2.9
Kenji Itani	4,960	2.4
Rusoru, Ltd.	4,750	2.3

Note: Percentage of shareholding excludes treasury stock (445,468 shares).

### Cash Dividends per Share and Dividend Ratio (Consolidated)



Note: Two-for-one stock split conducted in April 2011 and 2014.

## Corporate Overview (As of March 31, 2018)

### 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	Please see our website for more detailed and the most recent information. Website <a href="http://www.sysmex.co.jp/en/">http://www.sysmex.co.jp/en/</a> IR information <a href="http://www.sysmex.co.jp/en/ir/">http://www.sysmex.co.jp/en/ir/</a> Sustainability information <a href="http://www.sysmex.co.jp/en/csr/">http://www.sysmex.co.jp/en/csr/</a>
Number of Employees	8,445 (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	208,964,432 shares
Paid-in Capital	¥12,276.08 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	A+ (Rating and Investment Information, Inc. (R&I))
Major Indexes	Dow Jones Sustainability World Index Dow Jones Sustainability Asia Pacific Index Ethibel Pioneer & Excellence FTSE4Good Index FTSE Blossom Japan Index JPX-Nikkei Index 400 MSCI Standard Index MSCI ESG Leaders Indexes MSCI SRI Indexes MSCI Japan ESG Select Leaders Index S&P Japan 500

