



Sysmex Report 2016

For the year ended March 31, 2016

Sysmex Report 2016



Sysmex Corporation

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Sysmex Corporation

Shaping the advancement of healthcare.

Sysmex aims to contribute to the health of people around the world by creating new value.

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.

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.





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Editorial Policy

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

Organizations Covered

In principle, this report covers the Sysmex Group (including Group companies in Japan and overseas). In this report, "Sysmex" refers to the Sysmex Group as a whole. "Sysmex Corporation" refers to the Company on a stand-alone basis.

Accounting Standards

The financial data shown in this report through the fiscal year ended March 31, 2016, is based on Japanese GAAP. Sysmex has voluntarily adopted the International Financial Reporting Standards (IFRS) from the first three months of the fiscal year ending March 31, 2017.

Cautionary Note Regarding Forward-Looking Statements

Statements in this report pertaining to Sysmex's future plans, strategies, business performance and other items are based on currently available information and involve certain risks and uncertainties. Actual results may differ materially from those anticipated in these statements.

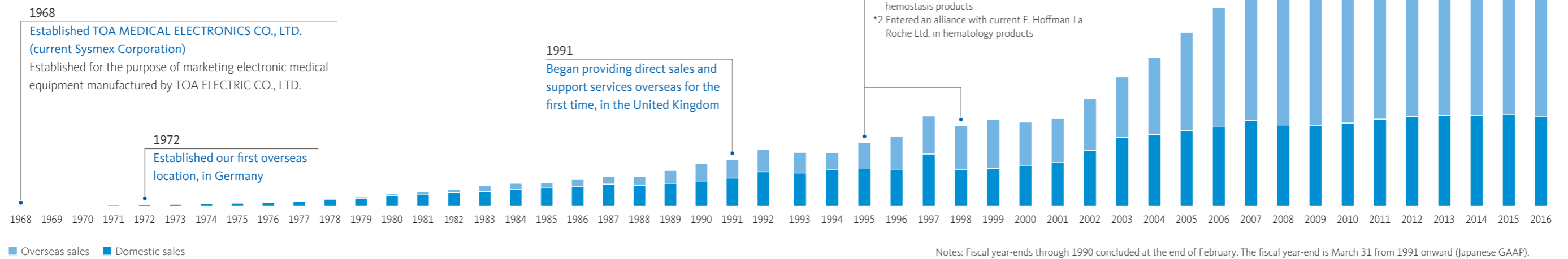
A Sustained Growth Trajectory

Since the time of our establishment, we have sustained growth by creating new value.

Systemex has expanded its operations through proactive research and development and has built up a global sales and support service network. As a result, we are

continuing to expand despite a variety of changes in our operating environment.

(¥ billion)	1968 (Established)	1988	2008	2016
Net sales	0.15	13.2	110.7	253.1
Operating income	0.01	1.9	15.0	56.9
Overseas sales ratio (%)	—	31	67	84
R&D expenditure	0.0	0.6	9.2	17.7
Employees	7	609	3,916	7,446



Notes: Fiscal year-ends through 1990 concluded at the end of February. The fiscal year-end is March 31 from 1991 onward (Japanese GAAP). Information for fiscal years through the year ended March 31, 1993, are on a non-consolidated basis. From the fiscal year ended March 31, 1994, figures are on a consolidated basis.

1963
Developed Japan's first automated hematology analyzer
(Developed by TOA ELECTRIC CO., LTD.)

CC-1001

1984
Entered the hemostasis field

CA-100

1990
Launched the world's first system products in the hematology field

System products in the hematology field

2000
Expanded R&D in the life science field
Opened the Central Research Laboratories within the current Technopark

Central Research Laboratories (at the time)

2001
Reinforced R&D capabilities in reagents
Converted the current Sysmex International Reagents Co., Ltd., to a wholly owned subsidiary

INTERNATIONAL REAGENTS CORPORATION (current Sysmex International Reagents Co., Ltd.)

2013
Expanded our technology platform with a view to personalized medicine
Acquired the current Sysmex Partec and Sysmex Inostics as subsidiaries

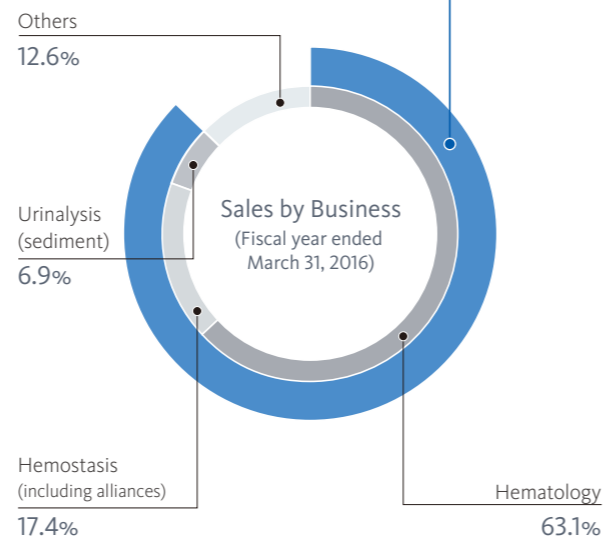
Sysmex Inostics

Three Points Supporting Sustained Growth

Point 1 High Level of Competitiveness: 90% of Sales in Fields Where We Hold a Leading Share of the Global Market

Sysmex's customers are hospitals and commercial laboratories. Our primary business revolves around *in vitro* diagnostics (IVD), involving the analysis of blood, urine and others. In addition to the field of hematology, which analyzes white, red and other blood cells, we have the top share of the world market in the hemostasis and urinalysis (sediment) fields. Through proactive R&D, we are working to create unique, high-value testing and diagnostic technologies.

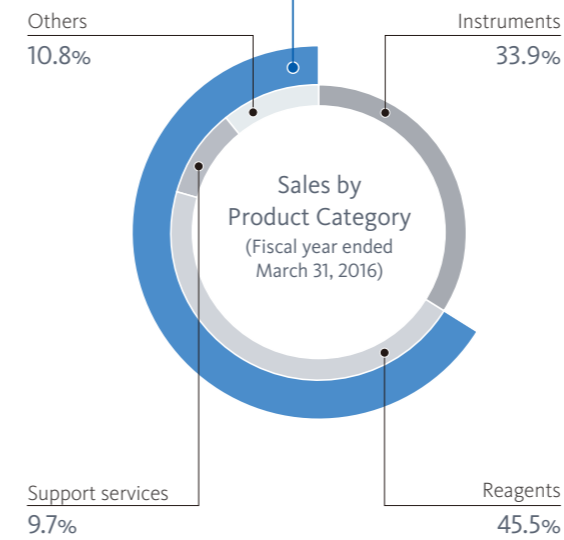
Top Global Market Share in Three Fields



Point 2 A Business Model That Facilitates Stable Growth

One distinguishing feature of the healthcare market is its stability; demand related to health and medical care is relatively unaffected by economic fluctuations. Furthermore, in addition to instruments Sysmex derives sales from reagents and support services. As reagents and support services are necessary to use our instruments, we anticipate steady income.

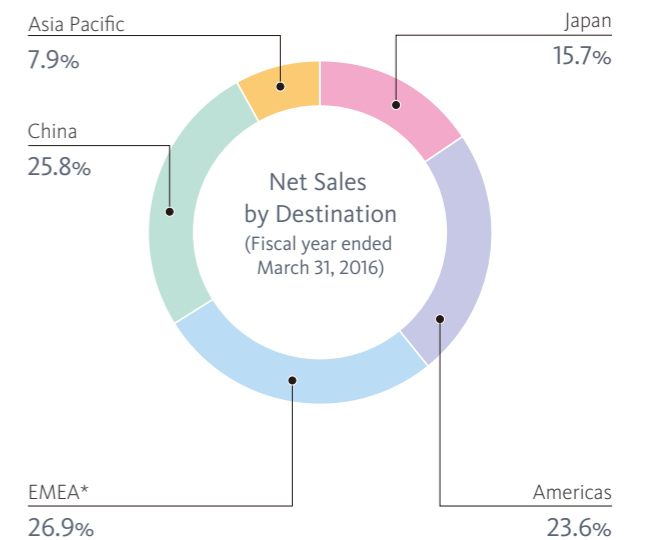
Reagents and Support Services Make up More Than 60% of Sales



Point 3 A Sales and Support Service Network Covering More Than 190 Countries

Sysmex provides high-quality products and services in more than 190 countries around the world via a sales and support service network tailored to match the characteristics of individual regions. We operate a direct sales and support service structure, enabling us to hear customers' requirements directly and respond to them swiftly. To accelerate our globalization, we also make use of indirect sales structures that are sensitive to regional business practices.

Global Business Development



*EMEA: Europe, the Middle East and Africa

To Our Stakeholders



We are contributing to society and enhancing corporate value by putting the “Sysmex Way” into practice.

Message from the CEO

“Shaping the advancement of healthcare” is Sysmex’s mission.

The “Sysmex Way,” the corporate philosophy of the Sysmex Group, defines our mission as “shaping the advancement of healthcare,” and we develop our business on this basis. The field of *in vitro* diagnostics (IVD) has been the core of the Company’s business since the time of its establishment. Going forward, we will continue to take on new challenges in the healthcare domain and contribute to the creation of a fulfilling and healthy society.

Working Toward Our Long-Term Management Vision

Sysmex has defined six areas of positioning to achieve the objectives of its long-term management vision toward 2020, being “A Unique & Global Healthcare Testing Company.” To realize this vision and positioning, in May 2015 we formulated a mid-term management plan aimed at further reinforcing growth and profitability, investing in

growth and promoting transformation. (See page 13 for details on long-term management targets and the mid-term management plan.)

In the fiscal year ended March 31, 2016, the first year of the mid-term management plan, both operating performance and our business activities progressed steadily. During the year, sales in the hematology and hemostasis fields were favorable overseas, in China, EMEA and other regions, leading to a 14.4% year-on-year increase in net sales, to ¥253.1 billion. Operating income grew 28.3%, to ¥56.9 billion, thanks to the rise in sales and the impact of yen depreciation against the U.S. dollar and Chinese yuan.

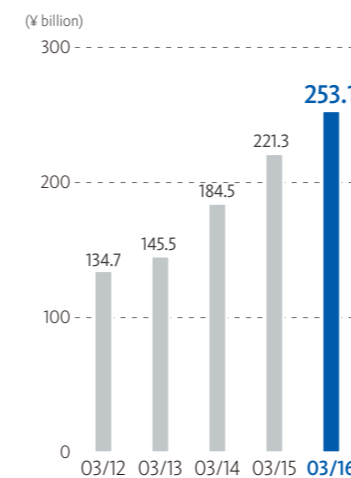
Looking at business activities in the fiscal year ended March 31, 2016, expanded sales of the XN-Series, the flagship model in our mainstay hematology field, led to higher profitability. Performance was also strong in the hemostasis field, particularly in China. In the urinalysis field, we launched new products and increased our product portfolio through a business alliance with Eiken Chemical Co., Ltd. In the immunochemistry field, sales in Japan of our proprietary reagents were robust, and sales of the HISCL™-Series grew significantly in China, enabling us to make steady progress as a leading company in the IVD domain in Asia. In July 2015, we expanded our reagent factory in

Germany to meet future increases in reagent demand, raising capacity to 1.5 times its former level. We are also expanding our reagent factory in the United States, with construction scheduled for completion in June 2017.

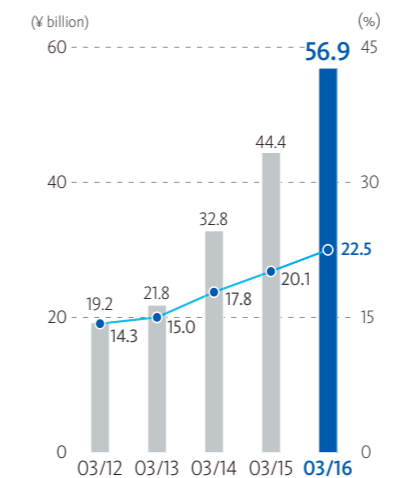
To accelerate our growth going forward, we are proactively moving ahead with research and development. In addition to hematology and other mainstay testing fields, we are working to create new testing and diagnostic

technologies toward the realization of personalized medicine. In February 2016, we entered into an agreement with Eisai Co., Ltd., to jointly develop next-generation diagnostic reagents in the field of dementia. By fostering synergies between our existing businesses and those of Sysmex Partec and Sysmex Inostics, which became subsidiaries in 2013, we are stepping up efforts toward a full-scale entry into personalized medicine.

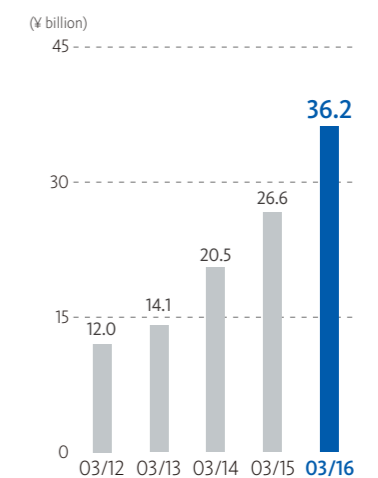
Net Sales



Operating Income
Operating Margin



Net Income Attributable to Owners of the Parent



Creating Value by Addressing the Issues Society Faces

Applying Our Technologies to Create a Fulfilling and Healthy Society

In advanced countries, as populations age the need is growing to reduce healthcare costs and extend healthy lifespans. In emerging markets, demand is to increase the quality of healthcare, build healthcare infrastructure and enhance access to healthcare. We see Sysmex's role as addressing these various societal issues by creating new value in the IVD domain.

To date, Sysmex has been quick to address issues as they arose along with the changing times, developing its business activities accordingly. In the 1960s, an era of high economic growth in Japan, we met the increasing need for testing that accompanied rising health awareness, and we succeeded in commercializing Japan's first automated hematology analyzer. Thereafter, we continued to contribute to testing speed and accuracy, as well as testing with high clinical value. In addition to instruments, we provide the reagents and support services needed for IVD. Through the development of system products that promote higher levels of efficiency, we are meeting the increasingly diverse needs of hospitals and other customers.

We aim to create added value that instills confidence in testing among our customers and patients. For instance, we work to ensure consistent and accurate test results, which are essential to physicians' ability to provide diagnoses smoothly. Through our support services, we detect instrument errors before they arise, working to minimize the downtime during which testing is not possible. In addition, to improve patient quality of life we continue to take up the challenge of realizing liquid biopsy, which will allow testing for cancer and other diseases by analyzing blood and other bodily fluids rather than the affected tissue.

Going forward, we will continue working to create new value that exceeds customer expectations, applying proprietary expertise and technologies to resolve the issues society faces.

Further Enhancing Corporate Value Human Resource Diversity and Open Innovation

Creating value that cannot be seen plays a major role in corporate growth, and human resources is a key factor. To achieve further growth, Sysmex is developing the capabilities of and fostering diverse human resources. To cultivate the next generation of human resources and enliven communications, in April 2015 we established the Global Communication Center. Through communication, we intend to encourage the mutual sharing of values and foster new insights that will lead to new values and deepen cultural awareness through the joining of creative forces.

Another important yet unseen value lies in external networks. In global competition, it is essential to expand networks that extend beyond our own corporate scope and encompass a broad perspective. In addition to its own direct sales and after-support system, Sysmex is making use of alliances to accelerate its global expansion. In R&D, too, we are collaborating proactively with a variety of research institutions, companies, universities and other organizations such as the National Cancer Center. In December 2015, for instance, Sysmex Inostics began collaborating with Merck of Germany on the development of companion diagnostics* (for research) targeting anti-cancer agents for metastatic colorectal cancer. This testing employs blood rather than cancer tissue, reduces the burden on patients and is expected to contribute to the rapid determination of treatment methods for metastatic colorectal cancer.

In September 2015, we also opened the Open Innovation Lab within Technopark, Sysmex's R&D hub, to accelerate R&D efforts toward the realization of personalized medicine. This lab aims to create advanced, highly valuable testing and diagnostic technologies through collaboration with researchers in Japan and overseas.

* Companion diagnostics: Clinical testing performed to predict the efficacy and side effects of drugs before using them for treatment



To Our Stakeholders

Sysmex has grown as the result of the high degree of trust placed in the Company by a variety of stakeholders, including customers and shareholders. Going forward, on the corporate governance front we are making an aggressive effort to augment management soundness and transparency and engage in dialogue with shareholders and investors to achieve sustainable increases in corporate value. In June 2016, we transitioned to a "company with an Audit and Supervisory Committee" and increased the number of external members of the Managing Board by three, to a total of four. This move was aimed at reinforcing the auditing and supervisory function of the Managing Board, as well as further enhancing the governance structure by raising management transparency and objectivity. Furthermore, from the first quarter of the fiscal year ending March 31, 2017, we voluntarily adopted International Financial Reporting Standards (IFRS) to increase the level of convenience to Japanese and overseas investors by facilitating the international comparison of financial information.

I am convinced that Sysmex will continue to enjoy significant growth opportunities going forward. To achieve further expansion, we will augment our technology platforms, strive to enhance our production, sales and support service structures, invest aggressively in R&D and capital,

and continued to pursue M&A opportunities. With regard to shareholder returns, we aim to maintain an appropriate balance between proactive investment and shareholder returns, and are targeting a consolidated dividend ratio of 30%. For the fiscal year ended March 31, 2016, we increased dividends ¥12 more than initially planned, resulting in ¥52 per share for the year. This figure amounted to a dividend payout ratio of 29.8%, our 14th consecutive year of dividend increases. We intend to maintain stable dividends going forward. In the fiscal year ended March 31, 2016, ROE came to 20.4%. We plan to raise this figure while sustaining a healthy financial balance.

In line with its corporate philosophy, by leveraging its strengths Sysmex will continue to enhance corporate value by providing new value to society. I ask our stakeholders for your ongoing support of Sysmex from a medium- to long-term perspective as we take up these challenges.

September 2016

Hisashi Ietsugu
Chairman and CEO

Medium- and Long-Term Management Plans

We are pursuing a mid-term management plan and long-term management targets based on our Group corporate philosophy, the “Sysmex Way.”

Long-Term Management Targets
(2020)

Vision

A Unique & Global Healthcare Testing Company

Positioning

Undisputed Global Leader in Hematology, Hemostasis and Urinalysis

(Including alliances)

We will build the earnings foundation to support further Group growth in the Company's core businesses.

A Leading Company in the Asian *in Vitro* Diagnostics (IVD) Market

We will leverage our geographic advantage to build a solid position in the Asian market in immunochemistry and other growth fields, as well as hematology.

A Unique and Competitive Player in the Immunochemistry Field

We will harness unique strengths that other companies cannot emulate and drive Group growth over the medium term.

A Leading Global Player Making a Contribution to Personalized Medicine

By augmenting value in testing (diagnostics) based on leading-edge technologies, we will accelerate Group growth and establish our global position.

An Attractive Company Providing Value and Confidence

We aim to become a highly attractive company to diverse stakeholders that offers value and reassurance.

One Sysmex Carrying Out High-Speed Management

Through optimal teamwork throughout the Group, we aim to be a corporate entity that conducts highly efficient and swift management.

Mid-Term Management Plan
(Fiscal years to March 31, 2016 to 2018)
Announced in May 2015

Reinforce Growth and Profitability

- Hematology, hemostasis and urinalysis
- Asia

Invest in Growth

- Immunochemistry, FCM* and life science

Promote Transformation

- Earn further trust from stakeholders
- Enhance Group management

Financial Targets (Fiscal year ending March 31, 2018, Japanese GAAP)

Net sales	¥300.0 billion	(CAGR = 10.7%)
Operating income	¥63.0 billion	(CAGR = 12.4%) (Operating margin: 21.0%)
ROE	18.0%	
Operating cash flow	¥50.0 billion	
Free cash flow	¥20.0 billion	

Assumed exchange rates: 1USD = ¥115, 1EUR = ¥130, 1CNY = ¥18.5
Compound annual growth rate (CAGR): Fiscal years to March 31, 2015 to 2018
Note: We formulate three-year mid-term management plans every two years.
(We plan to announce the new plan in May 2017.)

*FCM: Short for flow cytometry. A method involving the flow dispersion of minute particles and the use of laser light to optically analyze the minute flows. Used primarily to observe individual cells.

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Our Financial Perspective

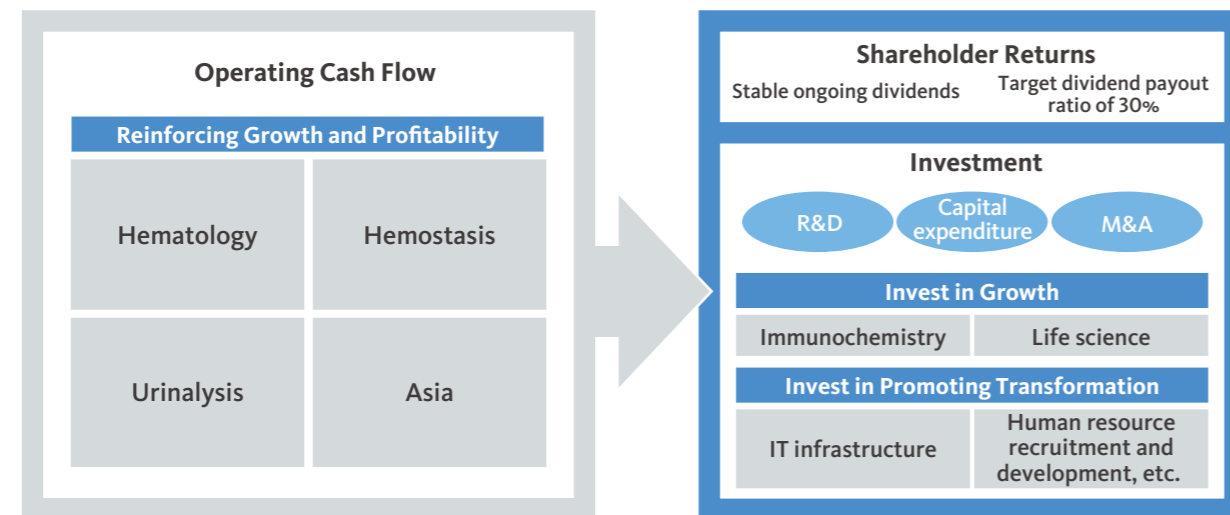
We invest proactively and provide appropriate shareholder returns.

Generating and Using Funds

Thanks to its high market share in the hematology, hemostasis and urinalysis fields and growth in Asia, Sysmex is reinforcing its profitability and expanding its operating cash flow.

We proactively invest the cash we generate into R&D, capital expenditure and M&A to expand further. In addition to our mainstay businesses, we are concentrating investment

into building the immunochemistry and life science fields into pillars of growth, as well as into putting in place IT infrastructure and recruiting and developing human resources to promote transformation. Regarding shareholder returns, we aim to ensure stable ongoing dividends and further augment ROE.

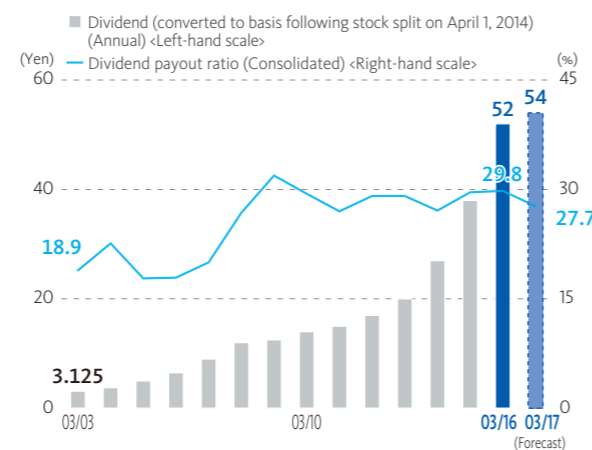


Shareholder Returns

Sysmex 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.

- Stable Dividend on a Continuous Basis
- Target Dividend Payout Ratio of 30%
- 14 Consecutive Years of Dividend Increases

Dividend and Dividend Payout Ratio



Proactive Investments to Augment Corporate Value

To achieve further growth, Sysmex is investing to accelerate expansion in such areas as immunochemistry and life science. We also concentrate investment in R&D to generate highly valuable new testing and diagnostic technologies, capital expenditure for factory expansion to meet our global supply responsibilities, and M&A to enhance our technology platforms. As a result, our research and development expenses and capital expenditure have grown over the past 10 years.

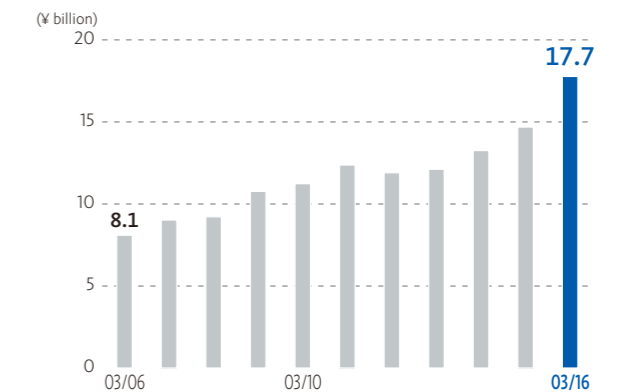
- R&D in Immunochemistry, Life Science and Other Fields to Accelerate Future Growth
- Capital Expenditure for Factory Expansion to Meet Our Global Supply Responsibilities
- M&A to Enhance Our Technology Platforms

ROE

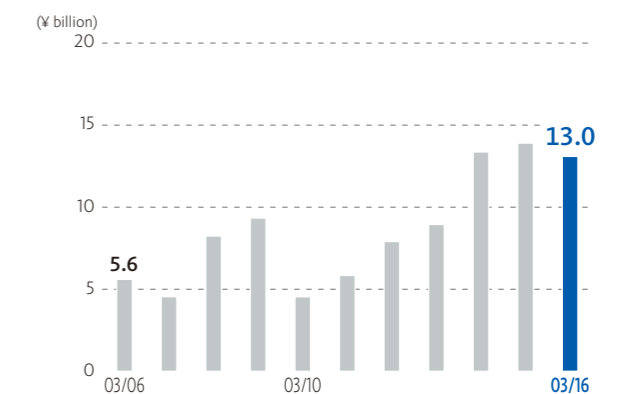
ROE was 20.4% in the fiscal year ended March 31, 2016, an improvement of 7.9 percentage points from the fiscal year ended March 31, 2006. Going forward, we plan to augment ROE while maintaining a healthy financial balance.

- Sustained Appropriate Shareholder Returns
- Maintenance of a Sound Financial Base
- Higher Income

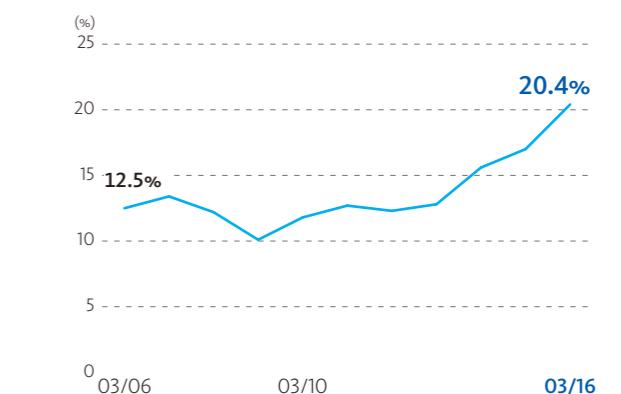
Research and Development Expenses



Capital Expenditure (Tangible)



ROE



Sysmex's Value Creation

We contribute to a bountiful society by providing value in the *in vitro* diagnostics field that addresses the problems society faces.



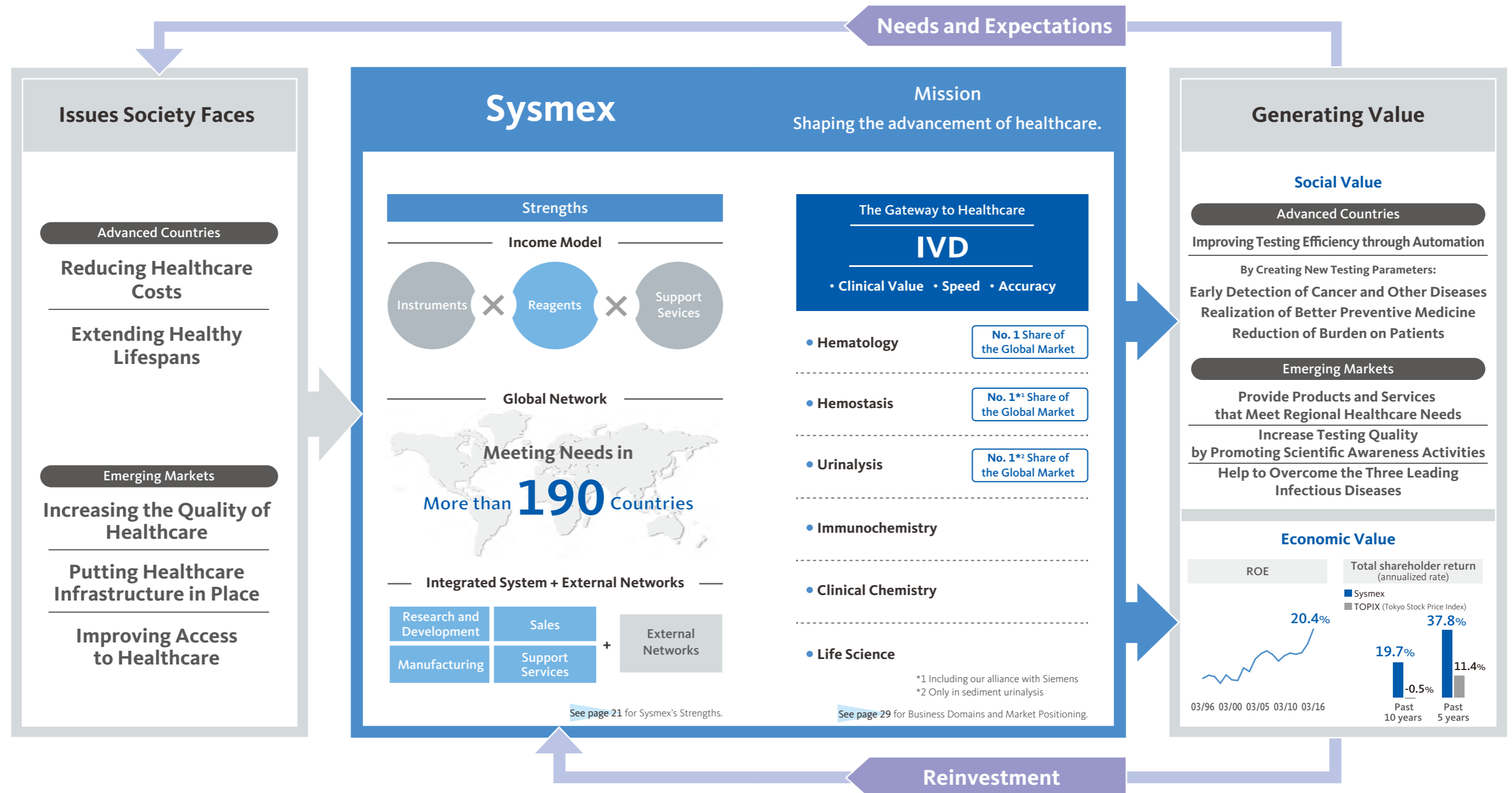
Our Business Model for Creating Value

By leveraging our strength in the IVD domain, we will create new value to address the issues facing society.

Sysmex has set forth "Shaping the advancement of healthcare" as its mission, as stated in the corporate philosophy for the Sysmex Group. We are making the most of our strengths to develop business in the IVD domain, which is considered the gateway to healthcare. To realize our corporate philosophy, we are working to increase the efficiency of testing and the quality of healthcare, creating

new testing parameters and providing value in other ways that address the issues faced in advanced countries and emerging markets alike.

Furthermore, by reinvesting the value generated through our operations, we aim to create new value in response to issues that evolve as society's needs and expectations grow.



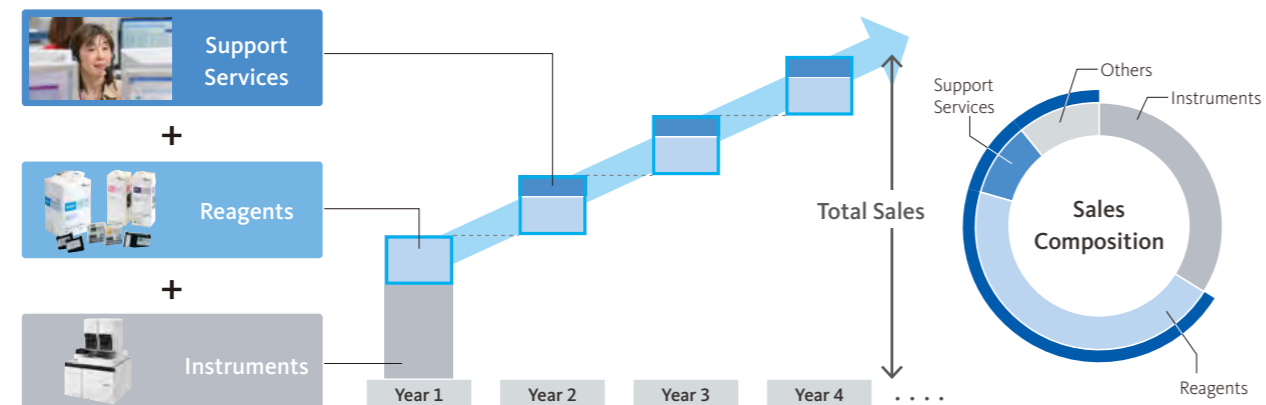
Sysmex's Strengths

Based on a robust income model, we have created a system to quickly address customer needs and provide value around the world.

Income Model

IVD instruments use reagents each time testing is performed. We also provide support services to ensure that customers can use our products with confidence. As a result, after customers purchase our instruments we continue to generate income by providing reagents and

support services. At present, reagents and support services account for more than 60% of net sales. Furthermore, the healthcare sector is relatively impervious to economic fluctuations, so Sysmex anticipates steady growth.

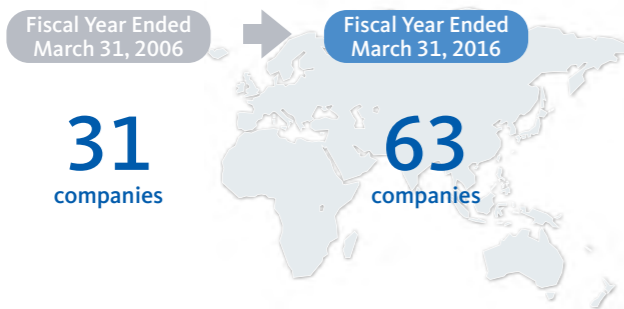


Global Network

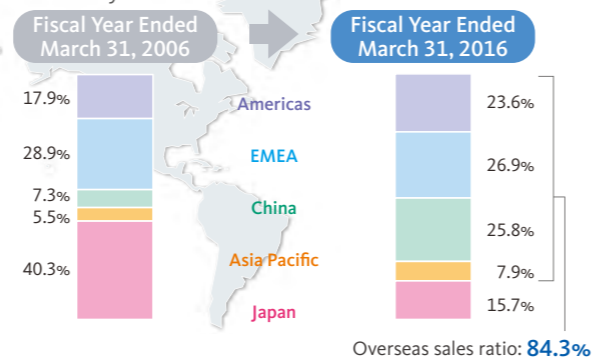
We have built up global networks for direct and indirect sales, support services and reagent manufacturing. This structure enables us to provide customers in more than 190 countries around the world with high-quality products and stable support services. In addition to advanced

countries, we are actively developing our operations in emerging markets, and we currently have 63 Group companies operating in 41 countries. In the fiscal year ended March 31, 2016, our overseas sales ratio reached 84.3%.

Subsidiaries and Affiliates



Net Sales by Destination



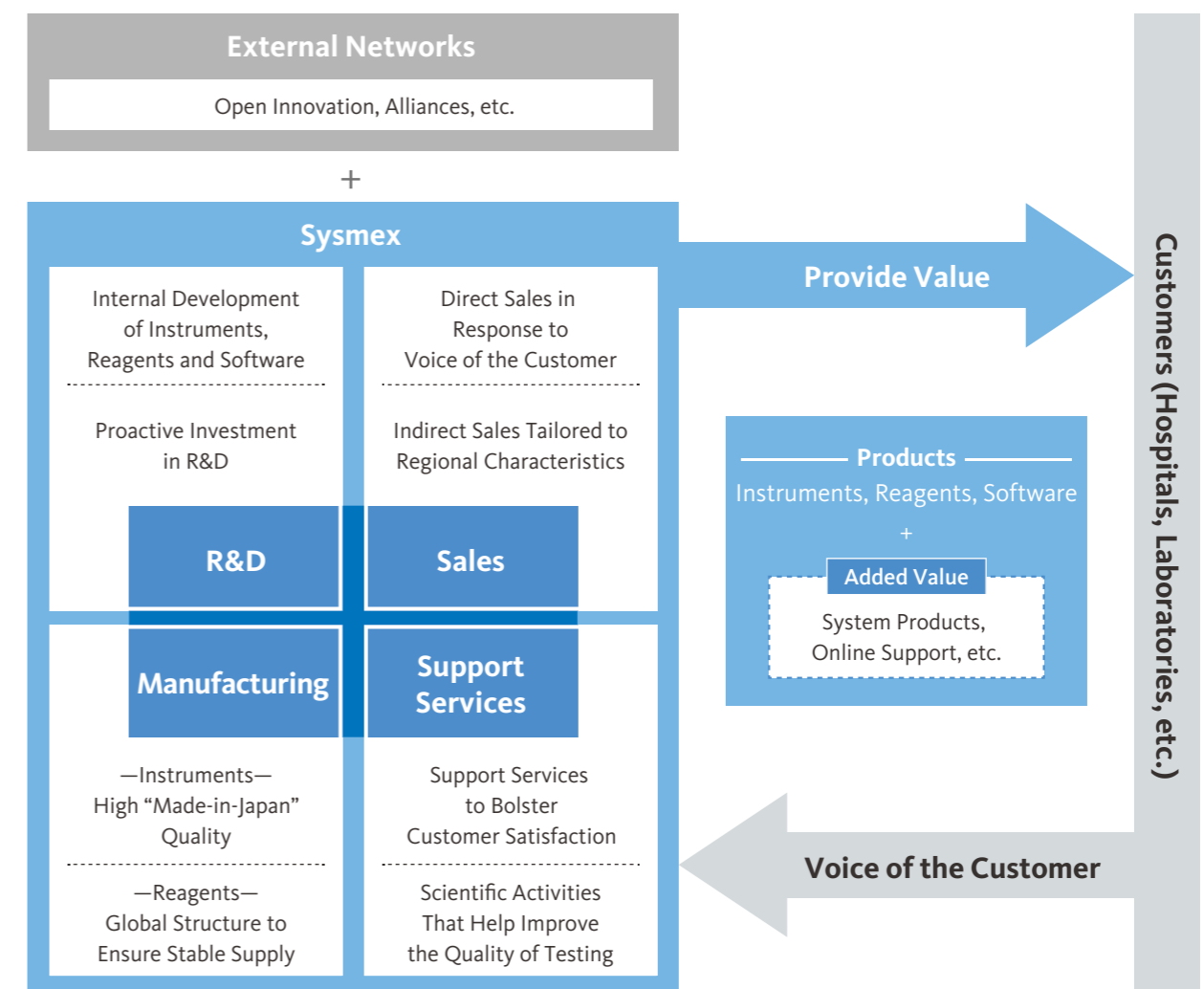
See page 39 for Overview of Business by Geographic Region.

Integrated System + External Networks

Sysmex operates its own global system spanning R&D, manufacturing, sales and support services. This structure enables us to meet complex needs and address the various issues customers face. Through this system, in addition to providing the high-quality instruments, reagents and software that are needed for testing, we offer high-value-added system products and online support.

As a result, we have earned a solid reputation among customers around the world.

We are also vigorously pursuing open innovation and alliances to make use of technologies and ideas from outside the Company and respond promptly to changing market needs.



See page 33 for Research and Development. See page 35 for Production. See page 37 for Sales and Support Services.

Growth Frontiers

In addition to our mainstay fields, we aim to achieve further growth by expanding our operations in the immunochemistry and life science fields.

Growth Frontiers

Sysmex espouses "A Unique & Global Healthcare Testing Company" as the vision for its long-term management targets, and the Company is working to maintain high levels of growth and increase profitability further. Currently, Sysmex is highly competitive in the hematology,

hemostasis and urinalysis fields. We aim to build an earnings foundation that will support further increases in these fields and are investing aggressively in future growth in fields such as immunochemistry and life science.

Anticipated Growth over the Medium to Long Term

- **Hematology, hemostasis, urinalysis:**

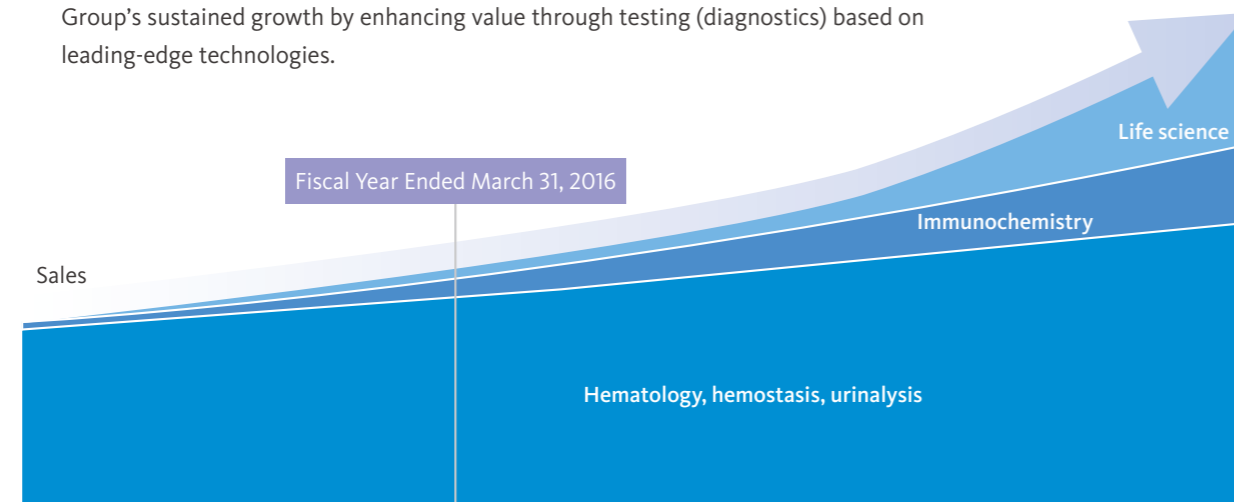
We will build the earnings foundation to support further Group growth by establishing ourselves as the global leader in these core businesses.

- **Immunochemistry:**

To build the immunochemistry field into a driver of growth over the medium term, we will develop unique, high-value testing parameters and reinforce our competitiveness.

- **Life science:**

We will contribute to the realization of personalized medicine and promote the Group's sustained growth by enhancing value through testing (diagnostics) based on leading-edge technologies.



Medium-Term Growth Driver: The Immunochemistry Field

Immunochemistry testing has a wide range of applications, from the diagnosis of infectious diseases, cancers and heart diseases to their courses of treatment. As such, immunochemistry testing plays an essential role in the early detection of diseases and treatments.

Sysmex's strengths in the immunochemistry field include highly functional, highly sophisticated instruments and unique reagent parameters not available from other

companies. Utilizing these advantages, we are developing our business in this field in Asia, including Japan and China, where demand is expected to grow.

In addition to expanding our reagent parameters, we will reinforce our support service structure by utilizing on-line support, thereby accelerating business development in the immunochemistry field.

Highly Functional, Highly Sophisticated Instruments

Our HISCL™-Series fully automated immunoassay system is highly sensitive and fast, being capable of measuring all parameters in 17 minutes. As these instruments can perform tests on minute samples, they offer superior functionality, including high levels of operability.

HISCL™-Series Characteristics

High sensitivity	Speed
Minute samples	Usability



Unique Reagent Lineup

One of Sysmex's distinguishing features in the immunochemistry field is its unique lineup of reagents that are not available from other companies. We have succeeded in the world's first

practical application of technology employing a glycosylation marker* to test hepatic fibrosis. This creation of unique reagent parameters is one way in which we provide new value.

New Reagent Parameters

HISCL™ M2BPGI™

Uses blood tests to quickly determine the progression of hepatic fibrosis from chronic hepatitis to cirrhosis of the liver and on to hepatic cell carcinoma

Determining the Progression of Hepatic Fibrosis



HISCL™ TARC Reagent

Enables quantitative and swift measurement of pre-treatment testing for atopic dermatitis

Measuring Treatment Effects on Atopic Dermatitis



*Glycosylation marker: A biomarker that targets structural changes in sugar chains present in glycoproteins

Growth Frontiers

Promoting Sustainable Growth in the Life Science Field

Aiming to Provide Healthcare Optimized for Each Individual Patient through Personalized Medicine

To date, medical treatment has involved providing standardized diagnosis and treatment based on disease type. However, in the post-genome era it has become possible to decipher genes and analyze genes, cells and proteins to provide treatments optimized to individual patient and disease characteristics.

It is becoming possible, for instance, to conduct testing that will diagnose the risk of contracting a disease and to perform testing that leads to the early detection of recurrence. Similarly, there exists the potential to predict the effectiveness of drug treatment and side effects.

Such tests are making it possible to select and provide medical treatment and drugs that are optimized for individuals. In addition to reducing the burden on patients, such testing is expected to help curtail healthcare costs.

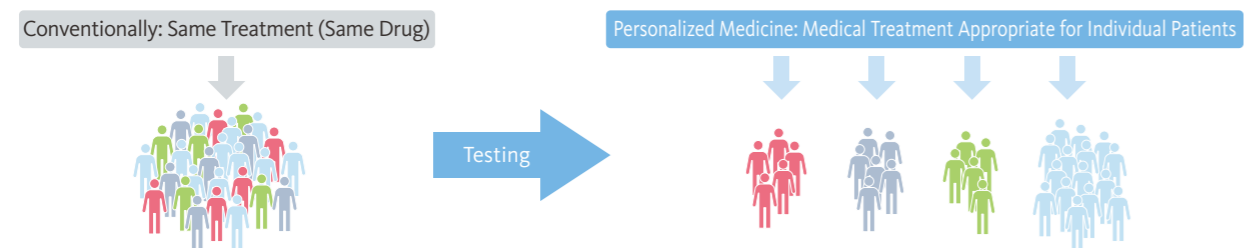
Promoting Personalized Medicine in the Life Science Business

Sysmex is pursuing research and development to accurately capture the trend toward personalized medicine.

To date, we have focused in particular on developing unique testing technologies for diagnosis centering on cancer. We have created a number of technologies, products and services in this category, such as using the OSNA™ method to test for lymph node metastasis of cancer and providing Curebest™ 95GC Breast (for research) to predict the recurrence of breast cancer.

We are also expanding our technology platforms in the aim of realizing personalized medicine. To this end, in 2013 we acquired Inostics (now Sysmex Inostics) and are pursuing business in this field.

Realizing Personalized Medicine through Testing



Sysmex Applications for Each Stage of Cancer

Stage	Screening	Diagnosis	Recurrence Prediction	Prediction of Treatment Impacts	Monitoring
Application		Lymph node metastasis rapid detection system using the OSNA™ method*	Curebest™ 95GC Breast (assay service for breast cancer recurrence prediction analysis)	OncoBEAM™/PSS (analysis of minute genetic mutations)	

*OSNA™ method: Abbreviation for One-Step Nucleic acid Amplification, a method developed by Sysmex. This enables metastasis of a single lymph node to be determined in approximately 30 minutes.

Liquid Biopsy Gaining Traction in 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 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 personalized medicine through liquid biopsy and is conducting research and development to this end.

Personalized Medicine Using Liquid Biopsy

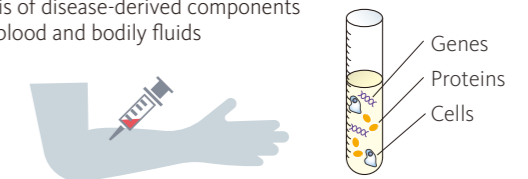
Conventionally: Tissue Analysis (Biopsy)

Direct analysis of the affected specimen



Blood Analysis (Liquid Biopsy)

Analysis of disease-derived components in the blood and bodily fluids



Measuring Cancer Cells in Blood

Sysmex Inostics is using BEAMing technology (OncoBEAM™), which enables highly sensitive analysis of minute quantities of cancer genes circulating in the blood, and plasma sequencing technology (PSS)* to conduct groundbreaking R&D on cancer gene analysis and move forward with a lab assay service.

Conventional cancer gene testing uses surgically removed specimens, but BEAMing technology enables the same level of testing to be conducted on blood, thereby reducing the burden on patients. This approach facilitates repeated testing even on patients with whom removing the affected specimen would be difficult. As a result, the technology is expected to find application in the early detection of cancer recurrence and monitoring.

Until now, the use of BEAMing technology largely involved manual processes, but by leveraging the expertise it has accumulated in automation, Sysmex is working to

shorten testing times and labor requirements, with a view to standardization.

We are promoting collaboration with research and medical institutions to create testing and diagnostic technologies employing BEAMing technology.

* Plasma sequencing technology (PSS): This gene sequence analysis technology assigns a unique identifier to each DNA molecule, allowing each gene to be identified, and then amplifies the DNA, enabling a high degree of specificity and sensitivity.



Sysmex Inostics

Business Activities

■ Sysmex is leveraging its business in the *in vitro* diagnostics domain to expand its business globally.

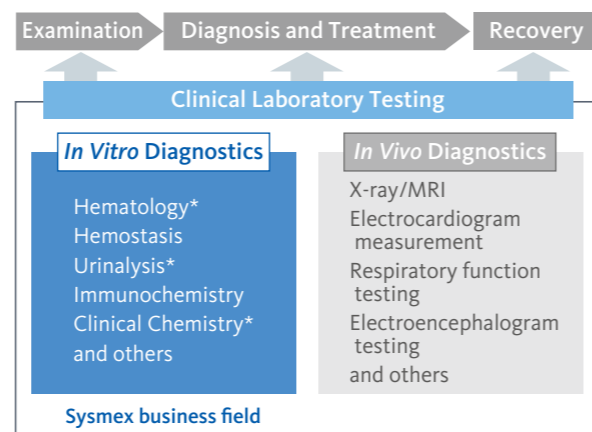


Business Domains and Market Positioning

We continue to grow by taking advantage of our strengths in the expanding market for *in vitro* diagnostics.

Active in the IVD Domain, Which Is Essential to Healthcare

Clinical testing, used in medical diagnosis and treatment or in monitoring the effects of treatment, is essential to healthcare. 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.



* Diagnostics used for medical checkups as well

Market Position

Sysmex's business in the IVD domain involves the provision of instruments, reagents and software around the world, and we rank among the top 10 companies in the world in the IVD domain. In the three fields of hematology, hemostasis and urinalysis (sediment), 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 immunochemistry and other growth fields, 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 advanced countries and healthcare infrastructure being put in place in emerging markets. At the same time, global competition is growing increasingly fierce, with companies from other sectors entering our field. Sysmex is responding to this changing environment by leveraging its unique strengths to maximize its corporate value and steadily increase its market position.

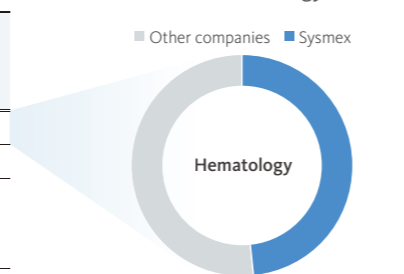
Market Scale and Sysmex's Business Domains

Testing field	Market Scale (\$ million)	Market Growth Rate	Composition of Sales (Fiscal year ended March 31, 2016)	Production		Sales and Service Area	Alliances
				Instruments	Reagents		
Hematology	3,100	6%	63.1%	●	●	Global	Roche
Hemostasis	1,800	5%	17.4%	●	○	Global	Siemens
Urinalysis Of which, sediment urinalysis	1,000 320	6%	6.9%	●	●	Global	EIKEN CHEMICAL bioMérieux
Immunochemistry	18,000	6%	3.1%	●	●	Asia	—
Clinical chemistry	7,400	5%	1.4%	○	●	Asia	JEOL Furuno Electric
Others (genes, blood sugar, etc.)	21,700	—	8.1%	●	●	—	—
IVD market	53,000	6%	—	—	—	—	—

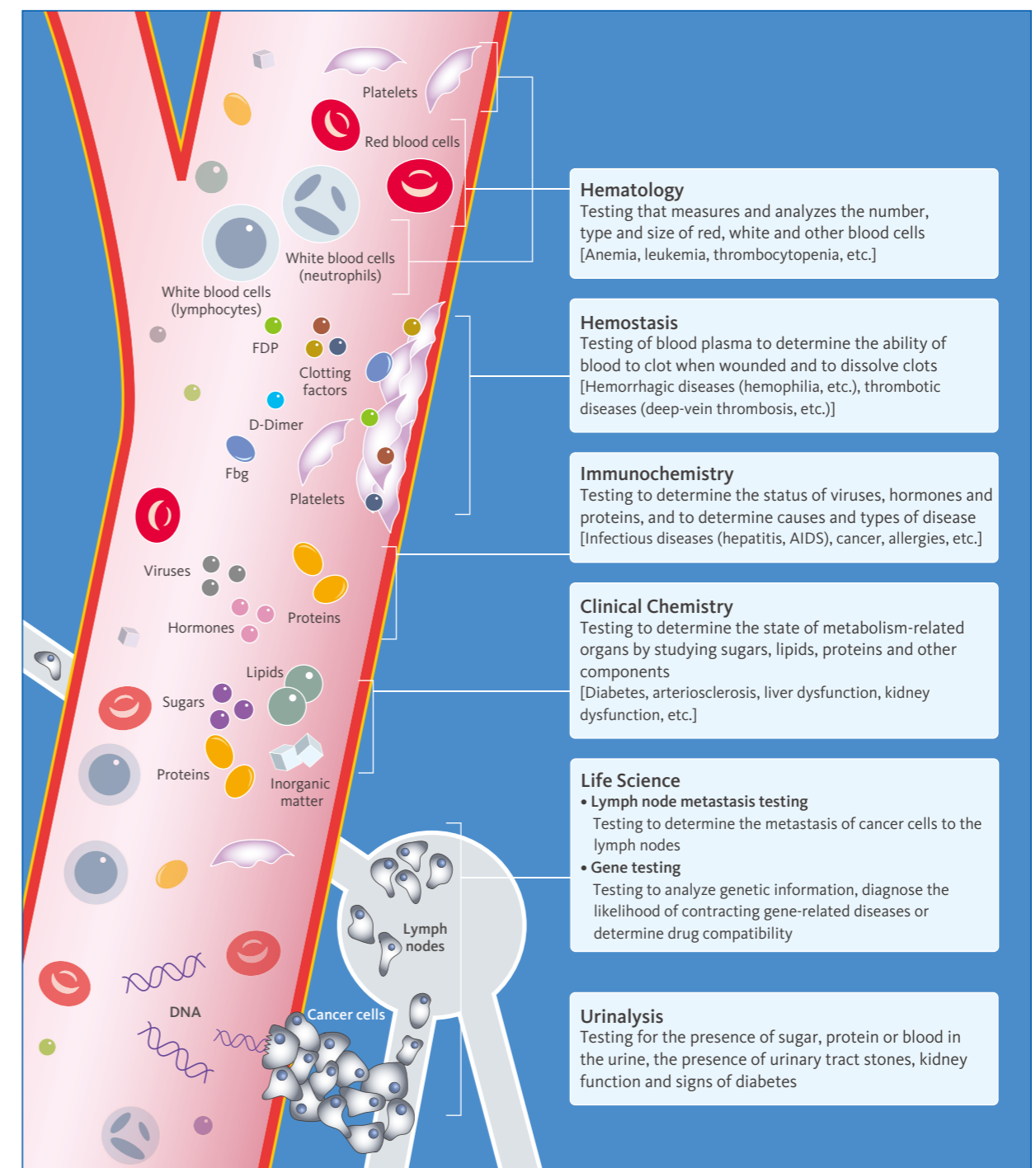
Note: Sysmex's assumptions

● Own products ○ Alliances

Share of the Hematology Market



Sysmex's Core Testing Fields



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

Hemostasis
Testing of blood plasma to determine the ability of blood to clot when wounded and to dissolve clots [Hemorrhagic diseases (hemophilia, etc.), thrombotic diseases (deep-vein thrombosis, etc.)]

Immunochemistry
Testing to determine the status of viruses, hormones and proteins, and to determine causes and types of disease [Infectious diseases (hepatitis, AIDS), cancer, allergies, etc.]

Clinical Chemistry
Testing to determine the state of metabolism-related organs by studying sugars, lipids, proteins and other components [Diabetes, arteriosclerosis, liver dysfunction, kidney dysfunction, etc.]

Life Science

- **Lymph node metastasis testing**
Testing to determine the metastasis of cancer cells to the lymph nodes
- **Gene testing**
Testing to analyze genetic information, diagnose the likelihood of contracting gene-related diseases or determine drug compatibility

Urinalysis
Testing for the presence of sugar, protein or blood in the urine, the presence of urinary tract stones, kidney function and signs of diabetes

Principal Testing Fields and Products

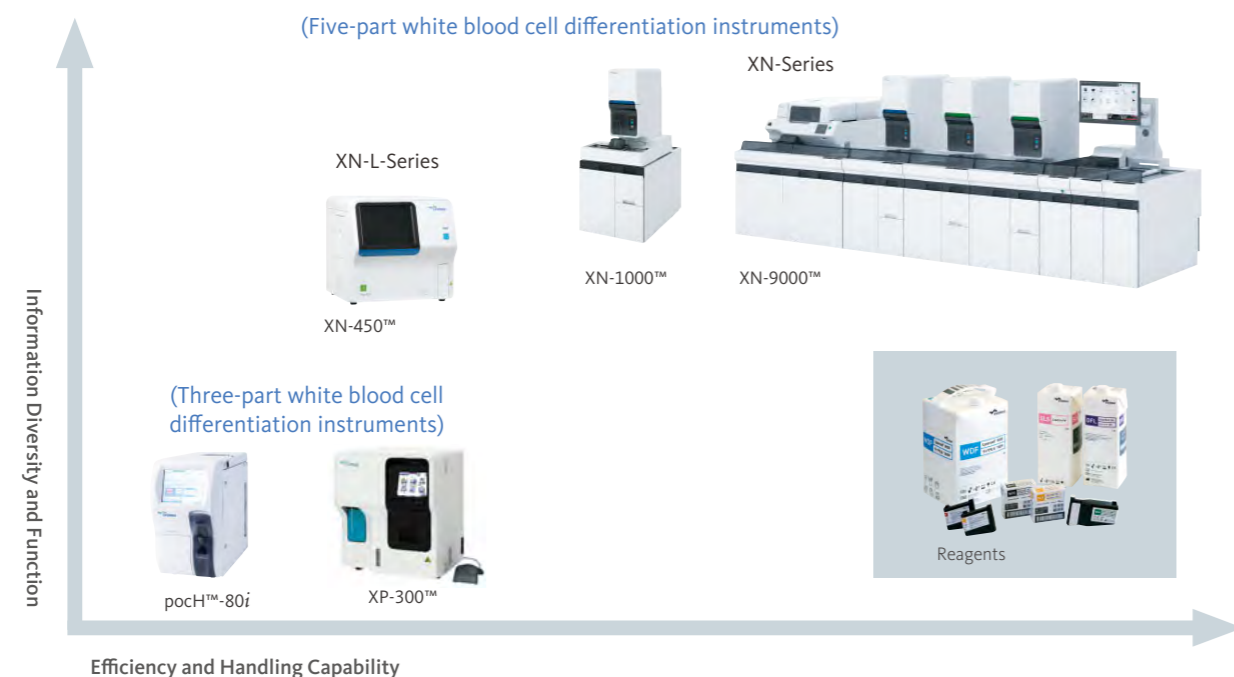
Hematology

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 can be 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.

Recent years have seen the entry into this business by manufacturers from emerging markets, as well as our competitors in Europe and the United States. Sysmex is responding by providing an extensive product portfolio, offering unique clinical value and differentiating itself from competitors with its support services. 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 the field of animal testing, we provide IDEXX Laboratories, Inc., with hematology analyzers for animals on an OEM basis.



Hemostasis

Hemostasis involves testing the blood plasma for two blood functions: coagulation, or clotting, and fibrinolysis, the process by which blood clots are broken down. This type of testing enables the diagnosis of hemophilia and thrombosis and the monitoring of their treatment. Furthermore, testing blood beforehand enables health-care professionals to determine whether blood is likely to coagulate properly during surgery.

In 1995, Sysmex concluded a business alliance with Siemens Healthcare Diagnostics Inc. (previously, Dade Behring Inc.), forging a synergistic relationship in selling

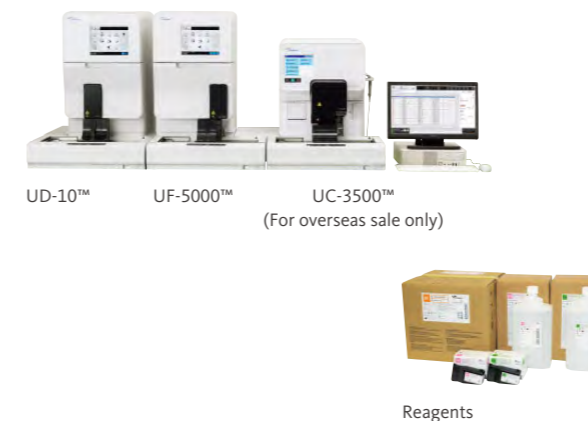
and providing support services for hemostasis products. This combined business now accounts for the leading share of the global market in the hemostasis field.



Urinalysis

Urinalysis entails testing for the presence of sugar, protein or blood in urine and can be broadly divided into two types: chemistry urinalysis and sediment urinalysis. The first type involves dipping a test paper into urine to determine whether the abovementioned substances are present. In the second, 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 the flow cytometry method. This series has the leading share of the global market. Furthermore, in January 2016 we entered into a business alliance with EIKEN CHEMICAL CO., LTD., to expand our portfolio of analyzers of urine chemistry, thereby responding to diverse urinalysis testing needs.



Life Science

The OSNA method, which Sysmex developed, has been launched into markets for the use in systems for the rapid detection of lymph node metastasis of breast and other types of cancer.

Our BEAMing technology is also used to detect minute quantities of genes in the blood, allowing for the early detection and recurrence monitoring of cancer, monitoring the effects of anti-cancer drugs and the creation of new tests.



Immunochemistry

Immunochemistry tests are performed on blood serum, the supernatant fluid isolated after blood separation. Antigen-antibody reactions are used to test for the presence of HIV and the hepatitis virus and to check for cancer. These tests use specialized reagents. We are augmenting our lineup of proprietary reagents and working to develop our business in Asia, particularly in Japan and China, through sales of the HISCL™-Series of fully automated immunochemistry analyzers, which perform highly sensitive, high-speed assays on minute sample quantities.



Clinical Chemistry

Clinical chemistry involves examining the enzymes, sugars and proteins in blood serum and plasma to determine the nutritional status, liver and kidney functions, and testing for contraction of conditions such as hyperlipidemia and arteriosclerosis.

Sysmex has signed agreements with JEOL Ltd. and Furuno Electric Co., Ltd., involving automated clinical chemistry analyzers and is selling these analyzers, leveraging its network in China and other parts of Asia.



Others

Our health monitoring system measures hemoglobin levels without blood sampling and is used as a tool for monitoring athletic condition.



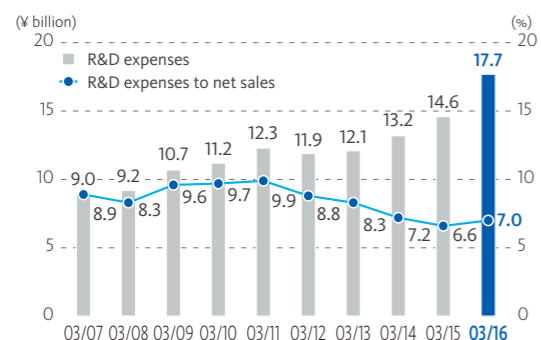
Research and Development

In addition to a wide range of proprietary technologies, we are expanding the possibilities of growth by conducting R&D in collaboration with research institutions around the world.

Developing World-First Technologies

Sysmex's inimitable R&D activities began in 1963 when it developed the CC-1001, becoming the first company in Japan to commercialize automated hematology analyzers. Since then, we have developed a host of other world-first IVD technologies. We are in the process of expanding our business from our mainstay field of hematology into the broader IVD domain. We are also working to create new diagnostic technologies toward the realization of personalized medicine.

R&D Expenses/R&D Expenses to Net Sales

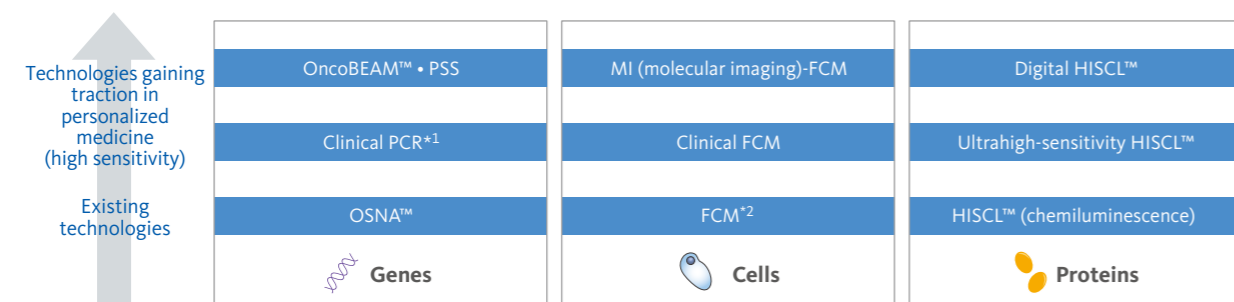


Technological prowess forms the foundation on which Sysmex has grown as a company. We consider R&D to be the wellspring of our expansion and, accordingly, we invest aggressively in this area. In the fiscal year ended March 31, 2016, research and development expenses amounted to ¥17.7 billion (R&D expenses to net sales: 7.0%).

Three Technology Platforms for Blood and Other Analysis

Sysmex's efforts to improve IVD test quality at the microscopic level and combine a wide range of technologies have led to the establishment of technologies for particle measurement, fluid control and detection. We currently have highly sensitive next-generation technology platforms for measuring genes, cells and proteins. As we work toward the realization of personalized medicine, in addition to our own technologies we have been redoubling efforts to expand our technologies through proactive M&A and alliance activities. As one aspect of these efforts, in 2013 we converted German companies Inostics GmbH and Partec GmbH to our subsidiaries.

Sysmex's Technology Platforms



*1 PCR: A gene amplification technology for multiplying small quantities of DNA into large amounts

*2 FCM: Method involving the flow dispersion of minute particles and the use of laser light to optically analyze the minute flows. Used primarily to observe individual cells



An R&D Structure That Generates Combinations of a Host of Technologies

The integration of different technologies employed in our instruments, reagents and software enables us to constantly incorporate voice of the customer into our product offerings. At Technopark, our hub for R&D, a congregation of researchers and engineers in a host of fields—electrical, mechanical, biological, chemical and IT, among others—encourages interaction and drives the creation and fusion of new technologies. We have built up a global R&D structure comprising R&D facilities in the United States, Germany, China and other countries.

In addition to expanding our own technology platforms, through open innovation we are pursuing collaboration with research institutes, universities and medical institutions in Japan and overseas. These efforts have led to the introduction of new candidates for diagnostic parameters and enable us to bring advanced and highly valuable diagnostic technologies and reagents to fruition more quickly. To accelerate this initiative, in 2015 we established the Sysmex Open Innovation Lab within

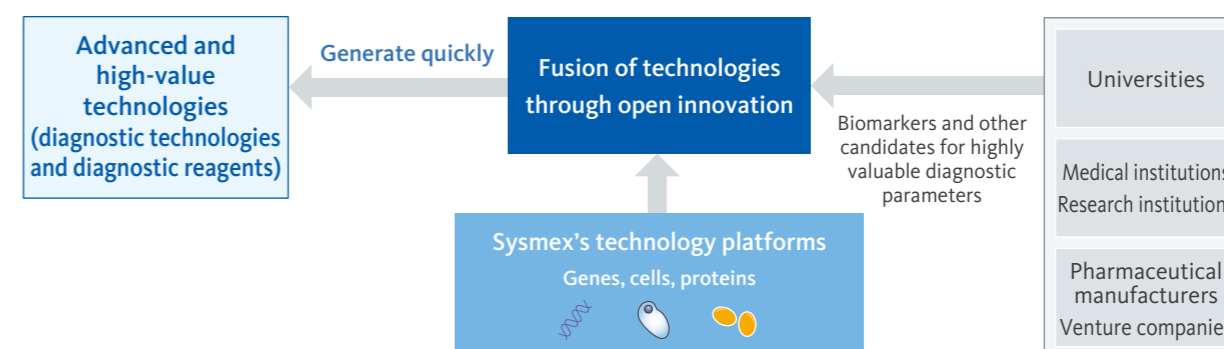
Technopark and provided it with highly functional, high-performance testing equipment.

Intellectual Property Activities That Increase Our Competitive Advantage in the Global Market

Sysmex has formulated its perspectives on intellectual property, and the Company conducts invention identification activities, acquires intellectual property rights and performs research into the intellectual property rights of third parties on a global basis. Our R&D divisions are working together to strengthen liaisons and make intellectual property activities more meaningful. We are also bolstering the motivation of researchers by enhancing our patent award systems and system of bonuses for patent performance.

In recent years, counterfeit reagents purporting to be Sysmex products have been discovered in emerging markets. To ensure the reliability of test results, we are working to ensure that appropriate reagents are used.

Promoting Open Innovation



Production

Our instrument production structure is designed to ensure high levels of quality, and we are building a global reagent production structure to ensure a stable supply.

Instrument Manufacturing Aimed at Realizing High “Made-in-Japan” Quality

The “made-in-Japan” quality of Sysmex’s products has earned us the trust of markets around the globe.

The instruments we provide must meet extremely high quality requirements, but as they involve multiple precision components, automated and mechanized production is difficult. To address this issue, we have introduced leading-edge production and quality management technologies to support manual processes. The result is an accurate and highly efficient production system.

We work in cooperation with Japanese suppliers who boast top-class world technological capabilities to ensure high levels of quality from the materials and component levels.

By producing our instruments in Japan*, we are able to deliver high-quality, high-value-added products to customers around the globe.

*Sysmex Partec products are manufactured in Germany

Establishment of i-Square, Our New Core Instrument Factory

To prepare ourselves for growing instrument demand and substantially increase our manufacturing capacity, in June 2014 we established a core instrument factory, called i-Square. The new factory, combined with our existing Kakogawa Factory and two factories at affiliated companies in Japan, has tripled the Sysmex Group’s instrument manufacturing capacity.

We have established a warehouse within i-Square that enables the facility to handle all processes from manufacturing to shipping. This arrangement shortens the lead

time until customers receive our products and is lowering distribution costs. In order to respond to overseas deliveries, the factory is capable of handling processes ranging from container loading to customs processing. As a result, we ensure that products arrive at customer destinations more quickly and enhance our logistics efficiency.

As around 90% of our instruments are shipped overseas, we have in place quality control systems to comply with different companies’ legal requirements, as well as an environmental protection system.



Production using the 3D Move Manual



Advanced Technologies Underpinning Our Proprietary Manufacturing System

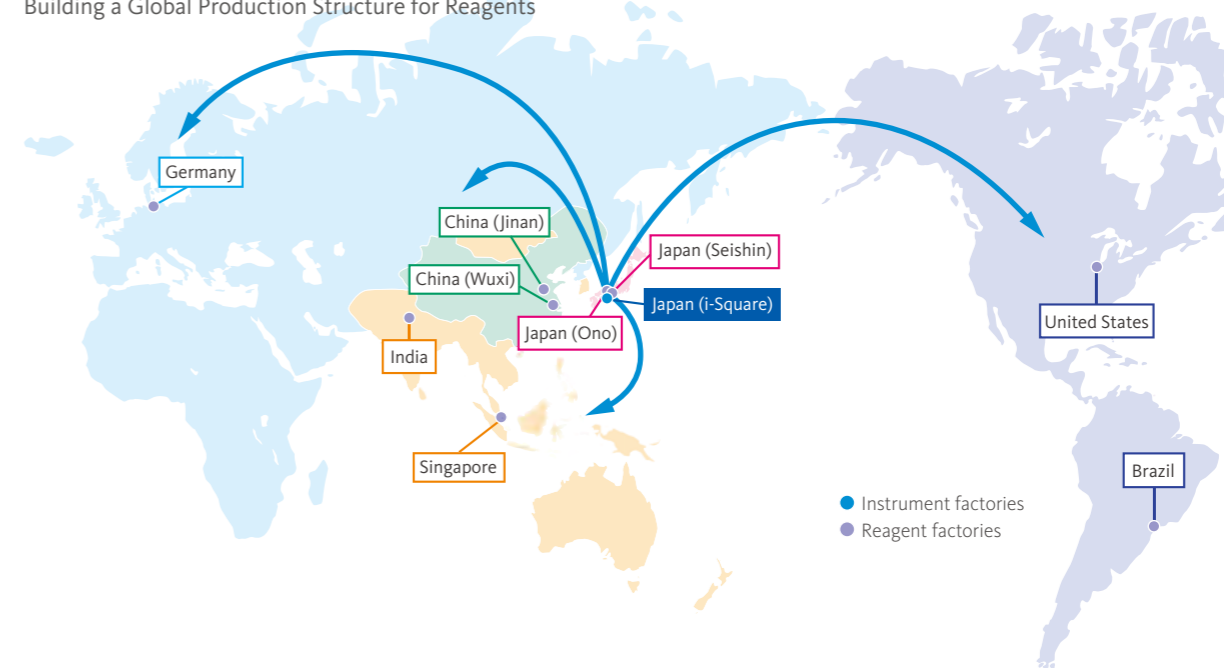
Sysmex has built a proprietary manufacturing support system that makes use of information technology—a system where technology underpins assembly tasks performed by people. One of the system’s components is Smart Pro, a manufacturing activity support system we developed. In addition to supporting workers and handling process management and quality control, this system identifies the status of an entire factory in real time, including such information as the state of production and number of workers, thereby controlling all manufacturing activities. We have also introduced the 3D Move Manual, which provides three-dimensional video to demonstrate the work procedures involved in instrument assembly. Using IT to support human workers in this way enables us to increase levels of both quality and productivity.

A Global Reagent Production Structure to Ensure a Stable Supply

Demand for reagents is increasing in line with growth in our installed instrument base. Sysmex operates reagent factories at two locations in Japan, as well as seven locations in six other countries. This network allows us to steadily meet demand in regions around the world. We also expect global demand to increase, so we are reinforcing our structure by setting up and expanding reagent factories in various regions. We expanded reagent factories in China in 2012, Singapore in 2014 and Germany in 2015. We are also increasing our reagent manufacturing area in the United States, an effort scheduled to begin full-scale operation in September 2017.

When we expand reagent production factories, in addition to ensuring high levels of manufacturing quality and efficiency, we make a point of preparing for future increases in production items and taking the global environment into account.

Instruments Manufactured in Japan for Delivery around the World
Building a Global Production Structure for Reagents



Sales and Support Services

We have built a structure to provide high-quality products and support services to customers in more than 190 countries around the world.



System Inspiring Trust and Confidence through Its Sale and Support Services

System plays an important role in supporting laboratory testing. Interrupted testing means that physicians become unable to diagnose their patients. We work to prevent this situation by selling products and providing after-sales services and scientific information, thereby inspiring trust and confidence among customers around the world. As a result, System enjoys high levels of customer satisfaction for its products and support service activities.

We share the content of customer inquiries throughout the world to augment the quality of our support services. This information is also provided as feedback to our R&D divisions to aid in future product development.

Creating a Global Sales and Support Service Structure Tailored to Regional Characteristics

Since its establishment of a subsidiary in the United Kingdom in 1991, System has expanded its direct sales and support service structure globally, conducting sales and providing support services that meticulously meet customers' needs. We are also accelerating our global development through indirect sales, utilizing networks on the basis of alliances.

Making proposals tailored to individual regions, we are meeting rapidly growing demand for testing in emerging markets by providing compact products that carry forward the functionality and operability of our high-end products. In this way, we deliver products and services that meet the needs of individual regions. In advanced countries that require highly specialized testing, in addition to providing instruments and reagents we make overall laboratory proposals aimed at enhancing the efficiency of testing.

Providing a Testing Environment That Instills Confidence

System builds support service structures that are attuned to markets. Our Customer Support Center provides support around the clock, 365 days a year* to field inquiries about System products and respond to any trouble. We also have dedicated staff with extensive specialized knowledge on hand to respond to scientific queries.

We have established Customer Support Centers in Japan, the United States, China, Germany and South Korea, and service engineers visit customer locations directly, as needed.

We are also promoting the global rollout of our network support system, SNCS™ (System Network Communication Systems). This system, which conducts quality control of customers' instruments in real time and automatically monitors the operating environment, has been adopted by and earned high praise from numerous customers. By determining instrument conditions in real time, SNCS™ perceives errors before they arise. The system also allows instrument diagnosis and maintenance to be performed via remote operation, helping to reduce

downtime during which testing cannot be performed. In addition to advanced countries, we are steadily increasing the number of customers who employ this system in Asia and other emerging markets.

*Limited to customers with whom we have entered into specific agreements

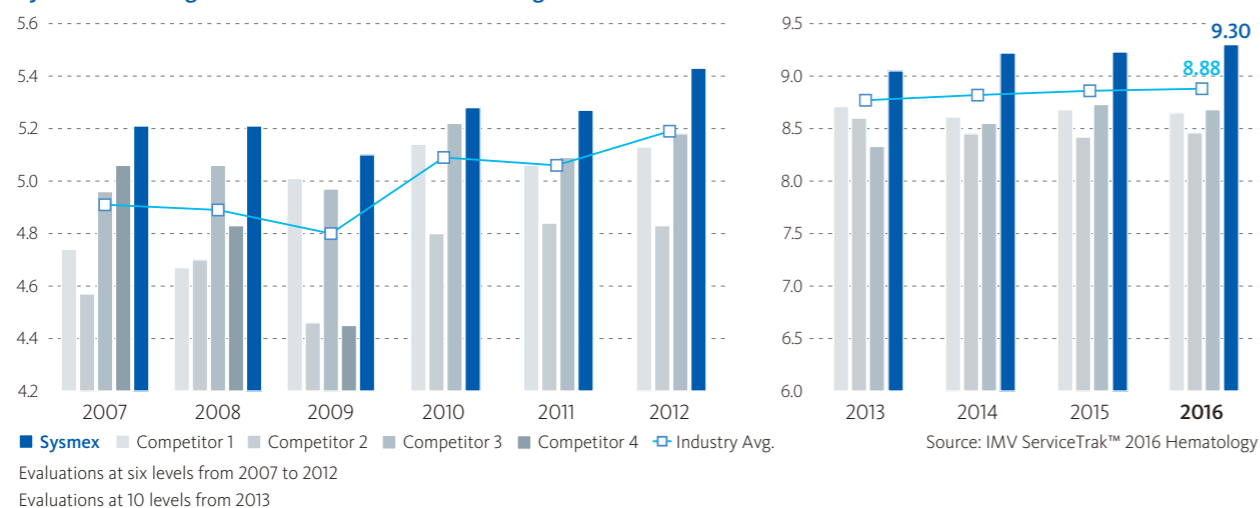
Providing New Added Value to Deliver Even Better Test Results

In providing high-quality healthcare services, it is important for customers to have a good understanding of System's products. For this reason, in addition to communicating information, we conduct training on actual instruments to ensure that customers know how to use System instruments properly and analyze data.

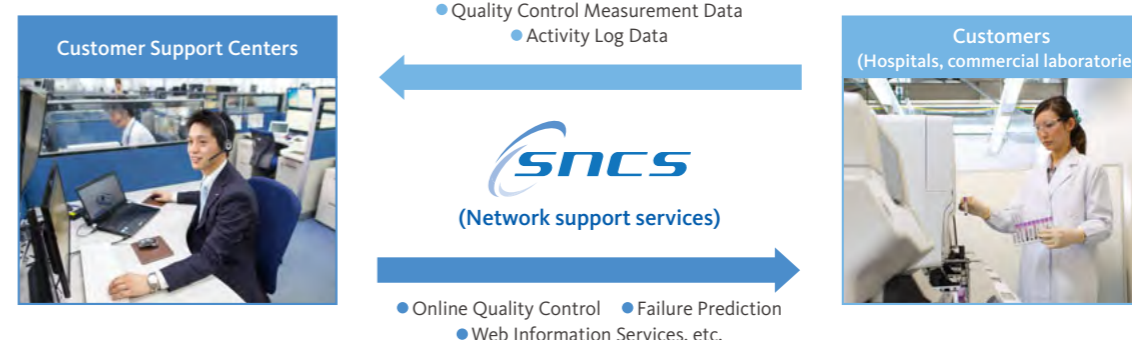
In addition, System conducts scientific seminars around the world, helping to raise level of healthcare by providing physicians and laboratory technologists with the most recent information on hematology. We have held scientific seminars in Japan every year since 1978. We also conduct seminars on a regular basis in other countries throughout Asia, including China, Thailand and Indonesia.

Customer Assessment in the United States

System Earns Highest Customer Satisfaction Rating for Overall Service Performance for the Past 10 Years



SNCS™ Network Support Service



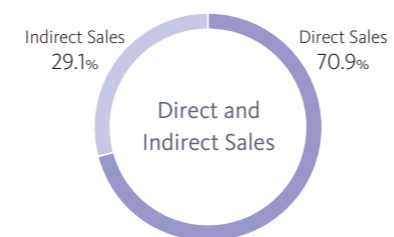
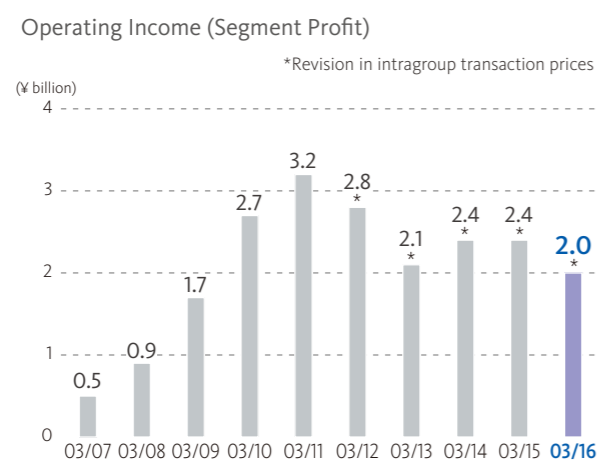
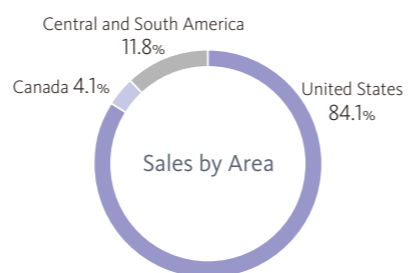
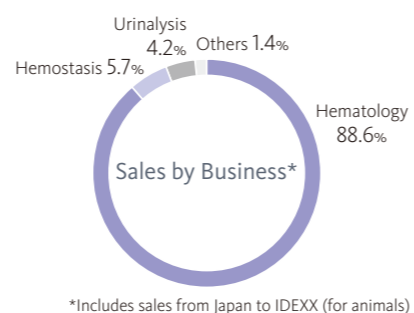
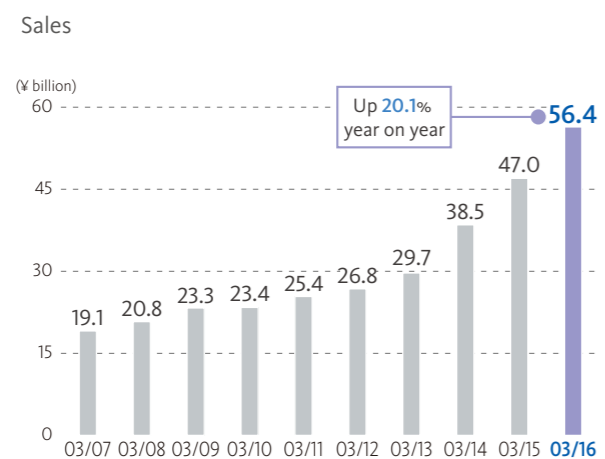
Overview of Business by Geographic Region

Americas

We have acquired a high market share in the hematology field in North America. We aim to achieve further growth by establishing bases in Central and South America.



Activities in the Fiscal Year Ended March 31, 2016



1USD=¥120.1 in the fiscal year ended March 31, 2016
(1USD=¥109.9 in the previous fiscal year)

- ▶ Sales rose substantially, as service activities generating high levels of customer satisfaction and the competitiveness of the XN-Series led to higher sales of instruments, reagents and services.
- ▶ Operating income decreased due to a reversal in deferred service revenue and income from the fiscal year ended March 31, 2015, and a rise in SG&A expenses to strengthen sales and support service activities in the United States.
- ▶ Status in Principal Areas
 - In the United States, sales grew due to higher sales of system products, stemming from the acquisition of large-scale projects in the hematology field.
 - In Central and South America, sales rose slightly, as the acquisition of a large-scale government project in Mexico overcame the impact of depreciation in the value of the real.

Growth Trajectory

Sysmex commenced direct sales in the United States in 2003. Since that time, we have earned a high degree of customer satisfaction by proposing advanced services and solutions, and our sales and market share in the region have expanded accordingly. In 2007, we also established a subsidiary in Canada and began direct sales in that country. In Central and South America, we have built up a sales

and support service network through alliances. We are reinforcing our support for distributors by setting up locations in key countries.

We produce reagents at two locations in the region—the United States and Brazil. In preparation for further demand growth, we are expanding our U.S. reagent factory, and construction is scheduled for completion in 2017.

Market Overview

North America

- Characteristics:
- The world's largest market
 - Number of insured people increasing, due to reforms in the medical insurance system
 - Sharply rising medical expenses, increasingly diverse medical needs, growing level of sophistication

Central and South America

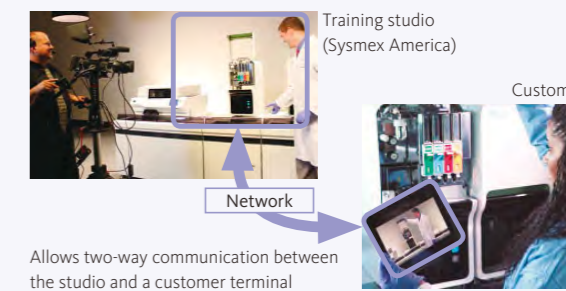
- Characteristics:
- Medical needs increasing in line with economic growth
 - Population of approximately 620 million

Initiatives

- Developing online service activities (through SNCS™, virtual training, etc.) to enhance support services
- Opening an office to enhance sales promotion in the west coast area of the United States
- Entered agreements with distributors in 33 countries in Central and South America, and established a sales and support service network
- Setting up bases in major countries, including Brazil and Mexico

Achieving a High Level of Customer Satisfaction through Advanced Support Services

We have customers across the vast expanse of North America. To ensure that customers are able to use our products with peace of mind wherever they are located, therefore, we are using IT to augment our support services. For instance, we can provide service using live feeds from our training studio at our regional headquarters near Chicago to offer assistance on instrument operating methods and repair procedures.



Aiming for Further Growth

By providing advanced support services and reinforcing our sales and support service structure in the U.S. west coast area, we are working to achieve further growth in the hematology field in North America.

To achieve further growth going forward, we are also working to boost competitiveness by introducing new

products in the hemostasis and urinalysis fields.

The market in Central and South America is expected to expand in line with economic growth in the region. In response, we are establishing bases in major countries to further enhance our support for distributors.

Overview of Business by Geographic Region

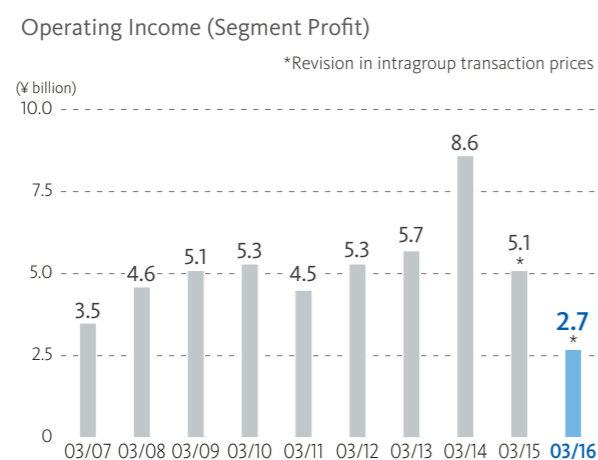
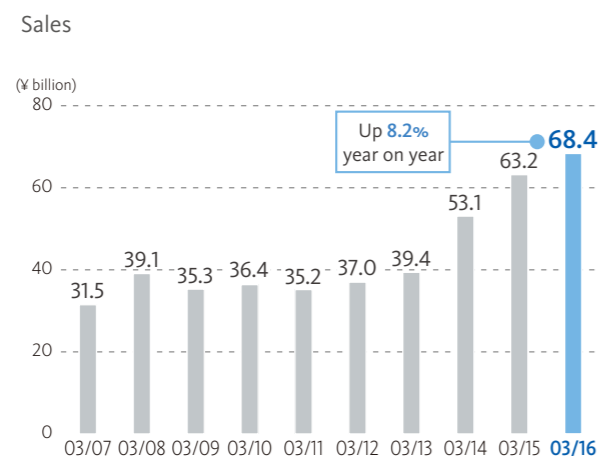
EMEA (Europe, the Middle East and Africa)

We operate in more than 100 countries in this region, including advanced countries and emerging markets.

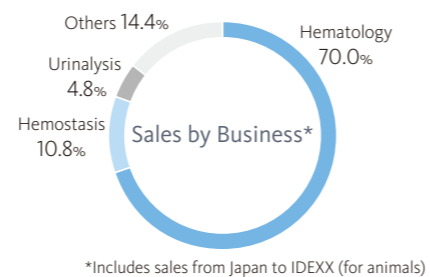
We are building sales and support service structures tailored to regional characteristics.



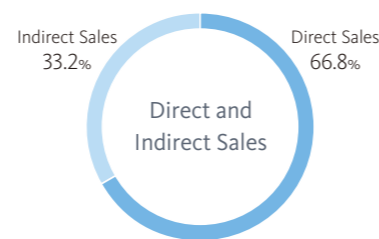
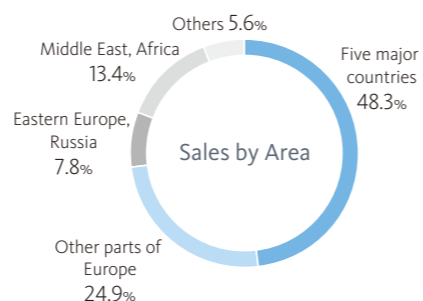
Activities in the Fiscal Year Ended March 31, 2016



1EUR=¥132.6 in the fiscal year ended March 31, 2016
(1EUR=¥138.8 in the previous fiscal year)



*Includes sales from Japan to IDEXX (for animals)



► Sales increased throughout the region—in the Middle East, Russia and other emerging markets, as well as the five major countries.

► Operating income fell because of the revision in intragroup transaction prices and increased operating expenses at Sysmex Partec and Sysmex Inostics.

► Status in Principal Areas

- In the five major countries, large-scale projects in Italy and Spain pushed up sales.
- In other parts of Europe, sales increased in Denmark due to the acquisition of major projects, as well as in other countries.
- Sales increased thanks to expansion in the hematology field in Poland, and in Russia due to the acquisition of a project for a large-scale commercial lab.
- In the Middle East and Africa, sales increased thanks to the winning of a tender offer for facilities in Saudi Arabia operated by the country's Ministry of Health.



Growth Trajectory

In the EMEA region, we established a representative office in Germany in 1972 and expanded our sales area through distributors. In 1991, we began conducting direct sales in the United Kingdom, our first time to do so overseas. We established subsidiaries in countries and regions where

markets were expected to grow and reinforced our sales and support service structures.

In response to growing reagent demand in the EMEA region, in 2015 we expanded our reagent factory in Germany, creating a structure to ensure a stable supply of reagents.

Market Overview

Advanced Countries

Region: Five major countries (Germany, the United Kingdom, France, Spain, Italy), other parts of Europe

- Characteristics:
- Increasingly diverse medical needs, ongoing sophistication
 - Amid efforts to curtail rising medical costs, continuing laboratory mergers and closures, growing needs for efficiency increases

Emerging Markets

Region: Eastern Europe, Russia, Middle East and Africa

Characteristics:

- Ongoing efforts to build medical infrastructure in line with economic development

- Population of approximately 1.7 billion

Initiatives

- Proposing systemization to address the diverse issues customers face, and enhancing testing efficiency and quality
- Investing in the life sciences, FCM and other businesses as potential areas of new growth
- Establishing bases in markets slated for future growth, including Eastern Europe, Russia, the Middle East and Africa
- Offering compact instruments for small and medium-sized hospitals and other products and services in response to emerging market needs

Reinforcing Structures in Response to Regional Characteristics

The EMEA region comprises more than 100 countries and is characterized by diverse languages and business practices, presenting the need to build structures that cater to the characteristics of individual areas. We are meeting this challenge by establishing bases in the region, setting the stage for us to strengthen customer relationships and proposal-making capabilities. In recent years, we have set up subsidiaries mainly in emerging markets, including in Turkey in 2014 and Ghana in 2015, and bringing our number of companies in the EMEA region to 27.



Sysmex West and Central Africa (Ghana)

Aiming for Further Growth

In advanced countries, efforts are underway to curtail medical costs, and laboratories are merging or closing. In response, Sysmex is suggesting ways to increase laboratory efficiency and promoting high-value-added proposals. In emerging markets, we are continuing to set up sales

and support service structures and promote business.

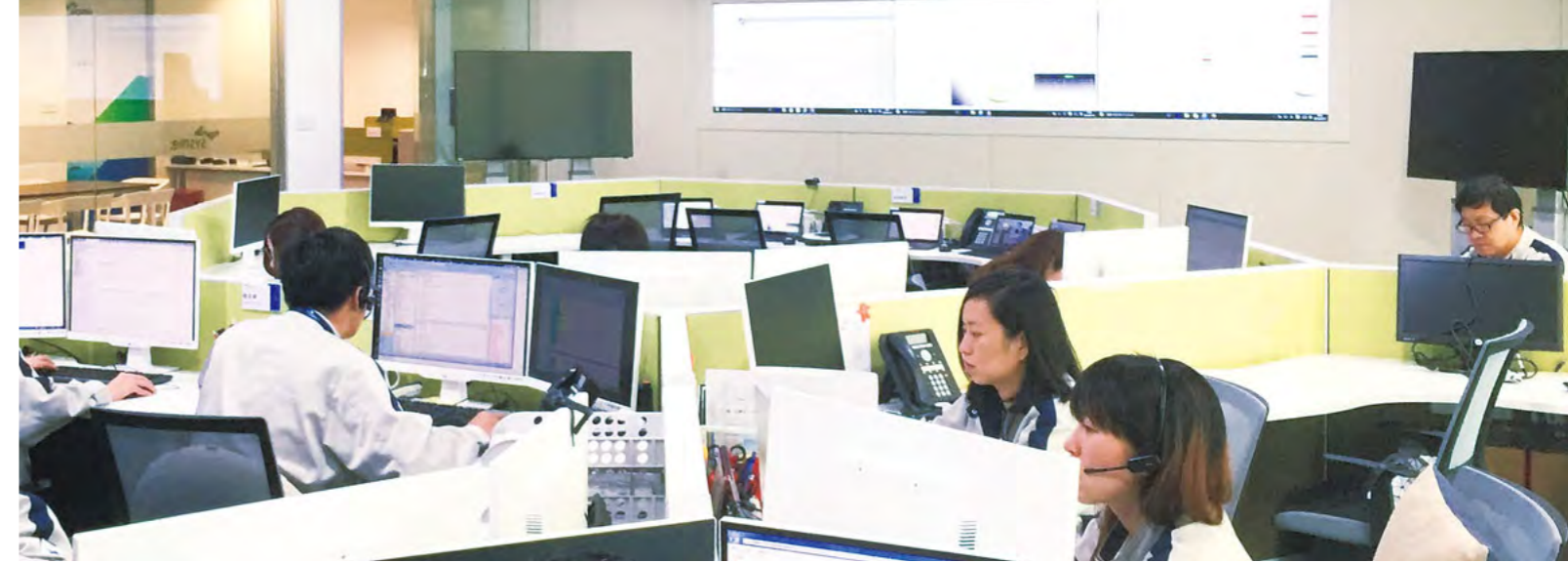
We are positioning EMEA as an important location for R&D in the life sciences and FCM businesses, as well as manufacturing, and plan to accelerate these businesses.

Overview of Business by Geographic Region

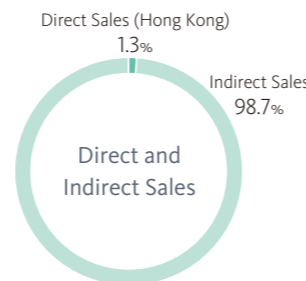
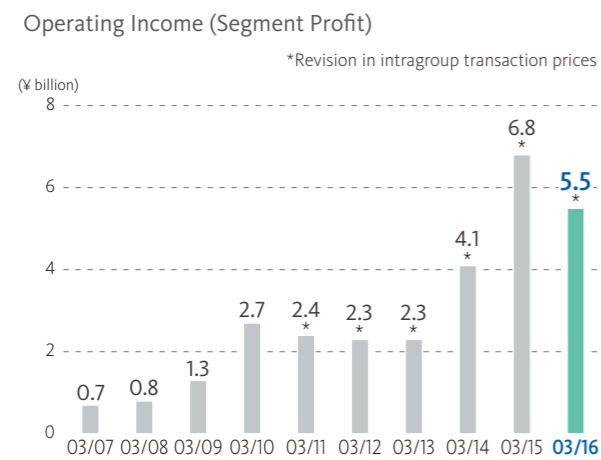
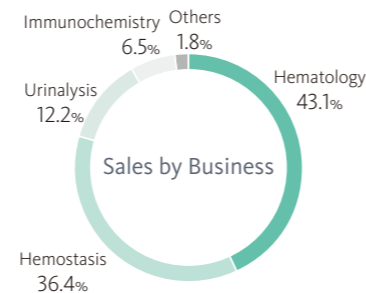
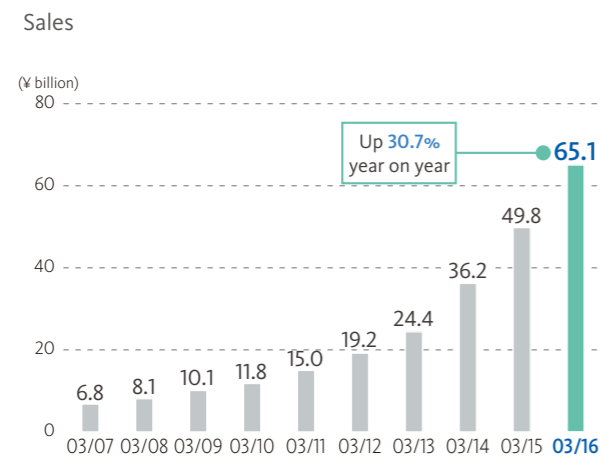
China

We have led other companies in developing a base of operations in this region.

We will shore up our position as the leading company in the IVD domain.



Activities in the Fiscal Year Ended March 31, 2016



1ICNY=¥18.9 in the fiscal year ended March 31, 2016
(1ICNY=¥17.8 in the previous fiscal year)

- ▶ Sales in the hematology, hemostasis and immunochemistry fields pushed up net sales substantially.
- ▶ Operating income was down year on year due to impact of the revision in intragroup transaction prices and higher SG&A expenses to reinforce activities in the immunochemistry field.
- ▶ Status of Principal Fields
 - In the hematology field, sales were up year on year, reflecting robust sales of instruments in the XN-Series for system proposals.
 - In hemostasis, sales were up significantly due to strong sales of the CS-Series and increased demand for fibrin parameter reagents.
 - Sales were flat in the urinalysis segment, due in part to the effect of a period of transition to new products.
 - In the immunochemistry field, sales increased due to expanded sales of theHISCL-Series, commencing in the fiscal year ended March 31, 2015.

Growth Trajectory

Sysmex recognized the growth potential of the China market early on. We established a reagent factory in Jinan in 1995, followed by a representative office in Shanghai in 1996. Through measures such as these, we led other companies in initiatives to build a robust base of operations in the country. In anticipation of growing demand, in 2012

we expanded our reagent factory, setting place a system that approximately quintupled its production volume. We are proactively holding scientific seminars and engaging in other efforts contributing to the quality of testing.

We are expanding our business portfolio in China, such as by entering the immunochemistry field there in 2015.

Market Overview

- Characteristics:
- Diverse business practices, varying by area
 - Chinese government investing in infrastructure to increase the quality of healthcare in the country

- In line with growing demand for healthcare, needs for heightened testing efficiency and automation are increasing, leading to a switch toward high-end instruments
- Population of approximately 1.4 billion

Initiatives

- Entered in agreement with more than 200 sales distributors, and building our business base
- Making inroads in immunochemistry, as well as hematology, hemostasis and urinalysis fields
- Establishing an advantage in this market, which has a need for high-end instruments

Moving into the Immunochemistry Field

Leveraging the geographic advantage conferred by our origins in Asia, we have set up a sales structure that takes market characteristics into account. By taking advantage of the brand power we have cultivated in the mainstay fields of hematology, hemostasis and urinalysis, we have begun proactive developments in the immunochemistry field, as well. We are promoting sales of the HISCL™-Series, a fully automated immunoassay system characterized by high levels of sensitivity and speed. Going forward, we aim to augment sales by increasing the number of unique measurement parameters.



Aiming for Further Growth

We endeavor to step up our dominance in the *in vitro* diagnostics domain in the China market by stepping up sales and distributor support in the immunochemistry field, as well as the hematology, hemostasis and urinalysis fields.

We are also proactively undertaking efforts on the scientific support front, as we strive to further enhance awareness of the Sysmex brand and bolster our brand presence in this market.

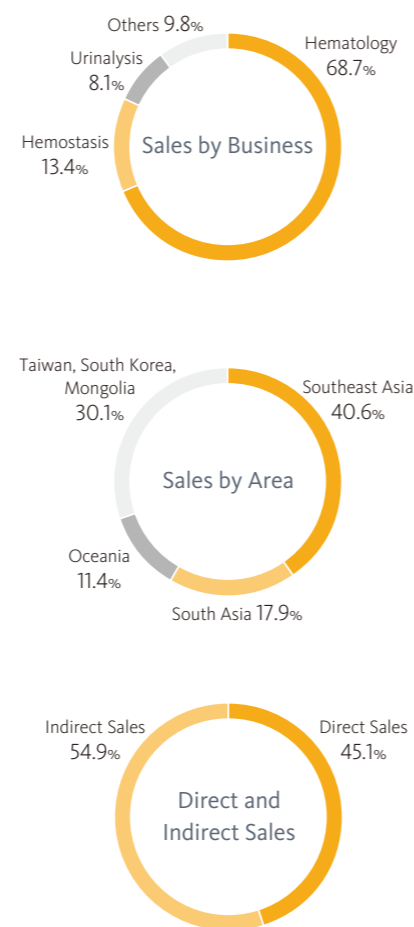
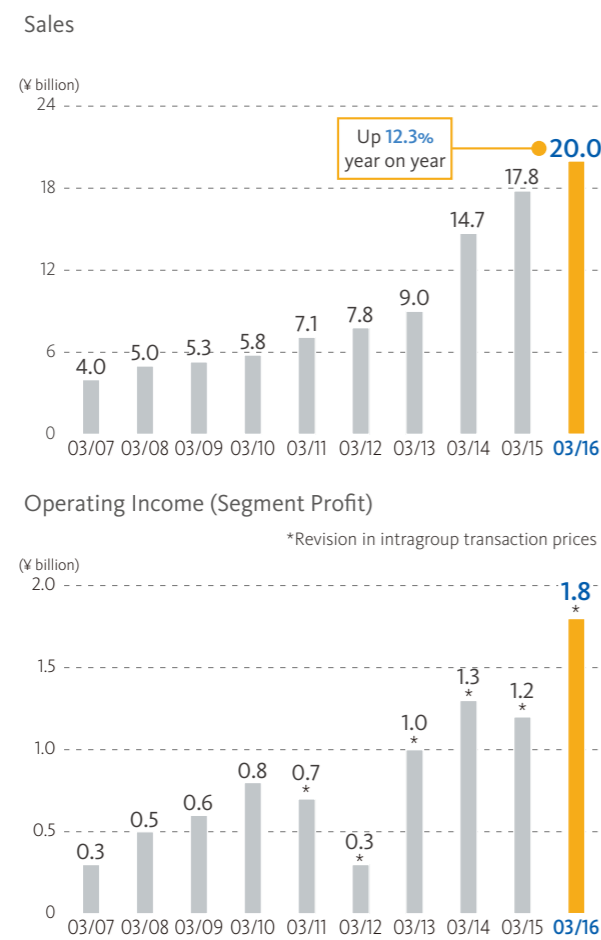
Overview of Business by Geographic Region

Asia Pacific

The Asia Pacific market has a population of around 2.4 billion people. Through scientific awareness activities centered on emerging markets, we are contributing toward increases in the quality of testing.



Activities in the Fiscal Year Ended March 31, 2016



- ▶ Net sales for the region increased, with higher sales centered on the hematology field in India, Indonesia and South Korea.
- ▶ Operating income increased, reflecting higher sales.
- ▶ Status in Principal Areas
 - Sales increased in Southeast Asia, centered on higher sales in the hematology field in Indonesia, Vietnam and the Philippines.
 - In South Asia, sales were up due to expansion in the hematology and clinical chemistry fields in India and significant increases in Bangladesh.
 - Sales were up slightly in Oceania, reflecting the acquisition of large-scale projects in Australia, as in the previous year.
 - Sales were up in South Korea, centering on hematology instruments and reagents.

Growth Trajectory

The 1994 establishment of a representative office in Singapore marked our entry into this market. Taking advantage of our position as a company headquartered in Asia, we took the lead over our competitors in establishing bases broadly across the region. Recent activities include opening a branch in Myanmar in 2015, strengthening support services and building an industry-leading sales and

support service network. In this manner, we are fortifying our presence in the Asia Pacific market.

In 2014, we relocated and expanded our reagent factory in Singapore. With this factory, combined with our reagent factory in India, we are making steady strides toward meeting increased reagent demand in the region.

Market Overview

- Characteristics:
- Includes both advanced and emerging markets, with diverse languages and business customs
 - In advanced countries, increasingly diverse healthcare needs and growing sophistication

- In emerging markets, demand for healthcare and testing is rising in tandem with economic growth.
- Government-led advances in healthcare infrastructure development in some countries
- Population of approximately 2.4 billion

Initiatives

- By establishing local subsidiaries and through distributor activities, building a regionally optimized sales and service structure
- Developing scientific awareness activities in each country
- Commencing direct sales in India in the hemostasis and urinalysis fields
- Expanding our product portfolio by leveraging our brand strength in the Asia region.

Strengthening Scientific Awareness Activities to Raise the Quality of Testing in Emerging Markets

In some emerging markets, there is a need to conduct quality assessments to ensure the accuracy of testing results and further increase the quality of testing. Sysmex works with local governments and academic societies to conduct external quality control*, thereby contributing to the standardization of testing results. We also provide academic materials catering to national and regional characteristics, and hold scientific seminars. Efforts such as these are designed to enhance awareness of the importance of testing.



Held a scientific seminar in the Philippines in 2015 (attended by 853 people)

* External quality control: These activities are conducted to check differences in testing results at different medical institutions and perform calibrations. Instruments are adjusted by comparing the measured results obtained at individual medical institutions with the reference values set by standard instruments.

Aiming for Further Growth

Going forward, demand in many countries is expected to increase in line with economic growth. By enhancing its direct sales structure and stepping up scientific awareness activities in collaboration with various national

governments, Sysmex is working to steadily increase its market share in the hematology field. In the hemostasis, urinalysis and immunochemistry fields, we are launching new products to expand our product portfolio.

Overview of Business by Geographic Region

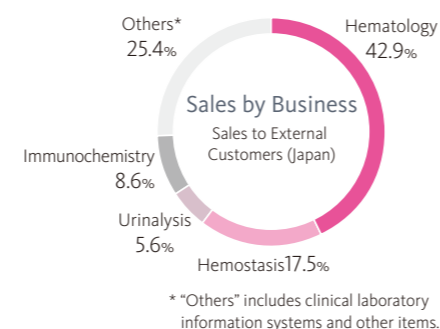
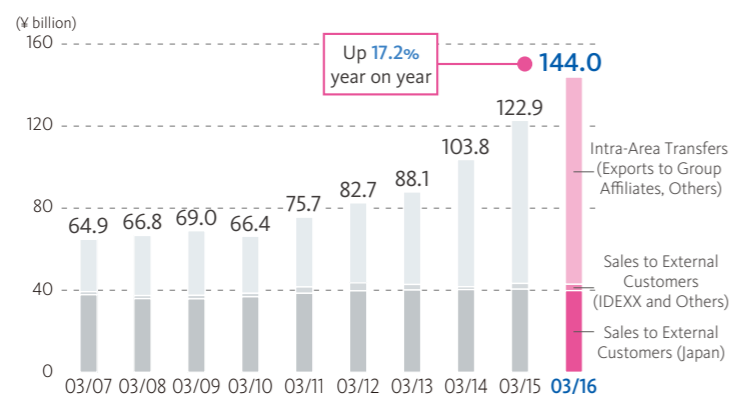
Japan (including exports to overseas subsidiaries)

As a leading company in the IVD domain, we aim to boost overall laboratory sophistication and efficiency, and are working to create new testing parameters.

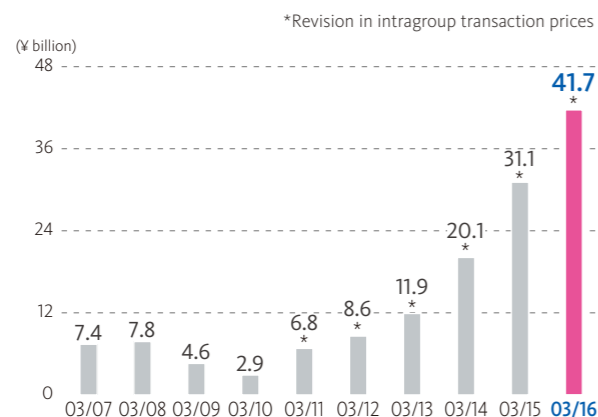


Activities in the Fiscal Year Ended March 31, 2016

Sales (including intra-area transfers)



Operating Income (Segment Profit)



1USD= ¥120.1, 1EUR= ¥132.6 and 1CNY= ¥18.9 in the fiscal year ended March 31, 2016
(1USD= ¥109.9, 1EUR= ¥138.8 and 1CNY= ¥17.8 in the previous fiscal year)

- ▶ Sales and operating income in the Japan geographic region grew, due to higher intra-group sales to Group affiliates (overseas) and a revision in intragroup transaction prices.
- ▶ In Japan (sales to external customers), reagent sales increased, centered on the immunochemistry field, but instrument sales fell, leading to a slight year-on-year decrease.
- ▶ Favorable instrument sales to IDEXX pushed up sales.

Growth Trajectory

Systemx has contributed to the development of testing over the years by developing Japan's first automated hematology instrument in 1963 and launching system products in the 1990s. Centered on the hematology field, we have also expanded our efforts to encompass the fields of hemostasis, urinalysis, immunochemistry and the life sciences. Furthermore, we have enhanced our support

service structure, including through the SNCS™ network support service. We are also working to create new value as a hub for R&D and manufacturing. We manufacture high-end instruments in Japan for export to other countries and shipment to customers in a variety of locations around the world.

Market Overview

- Characteristics:
- Decline in the birthrate and rapid aging of the population
 - Increasingly diverse and sophisticated healthcare needs
 - Amid calls to reduce healthcare spending, a growing focus on personalized medicine and preventive medicine

Initiatives

- As a comprehensive IVD supplier, supply products in a wide range of fields in addition to hematology, and propose solutions that boost overall laboratory efficiency
- Develop new and unique testing parameters in the immunochemistry field

Stepping up Our Proposal of Solutions Leading to Higher Levels of Overall Laboratory Sophistication and Efficiency

By optimizing laboratory workflows, Systemx makes high-value-added proposals, such as shortening the amount of time required for testing. As a result, laboratory technologists can provide physicians with more detailed information in combination with test results. In addition, the use of IT to manage laboratory data facilitates complex judgments and verification and allows testing results to be communicated to physicians quickly.



Workflow improvement proposal (sample laboratory)

Aiming for Further Growth

Systemx will work to expand its immunochemistry business in the Japanese market by increasing its number of unique measurement parameters and promoting its HISCL™ brand of fully automated immunoassay systems.

As a hub for the R&D and manufacturing functions, divisions in Japan will support the Systemx Group's global business expansion.

Striving for Sustainable Increases in Corporate Value

By putting the “Sysmex Way,” the corporate philosophy for the Sysmex Group, into action, we work to contribute to society and achieve sustainable increases in corporate value.

Sysmex Way



Corporate Governance

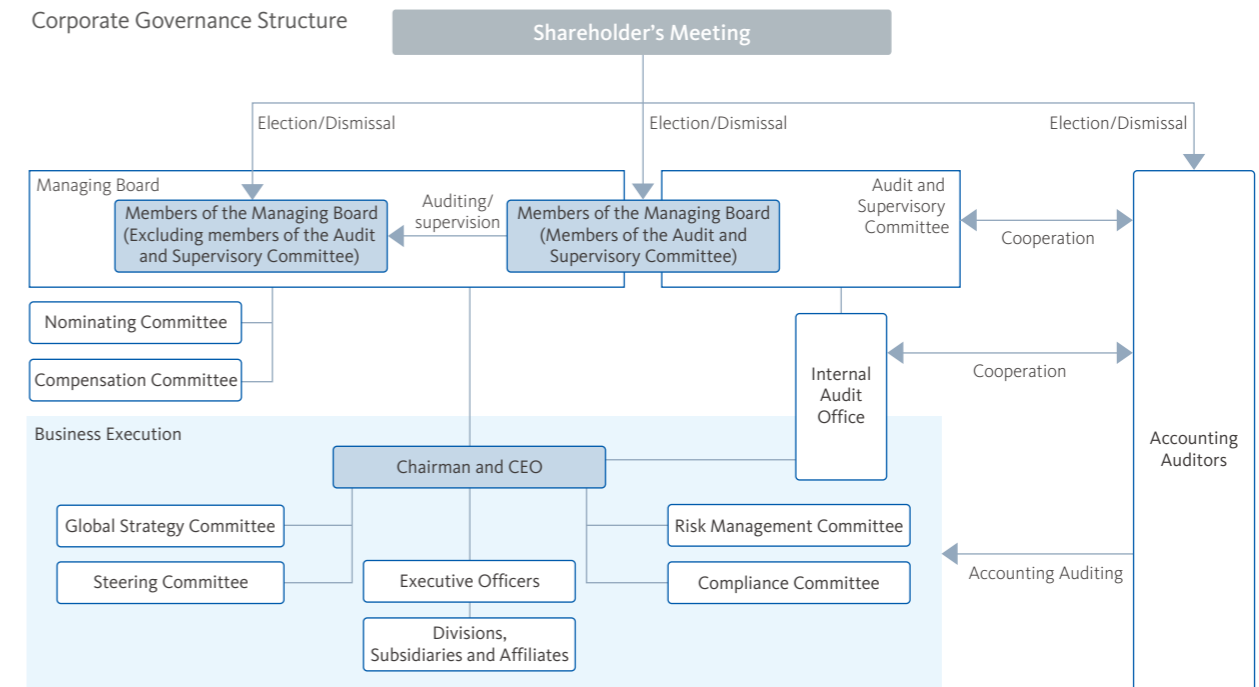
By enhancing management soundness and transparency, we aim to maximize the corporate value of the entire Group.

Management Organization

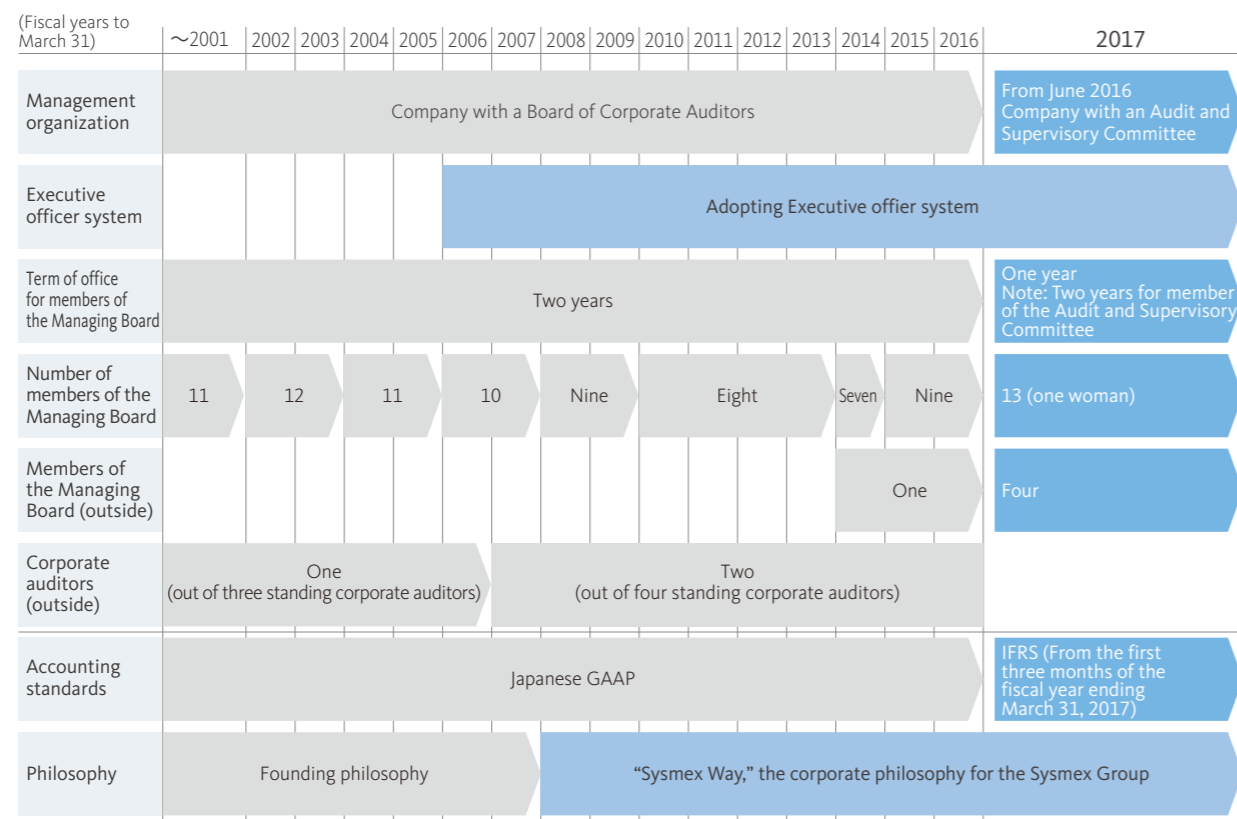
Sysmex recognizes that reinforcing corporate governance is an important management issue. In accordance with the “Sysmex Way,” the corporate philosophy for the Sysmex Group, we have adopted a structure designed to augment management soundness and transparency, as well as increasing management speed and efficiency. In June 2016, Sysmex transitioned from the form of a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee. By giving Managing Board voting rights to members of the Managing Board who are members of the Audit and Supervisory Committee, we are reinforcing the Managing Board’s audit and supervisory functions, increasing management transparency and objectivity, and enhancing the corporate governance system.

We are also strengthening the Managing Board’s audit and supervisory functions by appointing outside members.

The management structure currently comprises 13 members of the Managing Board (of whom four are outside members). Three members of the Managing Board are also members of the Audit and Supervisory Committee (of members of the Audit and Supervisory Committee, two are outside members of the Managing Board). Furthermore, the Company has 19 executive officers (of whom seven are also members of the Managing Board). In addition, the Company has introduced the executive officer system to speed up its decision-making on business execution and respond more swiftly to changes in the business environment.



Advances in Corporate Governance



Organization	Activities	Members	Meetings in the fiscal year ended March 31, 2016
Managing Board	Deliberate important matters related to management	Members of the Managing Board	14 (rate of attendance: 99.5%)
Global Strategy Committee	Deliberate on the Group’s management direction and matters of strategic important	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	Chairman and CEO and executive officers	19

Audit and Supervisory Committee

Of the three members of the Audit and Supervisory Committee, two are outside members of the Managing Board. Members of the Audit and Supervisory Committee attend meetings of the Managing Board, as well as of the Global Strategy Committee and Steering Committee. In this way, members of the Audit and Supervisory Committee monitor the appropriate execution of duties by members of the Managing Board. Depending on the

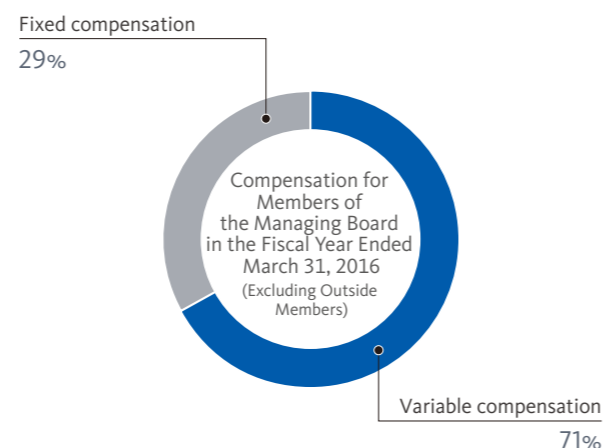
details of Internal Audit Office activities, the Audit and Supervisory Committee is in place to provide instruction to the Internal Audit Office, as necessary.

The Audit and Supervisory Committee works closely with the accounting auditors on the audit plans report (annual), the audit results reports (annual), and conducting internal control audits related to financial reporting by exchanging information and opinions as necessary.

Corporate Governance

Executive Compensation (Fiscal Year Ended March 31, 2016)

Systemex determines executive compensation amounts and calculation methods by making a clear link between operating performance and responsibility for achievement. Compensation for members of the Managing Board divides broadly into fixed and variable portions (including stock options). Fixed compensation is determined on the basis of a member's position, while variable compensation varies depending on performance. Compensation for corporate auditors comprises only a fixed portion. Compensation amounts are discussed and determined by the Managing Board following deliberation by the Compensation Committee.



Breakdown of Executive Compensation (Fiscal Year Ended March 31, 2016)

Total amount of executive compensation by executive category, total amount by type of compensation and number of executives receiving compensation

Executive category	Total compensation (¥ million)	Total compensation by category (¥ million)				Number of executives
		Basic compensation	Stock options	Bonuses	Retirement benefits	
Members of the Managing Board (excluding outside members)	865	251	59	554	—	8
Corporate auditors* (excluding outside corporate auditors)	36	36	—	—	—	2
Outside executives	17	17	—	—	—	3

*The Company was a company with corporate auditors through the fiscal year ended March 31, 2016.

Executives Receiving Total Compensation of ¥100 Million or More

Name	Executive category	Amount of compensation by type (¥ million)				Total compensation (¥ million)
		Basic compensation	Stock options	Bonuses	Retirement benefits	
Hisashi Ietsugu	Member of the Managing Board	59	20	172	—	251

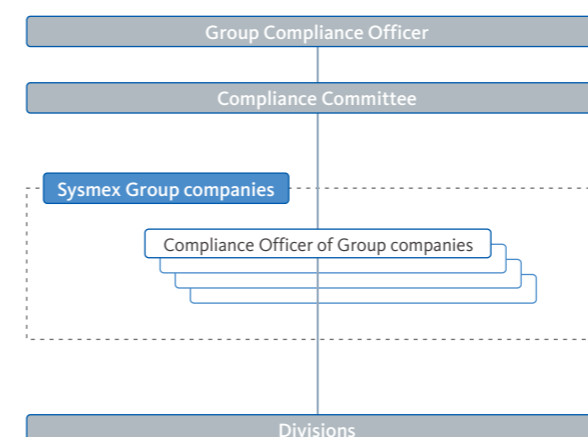
Compliance

Based on our Group philosophy, the "Systemex 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." In accordance with this definition, 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 conducts training and works to instill this code. The code describes our thoughts on ethics in relation to research and development, prevention of bribery, adherence to international guidelines such as the Universal Declaration on Human Rights, as well as research and development. We also set forth a bylaw for revising this code once every two years, in principle, to respond to changes in our internal and external environments.

Systemex formulates internal control regulations with regard to security export control and registers for approval with the regulatory authorities at the Ministry of Economy, Trade and Industry. Under the Compliance Committee, we have established a Security Export Control Committee. Based on our internal control regulations, this committee strives to reinforce our security export control system and thoroughly verify the destinations and purposes of our export of commodities and technologies.

To strengthen the security export control system for the Group as a whole, we are introducing management systems that link with enterprise resource planning (ERP) systems at regional headquarters overseas in an effort to ensure management thoroughness and increase efficiency.

Compliance Structure



Risk Management

To control groupwide risk management activities, Systemex established a Risk Management Committee, which is chaired by a risk management officer, the Group's chief executive in charge of risk management. The Risk Management Committee identifies major risks having the potential to significantly impact the Group's business and consistently observes the results of risk response and monitoring by individual divisions and affiliated companies.

Regarding quality, we have constructed a system to ensure compliance with laws and standards around the world, and we act accordingly. With regard to our quality management system, nearly all Group companies handling development or manufacturing functions have constructed management systems in line with and obtained certification under the ISO 9001 or ISO 13485*1 international standards. Of our 64 Group companies, 31 have received ISO 9001 certification and 19 have obtained ISO 13485 certification. Systemex also conducts management reviews and audits of quality activities at its principal Group companies to confirm that the management system is operating properly. In addition to quality policy training for all Group employees, we conduct specialized quality education targeting specific departments and job types. To share quality-related information throughout the Group and reinforce our systems, once a year we hold a meeting at which quality-related division managers from our headquarters, Systemex Corporation, as well as regional headquarters and affiliates gather.

Regarding disclosure, we make it a rule to disclose any information that we believe will affect investment decisions in light of our own standards, as well as to observe applicable laws and regulations concerning securities trading and the Rules on Timely Disclosure of Corporate Information by the Issuer of Listed Security and the Like established by stock exchanges.

*1 ISO 13485: Quality management system for the design and manufacture of medical devices

Corporate Governance

IR Activities to Enhance Corporate Value

Systemex recognizes that investor relations activities are an important facet of corporate management, and discloses appropriate information in a timely manner. By communicating directly with shareholders and investors, we have also put in place a system to quickly provide third-party evaluations and requests as feedback to management.

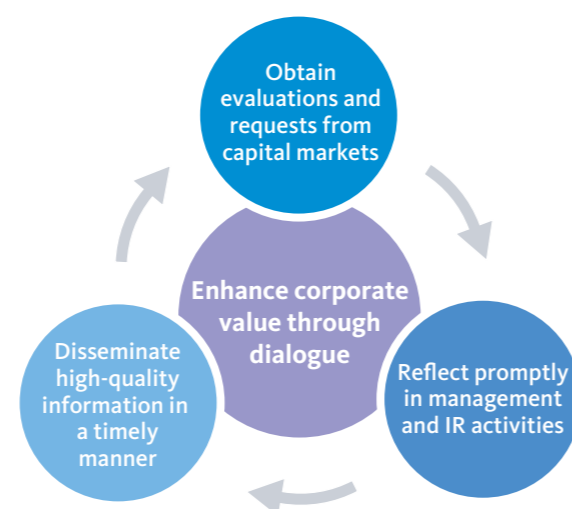
At meetings with institutional investors and analysts, we engage proactively on such themes as R&D, shareholder returns and capital policies, as well as our management strategies, business model and medium-term management plans. Although headquartered in Kobe, Systemex visits locations including Tokyo, the United States, and European and Asian countries to conduct IR meetings. In the fiscal year ended March 31, 2016, we conducted 365 meetings.

Systemex also provides other opportunities for direct interaction, such as hosting tours of its overseas and domestic facilities.

Meanwhile, we strive to introduce information about our business to individual shareholders and investors in an easy-to-understand manner via shareholder newsletters, our website and various video content.

At briefings and through shareholder newsletters, we regularly obtain information through questionnaires and reflect evaluations from our shareholders and the market into our management.

Objectives of Systemex's IR Activities



Principal IR Events

Event	Activities
Technology presentations	Explanations from people in charge of R&D divisions about R&D progress
Systemex IR Day (business office tours)	Every other year In 2014, instrument factory tours and explanations about our manufacturing structure and characteristics from the executive in charge
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 Systemex's strengths
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
IR meetings	Participation in conferences hosted by securities companies, visits to institutional investors in the United States and European and Asian countries, and meetings with investors and analysts in Japan and overseas

Proactive Disclosure

In addition to financial results briefings and conference calls, in the supplements to its financial results Systemex proactively discloses voluntary information such as operating performance by geographic region, type of business and product category. At our annual technology presentations, the people in charge of R&D divisions explain our R&D progress, thereby communicating our R&D successes and Systemex's future potential.

In the fiscal year ending March 31, 2017, we are voluntarily adopting the International Financial Reporting Standards (IFRS). Our aim is to enhance convenience to shareholders and investors by facilitating the international comparison of financial information.

External Evaluations for IR Activities

In 2015, Systemex won the IR Grand Prix Award, sponsored by the Japan Investor Relations Association, demonstrating a strong evaluation of its IR activities.

We aim to continue conducting high-quality IR activities going forward. To this end, we will proactively disclose information outside the Company and provide feedback into the Company, as we endeavor to reflect the results of IR activities to management.



IR Grand Prix Award ceremony

Major Awards in the Fiscal Year Ended March 31, 2016 (IR Activities)

Sponsor	Awards
Japan Investor Relations Association	20th "IR Grand Prix Award" (only two companies selected out of the 263 participating)
Securities Analysts Association of Japan	Selected for excellence in disclosure at the 2015 Awards for Excellence in Corporate Disclosure, ranking first in the pharmaceuticals category and in excellence in disclosure to individual investors
Institutional Investor	Ranked in five categories by Institutional Investor 2016 in the Japanese healthcare and pharmaceuticals category, including "Best CEO" and "Best IR Professional"

Investor Relations Policy

1. IR Goals and Basic Policy

The basic policy of Systemex in IR activities is to disclose corporate information on performance, financial position, forecasts of the future and management strategies in a fair, prompt, accurate and easy-to-understand manner, to ensure accountability to shareholders and other investors and gain proper understanding about management and business activities.

2. Basis of Information Disclosure

Systemex discloses corporate information in accordance with applicable laws and regulations concerning securities trading and the Rules on Timely Disclosure of Corporate Information by the Issuer of Listed Securities and the Like ("Timely Disclosure Rules") established by the stock exchange. The Company also seeks to disclose corporate information not required by the Timely Disclosure Rules fairly and promptly, to help shareholders and other investors better understand the Company.

3. Methods of Information Disclosure

Systemex releases corporate information required under the Timely Disclosure Rules via TD-net, operated by the Tokyo Stock Exchange. The Company posts information through TD-net on its website as promptly as possible. The Company also provides corporate information not subject to the Timely Disclosure Rules on its website.

4. IR Quiet Period

Systemex observes a quiet period from the day after the closing date of each quarter until the release of earnings statements. During this period, the Company will refrain from replying to questions or commenting on earnings projections. However, in the event that results are expected to deviate significantly from the projections during the quiet period, the Company will release appropriate information.

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)



Masayoshi Hayashi

Member of the Managing Board and Senior Executive Officer, Senior Managing Director Assistant to the President and CEO

Feb. 1972 Joined the Company
Jun. 1997 Member of the Managing Board, Executive Vice President of Business Management
Apr. 2005 Member of the Managing Board and Executive Officer
Apr. 2007 Member of the Managing Board and Senior Executive Officer, Managing Director
Apr. 2011 Member of the Managing Board and Senior Executive Officer, Senior Managing Director (current)



Yukio Nakajima

Member of the Managing Board and Senior Executive Officer, Senior Managing Director Corporate Communication, Corporate Business Administration, Human Resources & General Affairs, Corporate Executive Office

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 (current)



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)



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
Nov. 2014 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)



Koji Tamura

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

Sep. 1990 Joined the Company
Jun. 2001 Member of the Managing Board, Executive Vice President of International Business Management
Apr. 2005 Member of the Managing Board and Executive Officer
Apr. 2009 Member of the Managing Board and Senior Executive Officer, Managing Director (current)



Kazuya Obe

Member of the Managing Board and Senior Executive Officer, Managing Director International Business Management

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)



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)



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 Koshuwa Steel Co., Ltd.
Jun. 2013 Executive Corporate Adviser
Jun. 2014 Joined the Company, Corporate Auditor
Jun. 2016 Member of the Managing Board (Member of the Audit and Supervisory Committee) (current)



Kazuhito Kajiura

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

Sep. 1972 Joined Tohatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC)
Jun. 1989 Partner, Tohatsu 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 (Member of the Audit and Supervisory Committee) (current)



Mitsuru Watanabe

Member of the Managing Board and Senior Executive Officer, Managing Director HU Business Unit

Apr. 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)



Kaoru Asano

Member of the Managing Board and Senior Executive Officer, Managing Director R&D Strategic Planning

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, Manager of Central Research Laboratories
Jun. 2014 Member of the Managing Board and Senior Executive Officer
Apr. 2015 Member of the Managing Board and Senior Executive Officer, Managing Director (current)



Kenji Tachibana

Member of the Managing Board and Senior Executive Officer, Managing Director Corporate Business Planning, Business Strategy Development

Mar. 1980 Joined the Company
Apr. 2011 Executive Officer, Executive Vice President of IVD Business Development
Apr. 2013 Senior Executive Officer, Executive Vice President of Business Strategy Development
Jun. 2014 Member of the Managing Board and Senior Executive Officer, Executive Vice President of Business Strategy Development
Apr. 2015 Member of the Managing Board and Senior Executive Officer, Managing Director (current)

Messages from Outside Members of the Managing Board

Susumu Nishiura, Member of the Managing Board (Outside)



Sysmex's Managing Board and Steering Committee take an active, reflective and forward-looking approach to vigorous deliberations and make decisions accurately. As an outside member, during these deliberations it is important for me to consider in particular whether various initiatives for realizing growth (M&A, alliances, etc.) will deliver to stakeholders the anticipated levels of investment results and profitability. In addition to operating performance, my remarks focus on whether the Company is fulfilling its social responsibility and maintaining compliance.

In recent years, Sysmex has rapidly globalized and expanded its scale of business, becoming a global company in which overseas sales account for a large percentage of the total. To continue enhancing its corporate value going forward, it will be essential for the Company to transform its organizational structure and cultivate human resources who can be active on the world stage. As an outside member of the Managing Board, I intend to concentrate specifically on risk management and internal control systems, as well as human resource development.

Masayo Takahashi, Member of the Managing Board (Outside)



I agreed to become an outside member of the Managing Board because Sysmex's management direction is in line with my own stance on creating new things the world has never seen before to promote the advancement of healthcare and realize the well-being of patients. Sysmex contributes to the advancement of healthcare from a different perspective than companies involved in drug discovery and the development of therapies. With new laws now being drawn up in relation to regenerative medicine, I believe that companies whose organizations are designed to play by the conventional rules of healthcare will have an organizational disadvantage that Sysmex will be able to overcome. Given these circumstances, I believe Sysmex's experience, operating performance and forward-looking stance will prove to be major advantages. Sysmex has supported healthcare around the world by aligning its own profits with benefits to patients. I am convinced that Sysmex's further development along these lines will support improvements in healthcare globally. From my perspective as an outside member of the Managing Board, I will work to help ensure fair governance. At the same time, with regard to new technology introductions and directions in science and healthcare, I will provide information about major trends from the viewpoint of academia and healthcare professionals and voice my opinions proactively.

Koichi Onishi, Member of the Managing Board (Outside) (Members of the Audit and Supervisory Committee)



Having been involved with the manufacturing sector for many years, my focus tends toward cost control, quality control, health and safety, and environmental disaster prevention. In particular, my activities concentrate on ensuring that internal control and risk management are sufficient. Specifically, as an outside member of the Managing Board, I focus continuously on potential risk factors that might be overlooked as being matter of course by people from inside the Company.

When auditing, however, I believe "the remedy may be worse than the disease," so I adopt a balanced approach to ensure that Sysmex will not lose that sense of the vigor that has acted to its advantage to date.

Sysmex continues to deliver increases in sales and income based on its high level of competitiveness in its businesses. At the same time, the Company moves enthusiastically into new fields, such as life science. I see this stance as an important reason the Company has maintained its growth trajectory.

Companies have a tendency to lose sight of their focuses on cost control and quality control once results are realized, so I plan to concentrate in particular on those areas.

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



In agreeing to become an outside member of the Managing Board and member of the Audit and Supervisory Committee, I aim to use the spirit of acting independently according to one's own beliefs I have cultivated to date in my experience as a certified public accountant. Taking a fair and unbiased stance, I intend to further enhance the effectiveness of corporate governance as the Company pursues business in a way that brings to life the Sysmex Group philosophy, the "Sysmex Way." Sysmex's high overseas sales ratio and strong global competitiveness in hematology and other fields are undoubtedly strengths. At the same time, as part of the Company's growth process it will need to concentrate on maintaining groupwide compliance and ensuring that organizations are in place to communicate management information, including risk management, in a timely and accurate manner. As an independent executive who is an outside member of the Managing Board and a member of the Audit and Supervisory Committee, I plan to apply the knowledge I have gained over more than 40 years as a certified public accountant and by auditing and providing direction to global companies. Based on this experience, I will offer advice on raising management efficiency, enhancing accountability, enlivening deliberations and augmenting the management function. Through these efforts, I will focus on the legality and appropriateness of management activities.

Reasons for Appointing Outside Members of the Managing Board

Susumu Nishiura

Susumu Nishiura was appointed to utilize his abundant experience and deep insight in corporate management for management of the Company.

Masayo Takahashi

Masayo Takahashi 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.

Koichi Onishi

Koichi Onishi was appointed to utilize his abundant experience and deep insight in corporate management for audit, etc. of the Company.

Kazuhito Kajiura

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

Executive Officers



Back row, from left: Juergen Schulze, Hiroshi Nagao, Ikuo Otani, Keiji Fujimoto, Hiroshi Kanda, John Kershaw, Mamoru Kubota
Front row, from left: Yukio Hamaguchi, Takashi Goda, Michiaki Ishida, Junzo Yamamoto, Iwane Matsui

Michiaki Ishida

Senior Executive Officer
ICH Business Unit

Takashi Goda

Senior Executive Officer
Research & Industry Business
Solution Development

Junzo Yamamoto

Senior Executive Officer
Manufacturing Management
Instrument Production
SCM

Yukio Hamaguchi

Executive Officer
President of Sysmex International Reagents
Co., Ltd.

Iwane Matsui

Executive Officer
Business Management (Japan)

Keiji Fujimoto

Executive Officer
Regulatory Affairs & Quality Assurance
Scientific Affairs
Customer Support

Ikuo Otani

Executive Officer
Executive Vice President of Human Resources
& General Affairs

Hiroshi Kanda

Executive Officer
Executive Vice President of ICH Business Unit
Hemostasis Product Engineering

Hiroshi Nagao

Executive Officer
Executive Vice President of Corporate Business
Administration

John Kershaw

Executive Officer
President and CEO of Sysmex America, Inc.

Juergen Schulze

Executive Officer
President and CEO of Sysmex Europe GmbH

Mamoru Kubota

Executive Officer
Executive Vice President of LS Business Unit
Life Science Product Engineering

Human Resource Development and Cultivation

Sysmex is working to develop diverse human resources and create an attractive and pleasant working environment.

Human Resource Development Supporting the Generation of New Value

Sysmex honors human resource diversity, respects the individuality of each employee and provides 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.

We conduct activities that promote the understanding and adoption of the “Sysmex Way,” the corporate philosophy for the Sysmex Group, in individual regions and divisions to ensure that the entire Group is working toward the same goals and that business activities are performed efficiently and with a sense of speed. As one example of our activities, we have introduced the Group CEO Award system to motivate employees. Under this system, awards are presented to individuals and groups that contribute to the realization of the “Sysmex Way,” and this information is shared throughout the Company.

Sysmex Corporation has in place a human resource development system to cultivate human resources in a systematic manner through three types of training: selective, rank-based and elective. In the fiscal year ended March 31, 2016, expenditure on employee training averaged approximately ¥180,000 per employee, up from around ¥160,000 in the preceding fiscal year.



Training at the Global Communication Center

Cultivating Human Resources Globally

The Sysmex Group has more than 7,000 employees, with overseas employees making up more than half of this figure. In line with its global development, in 2015 Sysmex formulated a global system to facilitate human resource development throughout the Group. Under this system, we promote initiatives to enhance the sense of unity within the Group, develop next-generation human resources, strengthen networks within the Group and foster understanding of different cultures.

For example, we have introduced the Global Apprentice Program targeting young employees. The program aims to cultivate future global human resources by providing employees with the opportunity to experience working overseas early in their careers.

In addition, in 2015 we opened the Global Communication Center as a new place to encourage human resource development and exchange. This center is designed to enhance individual employees' skills and foster communications among diverse human resources. We believe it is important to share values and foster new insights in order to create new value and encourage deeper cultural understanding.



Interaction of employees from different regions during their work

Promoting Diversity

As part of its initiatives respecting diversity, Sysmex aims to create a working environment that makes the most of individual employees' capabilities without regard for nationality, race, gender, or physical disability.

To encourage the employment of women, we have put in place a host of leave systems to support a balance between work and child-rearing and opened an in-house daycare center. As a result, the percentage of female employees at Sysmex Corporation has risen from 18.4% in the fiscal year ended March 31, 2006, to 32.4% in the fiscal year ended March 31, 2016. Over that same period, the percentage of female managers (director level or above) rose from 2.4% to 8.3%. (Our target for March 31, 2021, is 15% or higher.) For the Group as a whole, the percentage of female managers was 14.3% in the fiscal year ended March 31, 2016.

Percentage of Female Managers (Director Level or Above)

	2014.3	2015.3	2016.3
Systemex Corporation	5.3	6.5	8.3
Overall Group	10.6	11.6	14.3



Creating a Working Environment That Provides Peace of Mind and Maximizes Skills

To create a working environment amenable to diverse human resources, we support work-life balance in regions around the world. Employee satisfaction has risen as a result, and we are highly rated from outside the Company, as evidenced by a number of awards.

- “Great Place to Work”
Sysmex Europe (2012, 2014, 2016)
Sysmex Brazil (2014)
- “Companies That Care Honor Roll,” a ranking of companies that contribute to the welfare of employees, their families and the local community
Sysmex America (2009–2016)
- A good company to work for,
“HR Asia Best Companies to Work for in Asia 2015”
Sysmex Asia Pacific (2015)
- Nikkei ranking of “Companies that Motivate People”
Sysmex Corporation ranked 24th in 2015, up from 30th in 2014.



Sysmex Brazil receives award as a “Great Place to Work”



Environmental Preservation

We are working to reduce environmental impact based on our environmental policy.

Promoting Initiatives to Achieve the Targets of the Sysmex Group Environmental Action Plan

Based on its environmental policy, Sysmex has formulated the Sysmex Group Environmental Action Plan (Sysmex Eco-Vision 2020) and in the fiscal year ended March 31, 2016, set mid-term environmental objectives (for the fiscal years ending March 31, 2016 to 2018). To achieve these goals, we are working to improve the Group's environmental impact on an ongoing basis.

Sysmex Group Environmental Action Plan (Sysmex Eco-Vision 2020)

- Promote eco-friendly products and service models
- Reduce carbon dioxide emissions for logistics by 50% (per unit of non-consolidated sales, base year: fiscal year ended March 31, 2011)
- Reduce greenhouse gas emissions at business offices by 50% (per unit of consolidated sales, base year: fiscal year ended March 31, 2009)
- Achieve a recycle rate of 93% or higher at all business offices
- Reduce water usage at reagent factories by 10% (per unit of amount of production, base year: fiscal year ended March 31, 2009)

Establishing Environmentally Conscious Business Offices and Factories

When establishing new business offices and factories, Sysmex works to minimize environmental impact resulting from their operation by introducing environmentally conscious design, facilities and equipment, and operating processes.

At i-Square, the instrument factory we established in 2014, we have installed LED lighting and solar power modules to conserve energy and lower CO₂ emissions. Solar power supplies around 10% of the electricity used at i-Square. Also, at our reagent factory in Germany, which we expanded in the fiscal year ended March 31, 2016, we have installed systems to reduce the amount of energy consumed and lower CO₂ emissions. (See the column below for details.)



i-Square instrument factory

Our Expanded, and Environmentally Considerate, Reagent Factory in Germany

In response to growing demand in EMEA, in the fiscal year ended March 31, 2016, we expanded our reagent factory in Germany, increasing capacity by 1.5 times. To reduce the factory's energy use and CO₂ emissions, we installed solar panels and an ice thermal storage system*. This thermal-storage air conditioning system uses natural energy, taking advantage of seasonal differences.

* Ice thermal storage system: With this type of system, ice produced in the ground in winter is used in the summer for cooling. In winter, geothermal water, which is warmer than the ambient air, is used to supply heat.



Reagent factory in Germany

Structure to Increase Efficiency and Lower Environmental Impact

As its product categories and sales regions have expanded, logistics have become more diverse. Sysmex has been revising its logistics processes and structure in response.

In 2012, we launched a project to shorten supply chain lead times by reconfiguring the global logistics structure for overall optimization and introducing process reform. Since then, we have gradually revised our logistics structure and moved forward with packaging reforms.

In addition to logistics reform, project initiatives are intended to reduce environmental impact and serve as an effective means to achieve the objectives spelled out in Sysmex Eco-Vision 2020.

For example, we have succeeded in shifting the mode of overseas transport of certain refrigerated reagents from air to ship freight, substantially lowering CO₂ emissions. We have also decreased lead time significantly through the local sourcing of some accessories for instruments. This move has also lowered CO₂ emissions by shortening transport distances. Enhancing our loading simulations has enabled us to adjust the timing of product shipments, increase our loading ratio in shipping containers and decrease the number of shipments.

As a result of these initiatives, in the fiscal year ended March 31, 2016, we reduced CO₂ emitted through logistics (per unit of sales) by 48% compared with March 31, 2011.

Revising Package Designs to Reduce Material Requirements and Boost Recyclability

We are working to reduce material requirements and increase recyclability by optimizing the sizes of instrument packages and introducing packaging designs that are sensitive to the unique needs of export destinations.

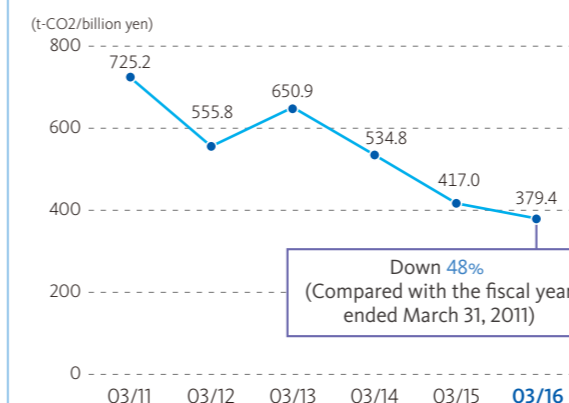
Specifically, moving forward with the revision of its package designs, we have introduced steel packaging for some products to ensure against concerns for damage during shipment. We are also reducing storage space by using two-tiered storage and contributing to the recycling of packaging materials at delivery destinations. Meanwhile, for shipments in Japan we have begun employing reusable and simplified packaging. To reduce environmental impact, we are deploying this packaging in accordance with specific market characteristics. Through these efforts, we reduced cardboard waste by 20 tons in the fiscal year ended March 31, 2016.

We are also working on improvements to excess packaging for consumables and parts, and seeking to optimize instrument packaging sizes and simplify packaging.

Recognizing its growing responsibility to supply products on a global scale, in the future Sysmex plans to continue improving its logistics efficiency and minimizing its environmental footprint.

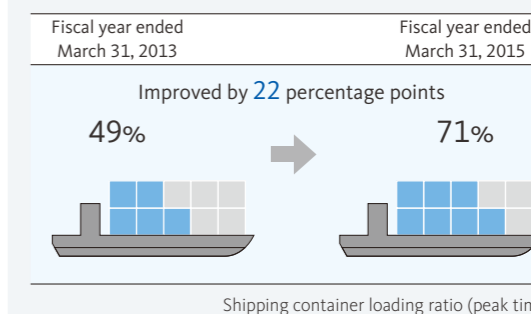
Initiatives to Reduce CO₂ Emissions from Logistics

CO₂ Emitted through Logistics (Per unit of sales)



Examples of Initiatives

By reinforcing loading simulations, adjusting product shipment timing and raising the shipping container loading ratio.



Contributing to Society

Through our business, we contribute to the establishment of a healthy society and vibrant communities.

Creating Testing Technologies to Help Eradicate Serious Infectious Diseases

Rapid globalization in recent years has led to an increase in diseases crossing national borders, which has become a global problem. As part of the international community's initiatives in this regard, one of the important themes of the United Nation's Sustainable Development Goals (SDGs) for ensuring healthy lives and promoting well-being for all is to halt the spread of HIV/AIDS, tuberculosis, malaria and other diseases.

Sysmex is working on development of testing technologies targeting malaria, dengue fever, HIV and other diseases, as well as developing products to contribute to the diagnosis of infectious diseases in emerging markets and developing countries.

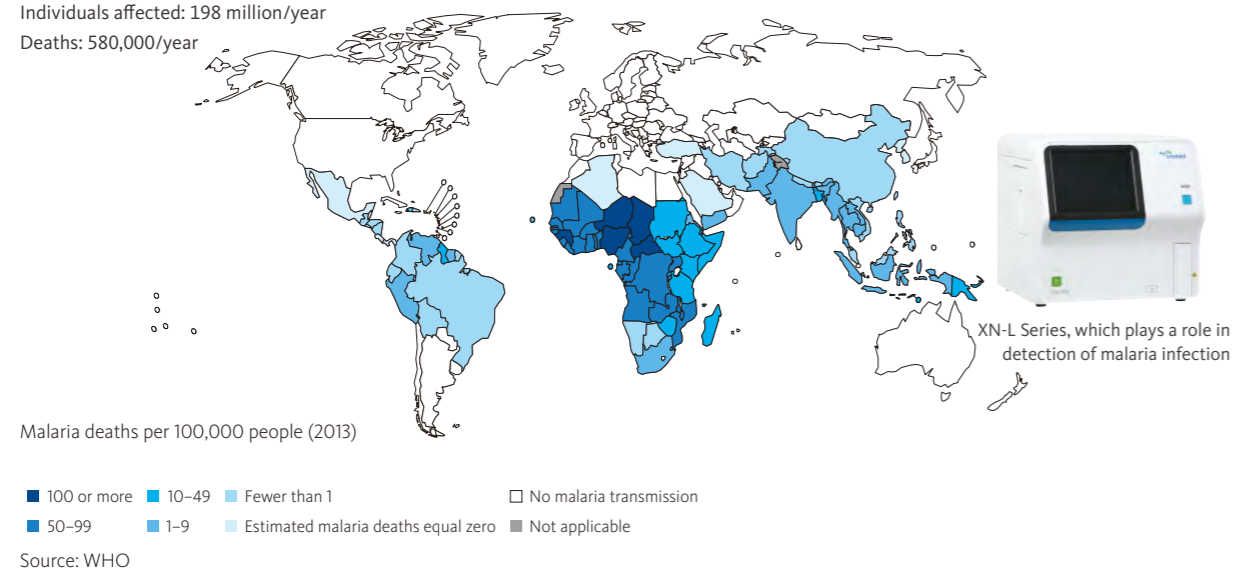
In the initial stages of malaria infection, it is difficult to determine the type of malarial infection based on clinical systems. Without appropriate treatment malaria can

become severe and even cause death—a situation that calls for early differentiation and early diagnosis. Sysmex's instruments have had the functionality to flag* in hematological tests the abnormal blood cell morphology of cells infected with malaria. To provide even higher value, we are now developing technologies to detect and count cells infected with malaria. This technology will facilitate hematological testing that provides information leading to the simple and quick determination of the presence of malaria infection, the degree of severity and the type of malarial infection (*Plasmodium*). Furthermore, Sysmex Partec, which became a subsidiary in 2013, possesses compact and portable instruments that are effective in the treatment and monitoring of patients with HIV/AIDS, tuberculosis and malaria, and is developing these products further.

In 2015, Sysmex became the only diagnostics reagents company to join the Global Health Innovative Technology Fund (GHIT Fund), which states its vision as “one in which the crushing burden of infectious disease no longer

Endemic Areas for Malaria

Individuals affected: 198 million/year
Deaths: 580,000/year



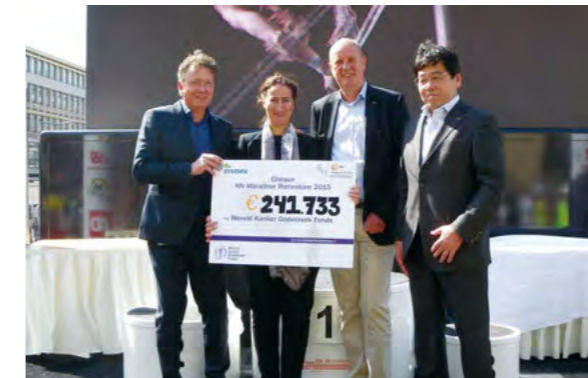
prevents billions of people in the developing world from seeking the level of prosperity and longevity now common in the industrialized world.”

* Flag: A function that determines specific sample irregularities. This is used only as supplemental test data; it is not directly related to diagnosis.

Employee Volunteers Conduct Fund-Raising Campaign to Help Fight Cancer

Cancer is the world's deadliest disease, and the number of deaths from cancer is forecast to continue increasing.

Sysmex manufactures and sells products that assist in the early detection of cancer. We also make donations to organizations that work to prevent and conduct research on cancer such as the American Cancer Society and other.



Sysmex Against Cancer contribution presentation ceremony

In these ways, the Company is proactively contributing to society by fighting cancer.

In the fiscal year ended March 31, 2015, employee volunteers at Group companies in the EMEA region launched the cancer-fighting campaign “Sysmex Against Cancer.” The funds raised through this campaign were donated to the World Cancer Research Fund, which raises awareness of cancer prevention and supports research. As of March 31, 2015, a total of 241,733 euros had been donated.

Contributing to Healthcare through the Funding of University Courses

Since the fiscal year ended March 31, 2015, Sysmex has contributed funds to the “Assessment of Clinical Testing (Sysmex)” course offered by the Kobe University Graduate School of Medicine and promoted joint research on new clinical testing technologies. This course is currently collaborating with Sysmex's Central Research Laboratories on the development of highly precise yet simple diagnosis technologies for determining the risk of cardiovascular disease by evaluating the function of high-density lipoproteins. We will continue researching laboratory medicine based on scientific evidence, thereby continuing R&D initiatives aimed at the establishment of new testing technologies and the commercialization of technologies. At the same time, we will continue with our support for local universities and other community contributions.

Sysmex's CSR Activities

To further promote CSR initiatives, since 2011 Sysmex has participated in the United Nations Global Compact. We have also established our Mid-Term CSR Plan, referring to the 10 principles of the United Nations Global Compact and the ISO 26000 international standards for corporate social responsibility.

Sysmex has earned high third-party praise for its efforts as a sustainable company. For example, we were selected by Corporate Knights for inclusion in the 2016 Global 100 (The 100 Most Sustainable Companies in the World). We were 88th in this ranking, and first in the category of “Health Care Equipment & Supplies.” We have also been selected for inclusion in indexes on socially responsible investment (SRI), such as the Dow Jones Sustainability Asia Pacific Index.

Please see our website for details on our CSR activities.

<http://www.sysmex.co.jp/en/csr/>



Financial and Other Information

Consolidated Financial and Non-Financial Data (11 Years)

	(Millions of yen)										(Thousands of U.S. dollars)*1	
Fiscal years ended March 31 (Japanese GAAP)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016
For the year:												
Net sales	¥ 87,888	¥ 101,041	¥ 110,724	¥ 111,843	¥ 116,206	¥ 124,694	¥ 134,744	¥ 145,578	¥ 184,538	¥ 221,377	¥ 253,157	\$ 2,240,327
Operating income	10,724	12,715	15,033	15,134	15,740	18,289	19,206	21,805	32,871	44,411	56,962	504,088
Net income attributable to owners of the parent*2	7,423	9,008	9,132	8,014	9,765	11,412	12,007	14,166	20,574	26,638	36,233	320,646
Capital expenditure	5,638	4,546	8,244	9,340	4,540	5,840	7,909	8,945	13,366	13,907	13,804	122,159
Depreciation	3,592	3,959	3,924	7,189	7,067	6,871	7,031	7,945	9,961	11,259	12,254	108,442
R&D expenditure	8,184	9,026	9,221	10,771	11,238	12,380	11,904	12,119	13,260	14,692	17,775	157,301
Net cash provided by (used in) operating activities	8,275	10,085	11,635	13,194	21,230	18,135	17,059	25,806	36,564	38,641	39,567	350,150
Net cash provided by (used in) investing activities	(7,859)	(6,630)	(12,883)	(13,545)	(6,603)	(8,916)	(10,372)	(12,524)	(33,940)	(19,544)	(21,623)	(191,354)
Net cash provided by (used in) financing activities	(1,191)	(458)	(1,316)	723	(10,091)	(3,475)	(3,814)	(3,117)	(2,898)	(7,554)	(8,755)	(77,478)
At year-end:												
Total assets	87,447	101,225	109,027	118,522	120,702	130,060	142,285	173,011	210,759	247,984	267,638	2,368,478
Cash and cash equivalents, end of year	9,416	12,715	9,679	9,410	13,813	18,916	21,838	34,307	36,548	50,220	56,482	499,841
Total equity	62,647	72,396	79,117	79,851	87,136	94,233	102,503	119,154	146,250	169,551	188,095	1,664,558
Interest-bearing liabilities	695	669	1,081	10,344	2,565	1,971	1,026	769	1,960	716	1,348	11,929
											(Yen)	(U.S. dollars)
Per share data:												
Equity (yen)	¥ 1,251.8*4	¥ 1,411.0	¥ 1,541.0	¥ 1,548.2	¥ 1,684.9	¥ 910.7*4	¥ 990.5	¥ 1,151.4	¥ 703.8*4	¥ 812.4	¥ 899.5	\$ 7.96
Net income (basic) (yen)	145.5*4	179.6	178.9	156.7	190.8	111.2*4	116.9	137.6	99.5*4	128.5	174.4	1.54
Net income (diluted) (yen)	143.8*4	178.0	178.3	156.5	190.5	111.0*4	116.6	137.1	99.2*4	128.0	173.7	1.54
Cash dividends applicable to the year*3 (yen)	6.50*4	9.00	12.00	12.50	14.00	15.00*4	17.00	20.00	27.00*4	38.00	52.00	0.46
Dividend ratio (%)	17.9	20.0	26.8	31.9	29.4	27.0	29.1	29.1	27.1	29.6	29.8	
Other data:												
Operating margin (%)	12.2	12.6	13.6	13.5	13.5	14.7	14.3	15.0	17.8	20.1	22.5	
Overseas sales ratio (%)	59.7	62.5	67.5	68.0	68.3	69.1	70.5	72.4	78.2	81.7	84.3	
Equity ratio (%)	71.6	70.5	72.2	66.8	71.5	71.9	71.6	68.7	69.2	68.0	69.9	
Return on equity (ROE) (%)	12.5	13.4	12.2	10.1	11.8	12.7	12.3	12.8	15.6	17.0	20.4	
Return on assets (ROA)*5 (%)	9.0	9.5	8.7	7.0	8.2	9.1	8.8	9.0	10.7	11.6	14.1	
Number of employees												
(Including part-time and other employees)	3,334	3,580	3,916	4,148	4,576	4,957	5,521	5,594	6,211	6,742	7,446	
Female managers (director level or above) (%)												
	—	—	—	—	—	—	—	—	10.6	11.6	14.3	
Greenhouse gas emissions at business offices												
per unit of consolidated sales*6 (t-CO ₂ /¥100 million)	—	—	—	10.08	10.86	9.53	8.65	8.63	7.98	7.28	7.26	

Notes:

*1. U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥113 = US\$1, the approximate rate of exchange on March 31, 2016.

*2. Figures shown for fiscal years ended on or before March 31, 2015 are "net income."

*3. Dividend (actual) converted to post-split basis.

*4. Two-for-one stock split

*5. ROA = Net income attributable to owners of the parent/Total assets (Yearly Average)×100

*6. Main business offices in Japan, instrument factories in Japan, reagent factories in Japan, main overseas locations and overseas reagent factories

Management's Discussion and Analysis

Overview

Looking at economic conditions during the fiscal year ended March 31, 2016, in the United States, employment conditions improved, the corporate sector continued to expand gradually, and the country moved to normalize its monetary policy. While the European economy continues to recover, geopolitical risk is mounting. Furthermore, economic deceleration persists in China, despite the country's fiscal and monetary policies. Economic conditions in the Asia Pacific region were firm, centered on the ASEAN region. Overseas economies generally continued their modest recovery, but the outlook grew uncertain. The Japanese economy continued on its path to recovery thanks to improvements in employment and income conditions and an upturn in capital investment.

On the healthcare front, in advanced countries in Europe and the United States, efforts are underway to curtail medical expenses and reform health insurance systems. In the United States, efforts to reduce the number of people without medical insurance are continuing. In China, medical system reform that is underway, including to the medical insurance system, aims to build infrastructures that provide uniform medical services in cities and farming villages throughout the country. Therefore, although some causes for uncertainty remain, the foundations of healthcare-related demand remain solid. The Japanese government is including the medical and healthcare industry in its growth strategies, which is expected to continue invigorating healthcare-related industries going forward.

The Sysmex Group, which has manufactured reagents overseas for some time, completed the expansion of its reagent production factory in Germany. This move boosted capacity to approximately 1.5 times the previous level in response to expected demand increases in the EMEA region. We have also begun to expand our reagent factory in the United States to ensure stable reagent supply in the face of expected demand increases in the Americas.

Also, Sysmex's joint venture with Kawasaki Heavy Industries, Ltd. (Kobe), Mediaroid Corporation (Kobe) commenced the full-fledged development of medical robots. To support its product development activities, Mediaroid will leverage the Sysmex Group's testing and diagnostic technologies, as well as a broad-ranging network in the medical field, as it contributes to the development of the medical industry.

Furthermore, in Africa, where healthcare-related markets are slated to expand, we established Sysmex West and Central Africa Ltd., in the Republic of Ghana, thereby strengthening our base of operations in West and Central Africa. By reinforcing our support for distributors and customers, we will continue contributing to the development of healthcare in emerging markets.

During the fiscal year the Group recorded consolidated net sales of ¥253,157 million, up 14.4% year on year. Operating income rose 28.3%, to ¥56,962 million; and net income attributable to owners of the parent increased 36.0%, to ¥36,233 million. Total asset turnover increased from 0.97 time to 0.98 time, and return on equity (ROE)

advanced from 17.0% in the preceding year to 20.4% during the fiscal year under review.

Net Sales by Destination*

Looking at net sales by destination, in Japan, sales of reagents increased, centered on the immunochemistry field, but sales of instruments declined, reflecting a tendency by healthcare institutions to curtail capital expenditures. As a result, sales in Japan declined 1.7% year on year, to ¥39,846 million.

In overseas markets, we made progress in the strengthening of sales and support structures and the provision of solutions, leading to higher sales of instruments in the field of hematology and hemostasis. Sales of reagents also rose, benefiting from an increase in the installed instrument base. These factors caused the Sysmex Group's overseas sales to surge 18.0% year on year, to ¥213,311 million. The overseas sales ratio accordingly rose 2.6 percentage points, to 84.3%.

Looking at overseas sales by destination, sales in the Americas amounted to ¥59,803 million, up ¥10,251 million, or 20.7% year on year; in EMEA ¥68,216 million, up ¥4,618 million, or 7.3%; in China ¥65,189 million, up ¥15,340 million, or 30.8%; and in Asia-Pacific ¥20,103 million, up ¥2,279 million, or 12.8%.

* 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.

Profits and Losses

Cost of Sales and SG&A Expenses

Cost of sales rose ¥6,704 million, or 7.0%, to ¥102,063 million. The cost of sales ratio accordingly decreased 2.8 percentage points, to 40.3%.

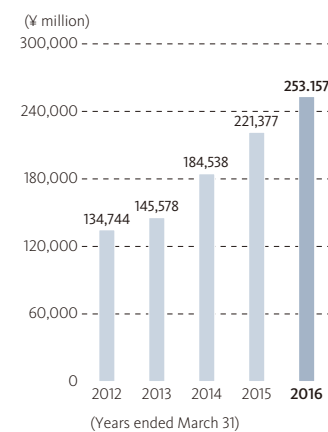
Selling, general and administrative expenses increased ¥12,525 million, or 15.3%, to ¥94,132 million, owing to reinforcement of the sales and after-sales service structures. SG&A expenses as a percentage of net sales rose 0.4 percentage point, from 36.8% to 37.2%.

Income

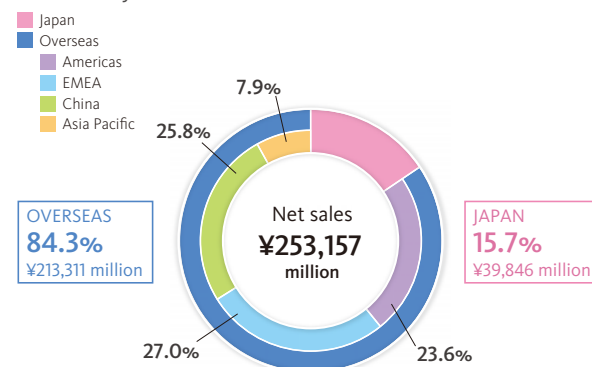
Operating income expanded ¥12,551 million, or 28.3% year on year, to ¥56,962 million, as higher sales more than offset increases in cost of sales and SG&A expenses, and the operating margin improved 2.4 percentage points, to 22.5%. Furthermore, compared with the preceding fiscal year exchange rates had a ¥8,543 positive effect on income.

Net income attributable to owners of the parent grew ¥9,595 million, or 36.0%, to ¥36,233 million, owing to a ¥1,038 million gain on revision of retirement benefit plan and a year-on-year decrease in total income taxes of ¥663 million, or 3.5%, to ¥18,427 million.

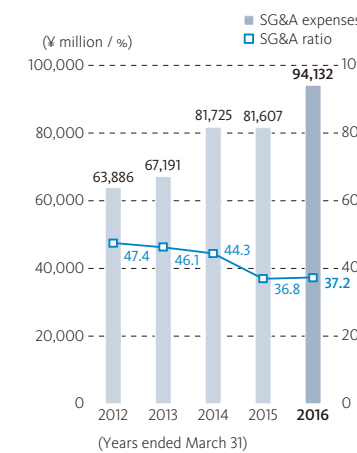
Net Sales



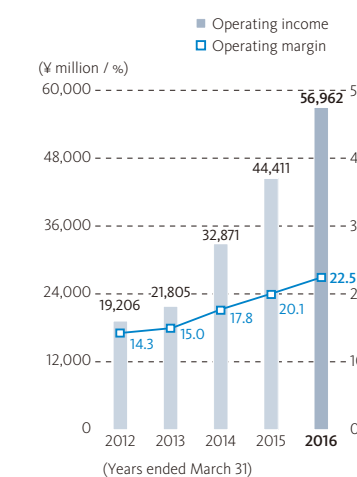
Net Sales by Destination



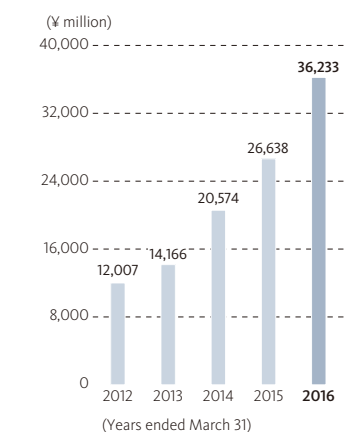
SG&A Expenses
SG&A Ratio



Operating Income
Operating Margin



Net Income Attributable to
Owners of the Parent



R&D Expenditure

To enhance its product portfolio, during the year Sysmex developed new products and pursued R&D centering on clinical testing and the life sciences, fields targeted for future growth. As a result, R&D expenditure amounted expanded ¥3,083 million, or 21.0%, to ¥17,775 million. R&D expenditure as a percentage of net sales increased 0.4 percentage points, from 6.6% to 7.0%.

Dividend Policy

We aim to maintain a proper balance between internal reserves for R&D and capital expenditure, which are 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, Sysmex pays twice-yearly dividends from retained earnings, an interim dividend and a year-end dividend. The year-end dividend is decided upon approval of the annual shareholders' meeting, and the interim dividend upon approval by the members of the Managing Board.

In accordance with this policy and in light of business performance during the year under review, we announced dividends for the year of ¥52 per share, which includes an interim dividend of ¥24. As a result, the consolidated payout ratio was 29.8%.

Going forward, Sysmex will continue to effectively invest its internal reserves in the implementation of highly competitive product development and global business strategies, aiming to respond to anticipated changes in the business environment.

Liquidity and Sources of Capital Fund Procurement and Liquidity Management

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. During the year, the Company financed capital expenditure and R&D activities primarily from cash provided by operating activities.

Assets, Liabilities and Equity

As of March 31, 2016, total assets amounted to ¥267,638 million, up ¥19,654 million from a year earlier. The primary reasons were increases of ¥6,262 million in cash and cash equivalents, ¥2,637 million in trade accounts receivable, ¥3,123 million in investments in lease, ¥5,735 million in inventories, ¥4,548 million in buildings and structures and ¥2,120 million in software.

Total liabilities as of March 31, 2016, were ¥79,543 million, up ¥1,110 million from a year earlier. Principal factors included a rise of ¥3,646 million in trade accounts payable, although income taxes payable fell ¥2,821 million.

Total equity came to ¥188,095 million at March 31, 2016, up ¥18,544 million from a year earlier. The main reason for the increase was a ¥25,858 million rise in retained earnings, whereas the foreign currency translation adjustment decreased ¥6,999 million. The equity ratio as of March 31, 2016, was 69.9%, up 1.9 percentage points from the 68.0% recorded as of March 31, 2015.

Cash Flows

As of March 31, 2016, cash and cash equivalents amounted to ¥56,482 million, up ¥6,262 million from March 31, 2015. Cash flows from various activities are described in more detail below.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥39,567 million (up ¥926 million year on year). As principal factors, income before income taxes provided ¥54,660 million (up ¥8,932 million); depreciation and amortization provided ¥14,186 million (up ¥1,231 million); the increase in notes and accounts receivable used ¥5,477 million (down ¥1,373 million). An increase in inventories used ¥6,821 million (up ¥5,036 million); and income taxes paid used ¥19,578 million (up ¥4,026 million).

Cash Flows from Investing Activities

Net cash used in investing activities was ¥21,623 million (up ¥2,079 million). Among major factors were purchases of property, plant and equipment, which used ¥13,686 million (up ¥653 million); the purchase of software and other assets, which used ¥6,168 million (up ¥2,712 million); and the purchase of investment securities, which used ¥832 million (down ¥1,518 million).

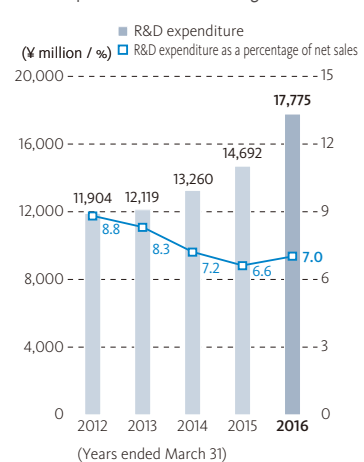
Cash Flows from Financing Activities

Net cash used in financing activities was ¥8,755 million (up ¥1,201 million). This was mainly due to cash dividends paid of ¥9,549 million (up ¥2,815 million) and a net decrease in short-term bank loans of ¥1,000 million in the preceding fiscal year, which was absent in the fiscal year under review.

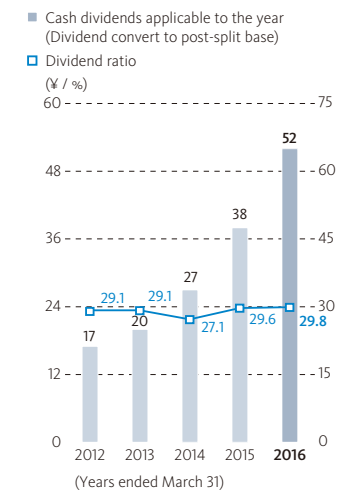
Capital Expenditure and Depreciation

Capital expenditure (investment in property, plant and equipment, including construction in progress) was down ¥102 million year on year, or 0.7%, to ¥13,804 million. This expenditure went mainly toward the expansion of overseas subsidiaries' factories for producing IVD reagents in response to growing business in overseas markets, as well as to the enhancement of sales promotion facilities. Depreciation increased ¥995 million, or 8.8%, to ¥12,254 million.

R&D Expenditure
R&D Expenditure as a Percentage of Net Sales

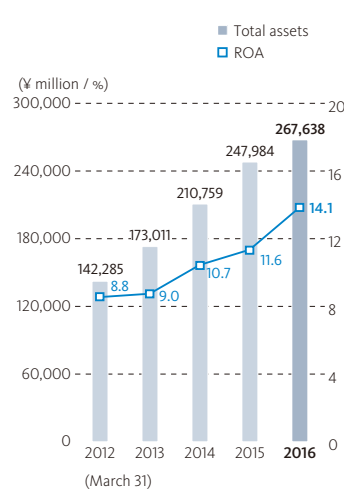


Cash Dividends Applicable to the Year
Dividend Ratio



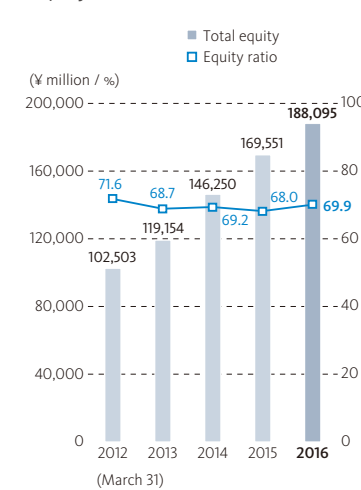
Note: Two-for-one stock split conducted on April 1, 2014 and 2011.

Total Assets
ROA*

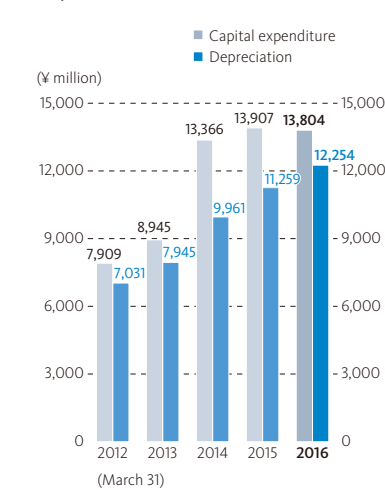


* Net Income/Total Assets (Yearly Average)×100

Total Equity
Equity Ratio



Capital Expenditure
Depreciation



Consolidated Balance Sheet

Sysmex Corporation and Subsidiaries

March 31, 2016	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 11)	¥ 56,482	¥ 50,220	\$ 499,841
Short-term investments (Note 3)	362	294	3,204
Receivables (Note 11):			
Trade notes	2,618	2,802	23,168
Trade accounts	52,706	50,069	466,425
Associated companies	225	171	1,991
Other	635	351	5,619
Allowance for doubtful accounts	(589)	(576)	(5,212)
Investments in lease (Notes 10 and 11)	8,536	5,413	75,540
Inventories (Note 4)	35,623	29,888	315,248
Deferred tax assets (Note 9)	7,912	8,988	70,018
Prepaid expenses and other current assets	8,155	6,529	72,167
Total current assets	172,665	154,149	1,528,009
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,311	11,260	100,097
Buildings and structures	42,556	38,008	376,602
Machinery and equipment	10,773	10,524	95,336
Furniture and fixtures	51,359	47,446	454,505
Lease assets	1,396	2,629	12,354
Construction in progress	2,051	4,137	18,150
Total	119,446	114,004	1,057,044
Accumulated depreciation	(58,211)	(54,942)	(515,141)
Net property, plant and equipment	61,235	59,062	541,903
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 11)	4,706	5,243	41,646
Investments in associated companies	2,048	1,932	18,124
Goodwill	9,086	12,114	80,407
Software	9,233	7,113	81,708
Asset for retirement benefits (Note 6)	583	961	5,159
Deferred tax assets (Note 9)	329	267	2,912
Other assets	7,753	7,143	68,610
Total investments and other assets	33,738	34,773	298,566
TOTAL	¥ 267,638	¥ 247,984	\$ 2,368,478

See notes to consolidated financial statements.

March 31, 2016	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 5)	¥ 1		\$ 9
Current portion of long-term lease obligations (Note 11)	150	¥ 51	1,327
Payables (Note 11):			
Trade notes	1,745	1,470	15,442
Trade accounts	17,986	14,340	159,168
Associated companies	138	166	1,221
Construction and other	6,242	6,122	55,239
Income taxes payable (Note 11)	6,818	9,639	60,336
Accrued expenses	13,930	14,832	123,274
Deferred tax liabilities (Note 9)	316	102	2,797
Other current liabilities	18,570	18,448	164,337
Total current liabilities	65,896	65,170	583,150
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	1		9
Long-term lease obligations (Note 11)	733	199	6,487
Liability for retirement benefits (Note 6)	566	563	5,009
Deferred tax liabilities (Note 9)	8,779	8,994	77,690
Other long-term liabilities	3,568	3,507	31,575
Total long-term liabilities	13,647	13,263	120,770
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10 and 12)			
EQUITY (Notes 7, 8, 14 and 16):			
Common stock, authorized, 598,688,000 shares; issued, 208,332,432 shares in 2016 and 207,894,432 shares in 2015	11,017	10,483	97,496
Capital surplus	15,958	15,424	141,222
Stock acquisition rights	1,097	1,024	9,707
Retained earnings	155,563	129,705	1,376,664
Treasury stock - at cost: 444,048 shares in 2016 and 443,380 shares in 2015	(286)	(281)	(2,531)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,170	1,367	10,354
Deferred gain on derivatives under hedge accounting	3	1	27
Foreign currency translation adjustments	3,429	10,428	30,345
Defined retirement benefit plans	144	1,400	1,274
Total	188,095	169,551	1,664,558
Non-controlling interests	0		0
Total equity	188,095	169,551	1,664,558
TOTAL	¥ 267,638	¥ 247,984	\$ 2,368,478

Consolidated Statement of Income

Sysmex Corporation and Subsidiaries

Year Ended March 31, 2016	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET SALES	¥ 253,157	¥ 221,377	\$ 2,240,327
COST OF SALES	102,063	95,359	903,212
Gross profit	151,094	126,018	1,337,115
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	94,132	81,607	833,027
Operating income	56,962	44,411	504,088
OTHER INCOME (EXPENSES):			
Interest and dividend income	368	309	3,257
Interest expense	(46)	(44)	(407)
Foreign exchange gain (loss)-net	(2,743)	932	(24,274)
Gain on revision of retirement benefit plan (Note 6)	1,038		9,186
Other-net	(919)	120	(8,133)
Other income (expenses)-net	(2,302)	1,317	(20,371)
INCOME BEFORE INCOME TAXES	54,660	45,728	483,717
INCOME TAXES (Note 9):			
Current	16,514	17,119	146,142
Deferred	1,913	1,971	16,929
Total income taxes	18,427	19,090	163,071
NET INCOME	36,233	26,638	320,646
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(0)	(0)	(0)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 36,233	¥ 26,638	\$ 320,646
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.w and 14):			
Basic net income	¥ 174.42	¥ 128.49	\$ 1.54
Diluted net income	173.71	128.02	1.54
Cash dividends applicable to the year	52.00	38.00	0.46

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sysmex Corporation and Subsidiaries

Year Ended March 31, 2016	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥ 36,233	¥ 26,638	\$ 320,646
OTHER COMPREHENSIVE INCOME (LOSS) (Note 13):			
Unrealized gain (loss) on available-for-sale securities	(197)	233	(1,743)
Deferred gain on derivatives under hedge accounting	2	1	18
Foreign currency translation adjustments	(6,999)	1,775	(61,938)
Defined retirement benefit plans	(1,256)	564	(11,115)
Total other comprehensive income (loss)	(8,450)	2,573	(74,778)
COMPREHENSIVE INCOME	¥ 27,783	¥ 29,211	\$ 245,868
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥ 27,783	¥ 29,211	\$ 245,868
Non-controlling interests	(0)	(0)	(0)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Sysmex Corporation and Subsidiaries

Year Ended March 31, 2016	Millions of Yen												
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2014 (as previously reported)	207,113,076	¥ 10,243	¥ 15,184	¥ 493	¥ 109,977	¥ (270)	¥ 1,134		¥ 8,653	¥ 836	¥ 146,250	¥ 0	¥ 146,250
Cumulative effect of accounting change (Note 2.i)					(195)						(195)		(195)
BALANCE, APRIL 1, 2014 (as restated)	207,113,076	10,243	15,184	493	109,782	(270)	1,134		8,653	836	146,055	0	146,055
Net income attributable to owners of the parent					26,638						26,638		26,638
Cash dividends, ¥32.50 per share					(6,734)						(6,734)		(6,734)
Purchase of treasury stock	(2,824)					(11)					(11)		(11)
Exercise of warrants	340,800	240	240								480		480
Increase due to decrease in associated companies accounted for by the equity method					19						19		19
Net change in the year				531			233	¥ 1	1,775	564	3,104	(0)	3,104
BALANCE, MARCH 31, 2015	207,451,052	10,483	15,424	1,024	129,705	(281)	1,367	1	10,428	1,400	169,551		169,551
Net income attributable to owners of the parent					36,233						36,233		36,233
Cash dividends, ¥46.00 per share					(9,549)						(9,549)		(9,549)
Purchase of treasury stock	(668)					(5)					(5)		(5)
Exercise of warrants	438,000	534	534								1,068		1,068
Decrease due to change of fiscal year-end of subsidiaries					(826)						(826)		(826)
Net change in the year				73			(197)	2	(6,999)	(1,256)	(8,377)	0	(8,377)
BALANCE, MARCH 31, 2016	207,888,384	¥ 11,017	¥ 15,958	¥ 1,097	¥ 155,563	¥ (286)	¥ 1,170	¥ 3	¥ 3,429	¥ 144	¥ 188,095	¥ 0	¥ 188,095

Year Ended March 31, 2016	Thousands of U.S. Dollars (Note 1)											
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE, MARCH 31, 2015	\$ 92,770	\$ 136,496	\$ 9,062	\$ 1,147,832	\$ (2,487)	\$ 12,097	\$ 9	\$ 92,283	\$ 12,389	\$ 1,500,451	\$ 0	\$ 1,500,451
Net income attributable to owners of the parent				320,646						320,646		320,646
Cash dividends, \$0.41 per share				(84,504)						(84,504)		(84,504)
Purchase of treasury stock					(44)					(44)		(44)
Exercise of warrants	4,726	4,726								9,452		9,452
Decrease due to change of fiscal year-end of subsidiaries				(7,310)						(7,310)		(7,310)
Net change in the year				645		(1,743)	18	(61,938)	(11,115)	(74,133)	\$ 0	(74,133)
BALANCE, MARCH 31, 2016	\$ 97,496	\$ 141,222	\$ 9,707	\$ 1,376,664	\$ (2,531)	\$ 10,354	\$ 27	\$ 30,345	\$ 1,274	\$ 1,664,558	\$ 0	\$ 1,664,558

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Sysmex Corporation and Subsidiaries

Year Ended March 31, 2016	Millions of Yen		Thousands of
	2016	2015	U.S. Dollars (Note 1)
			2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 54,660	¥ 45,728	\$ 483,717
Adjustments for:			
Income taxes - paid	(19,578)	(15,552)	(173,257)
Depreciation and amortization	14,186	12,955	125,540
Gain on revision of retirement benefit plan	(1,038)		(9,186)
Loss on disposal of property, plant and equipment	365	143	3,230
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(5,477)	(6,850)	(48,469)
Increase in inventories	(6,821)	(1,785)	(60,363)
Increase in asset for retirement benefits	(374)		(3,310)
Increase in notes and accounts payable	4,145	2,517	36,681
Decrease in liability for retirement benefits	(48)	(640)	(425)
Other-net	(453)	2,125	(4,008)
Net cash provided by operating activities	39,567	38,641	350,150
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(13,686)	(13,033)	(121,115)
Purchases of software and other assets	(6,168)	(3,456)	(54,584)
Purchases of investment securities	(832)	(2,350)	(7,363)
Purchases of investments in subsidiaries with changes in consolidation scope	(403)		(3,566)
Acquisitions, net of cash acquired		(342)	
Other-net	(534)	(363)	(4,726)
Net cash used in investing activities	(21,623)	(19,544)	(191,354)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans - net		(1,000)	
Repayments of long-term debt	(1)	(148)	(9)
Payments of lease obligations	(50)	(57)	(442)
Exercise of warrants	850	396	7,522
Dividends paid	(9,549)	(6,734)	(84,504)
Other-net	(5)	(11)	(45)
Net cash used in financing activities	(8,755)	(7,554)	(77,478)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(2,321)	2,129	(20,540)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,868	13,672	60,778
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	50,220	36,548	444,425
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO CHANGE OF FISCAL YEAR-END OF SUBSIDIARIES	(606)		(5,362)
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 56,482	¥ 50,220	\$ 499,841

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sysmex Corporation and Subsidiaries
Year Ended March 31, 2016

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Sysmex Corporation (the "Company") is incorporated and operates. 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 ¥113 to \$1, the approximate rate of exchange at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2016, include the accounts of the Company and its 60 (59 in 2015) subsidiaries (collectively the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in three (three in 2015) associated companies are accounted for by the equity method.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary and associated company at the date of acquisition, and is carried at cost less accumulated amortization, which is calculated by the straight-line method over 5 or 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

For the year ended March 31, 2016, Sysmex Partec GmbH and four other companies changed their fiscal year-end from December 31 to March 31. The Company included the subsidiaries' operating results for the 12-month period from April 1, 2015 to March 31, 2016 in the consolidated statement of income and included their operating results for the 3-month period from January 1, 2015 to March 31, 2015 in the consolidated statement of changes in equity by directly charging retained earnings as a decrease due to change of fiscal year-end of subsidiaries.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its

subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification - "FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of research and development (R&D); and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

—In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" which was subsequently revised in line with the revisions to PITF No. 18 above. The standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. Business Combination—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required R&D costs to be charged to income as incurred. Under the revised standard, in-process R&D costs acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the

procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

- (a) *Transactions with non-controlling interest*—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of non-controlling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.
 - (b) *Presentation of the consolidated balance sheet*—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "non-controlling interest" under the revised accounting standard.
 - (c) *Presentation of the consolidated statement of income*—In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.
 - (d) *Provisional accounting treatments for a business combination*—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.
 - (e) *Acquisition-related costs*—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.
- The above accounting standards and guidance for (a) transactions with non-controlling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with non-controlling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with non-controlling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with non-controlling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with non-controlling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

There was no impact from these accounting changes.

e. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

f. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (2) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Inventories—Inventories are stated at the lower cost determined by the average cost method or net selling value for the Company and its domestic subsidiaries, and at the lower of cost, determined by the moving-average method, or market for foreign subsidiaries.

i. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. The range of useful lives is from 31 to 50 years for buildings and structures, from 5 to 11 years for machinery and equipment, and from 2 to 15 years for furniture and fixtures.

Lease assets are depreciated by the straight-line method over the respective lease periods.

j. Long-lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. Software—Software to be sold is amortized at the greater of either the proportional amount to be amortized in proportion of the actual sales of the software during the current year to the estimated total sales over the estimated salable years or the amount to be amortized using the straight-line method over the estimated salable years. The estimated salable years are principally three years.

Software for internal use is amortized by the straight-line method over the estimated usable years. The estimated usable years are principally five years.

l. Retirement and Pension Plans—The Company has defined benefit pension plans for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. Actuarial gains and losses are amortized on a straight-line basis over five years within the average remaining service period. Past service costs are amortized on a straight-line basis over five years within the average remaining service period.

Certain of its subsidiaries have unfunded lump-sum payment plans for employees' retirement benefits and accounted for the liability for retirement benefits based on the required amount in accordance with the retirement allowance regulations.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

- (a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
- (b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments (see Note 13).
- (c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a point basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, decreased by ¥195 million.

Unfunded retirement benefits for the Company's directors are provided at the estimated amount which would be required if such individuals retired at the balance sheet date. However, the Company abolished its unfunded retirement benefit plan on June 24, 2005. No additional provisions have been recorded for retirement benefits to be paid to the Company's directors since then. The liability for directors' retirement benefits is the amount provided in proportion to the term that present directors had been in place before June 24, 2005.

(Additional Information)

The Company transferred a part of the defined benefit pension plans to the defined contribution pension plans on April 1, 2015. The Company accounted the transfer in accordance with "Guidance on Accounting for Transfers between Retirement Benefit Plans" (ASBJ Application Guidance No. 1 issued on January 31, 2002) to account for the transfer. As a result of this change, ¥1,038 million (\$9,186 thousand) of other income was recorded for the year ended March 31, 2016.

m. Asset Retirement Obligations—In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Stock Options—ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised.

o. Research and Development—R&D costs are charged to income as incurred. Such costs were ¥17,775 million (\$157,301 thousand) and ¥14,692 million for the years ended March 31, 2016 and 2015, respectively.

p. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

(1) Finance Leases as Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

(2) Finance Leases as Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that are not deemed to transfer ownership of the leased property to the lessee are recognized as investments in lease.

q. Bonuses to Directors—Bonuses to directors are accrued at the end of the year to which such bonuses are attributable.

r. Construction Contracts—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

s. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

t. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

u. Foreign Currency Financial Statements—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate.

v. Derivatives and Hedging Activities—The Group uses foreign exchange forward contracts and interest rate swaps to manage its exposure to fluctuations in foreign exchange and interest rates. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

w. Per Share Information—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if warrants were exercised. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

x. Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors

When an error in prior-period financial statements is discovered, those statements are restated.

y. New Accounting Pronouncements

Tax Effect Accounting—On March 28, 2016, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current:			
Time deposits other than cash equivalents	¥ 63	¥ 53	\$ 558
Mutual funds	299	241	2,646
Total	¥ 362	¥ 294	\$ 3,204
Non-current:			
Marketable equity securities	¥ 3,264	¥ 3,595	\$ 28,885
Non-marketable securities	1,442	1,648	12,761
Total	¥ 4,706	¥ 5,243	\$ 41,646

The costs and aggregate fair values of investment securities as of March 31, 2016 and 2015, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale - Equity securities	¥ 1,569	¥1,696	¥(1)	¥ 3,264

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale - Equity securities	¥ 1,569	¥ 2,026		¥ 3,595

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale - Equity securities	\$ 13,885	\$ 15,009	\$ (9)	\$ 28,885

The information for available-for-sale securities which were sold during the year ended March 31, 2015, was as follows:

	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale - Equity securities	¥ 1		¥ 0

The impairment losses on available-for-sale securities for the year ended March 31, 2016, were ¥400 million (\$3,540 thousand).

4. INVENTORIES

Inventories as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Finished products and merchandise	¥ 27,057	¥ 22,737	\$ 239,442
Work in process	2,984	2,870	26,408
Raw materials	5,042	3,801	44,619
Supplies	540	480	4,779
Total	¥ 35,623	¥ 29,888	\$ 315,248

5. LONG-TERM DEBT

Long-term debt as of March 31, 2016, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	Loans from banks, due through 2017, with interest of 8.87% for 2016:	
Collateralized	¥ 2	\$ 18
Total	2	18
Less current portion	(1)	(9)
Long-term debt, less current portion	¥ 1	\$ 9

Annual maturities of long-term debt as of March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 1	\$ 9
2017	1	9
Total	¥ 2	\$ 18

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Land	¥ 23		\$ 203
Buildings and structures - net of accumulated depreciation	207		1,832
Machinery and equipment - net of accumulated depreciation	13		115
Total	¥ 243		\$ 2,150

6. RETIREMENT AND PENSION PLANS

The Company and certain of its subsidiaries have retirement benefit plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or by death.

The Company has cash balance pension plans as defined benefit pension plans. Certain of its subsidiaries adopt a simple method to calculate retirement benefit obligation as for lump-sum payment plans. The Company and certain of its subsidiaries have defined contribution plans.

In April 1, 2015, the Company implemented revisions to its pension plan and transferred a portion of defined benefit pension plans to defined contribution plans.

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥ 13,060	¥ 11,980	\$ 115,575
Cumulative effect of accounting change		303	
Balance at beginning of year (as restated)	13,060	12,283	115,575
Current service cost	725	939	6,416
Interest cost	83	148	735
Actuarial (gains) losses	452	458	4,000
Benefits paid	(620)	(554)	(5,487)
Prior service cost	112		991
Decrease due to transfer to defined contribution pension plans	(4,049)		(35,832)
Others	(83)	(214)	(734)
Balance at end of year	¥ 9,680	¥ 13,060	\$ 85,664

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 13,560	¥ 11,362	\$ 120,000
Expected return on plan assets	303	341	2,681
Actuarial (gains) losses	(550)	1,577	(4,867)
Contributions from the employer	500	752	4,425
Benefits paid	(566)	(472)	(5,009)
Decrease due to transfer to defined contribution pension plans	(3,448)		(30,513)
Balance at end of year	¥ 9,799	¥ 13,560	\$ 86,717

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥ 9,216	¥ 12,599	\$ 81,558
Plan assets	(9,799)	(13,560)	(86,717)
Total	(583)	(961)	(5,159)
Unfunded defined benefit obligation	464	461	4,106
Net liability (asset) arising from defined benefit obligation	¥ (119)	¥ (500)	\$ (1,053)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥ 464	¥ 461	\$ 4,106
Asset for retirement benefits	(583)	(961)	(5,159)
Net liability (asset) arising from defined benefit obligation	¥ (119)	¥ (500)	\$ (1,053)

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 725	¥ 939	\$ 6,416
Interest cost	83	148	734
Expected return on plan assets	(303)	(341)	(2,681)
Recognized actuarial (gains) losses	(331)	(353)	(2,929)
Amortization of prior service cost	20	6	177
Net periodic benefit costs	¥ 194	¥ 399	\$ 1,717
Profit due to transition to defined contribution pension plans*	¥ (1,038)		\$ (9,186)

* The amount was recorded in the other income of the consolidated statement of income for the year ended March 31, 2016.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥ (54)	¥ 6	\$ (478)
Actuarial (gains) losses	(1,808)	766	(16,000)
Total	¥ (1,862)	¥ 772	\$ (16,478)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥ (64)	¥ (10)	\$ (566)
Unrecognized actuarial (gains) losses	272	2,080	2,407
Total	¥ 208	¥ 2,070	\$ 1,841

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016		2015
	2016	2015	2016
Domestic debt investments	29%		29%
Domestic equity investments	28		30
Foreign debt investments	10		11
Foreign equity investments	25		25
Others	8		5
Total	100%		100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2016 and 2015, are set forth as follows:

	2016	2015
Discount rate	0.6%	1.0%
Expected rate of return on plan assets	3.0%	3.0%

(9) Defined contribution pension plan

Required contributions to the defined contribution pension plan of the Company and certain of its subsidiaries were ¥1,467 million (\$12,982 thousand) and ¥638 million as of March 31, 2016 and 2015, respectively.

In addition, the Company and certain of its subsidiaries participate in contributory multi-employer pension plans covering substantially all of their employees. The Company and certain of its subsidiaries cannot reasonably calculate the amount of plan assets corresponding to the contributions to multi-employer plan. Therefore, it is accounted for using the same method as a defined contribution plan.

The contributions to such multi-employer plan, which are accounted for using the same method as a defined contribution plan, were ¥606 million (\$5,363 thousand) and ¥572 million as of March 31, 2016 and 2015, respectively.

Year Ended March 31, 2016

The funded status of the multi-employer plan calculated as of March 31, 2015, was as follows:

	Millions of Yen	
	The Pension Fund of Japan Electronics Information Technology Industry	Osaka Pharmaceutical Welfare Pension Fund Association
Plan assets	¥ 261,939	¥ 334,668
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	284,215	381,438
Net balance	¥ (22,276)	¥ (46,770)

	Thousands of U.S. Dollars	
	The Pension Fund of Japan Electronics Information Technology Industry	Osaka Pharmaceutical Welfare Pension Fund Association
Plan assets	\$ 2,318,044	\$ 2,961,664
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	2,515,177	3,375,558
Net balance	\$ (197,133)	\$ (413,894)

The net balance above is mainly caused by past service cost of ¥79,804 million (\$706,230 thousand) and general reserve of ¥10,758 million (\$95,204 thousand). Past service cost under the plan is amortized on a straight-line basis over 20 years for The Pension Fund of Japan Electronics Information Technology Industry or over 16 years for Osaka Pharmaceutical Welfare Pension Fund Association, and the special contributions of ¥8 million (\$71 thousand), which are utilized for such amortization, were expensed in the consolidated statement of income of the Group.

The contribution ratio of the Group in the multi-employer plan calculated as of March 31, 2015, was as follows:

	The Pension Fund of Japan Electronics Information Technology Industry		Osaka Pharmaceutical Welfare Pension Fund Association
	2016	2015	2016
The contribution ratio of the Group in the multi-employer plan	5.59%		0.15%

The ratios above do not represent the actual actuarial liability ratio of the Group.

Year Ended March 31, 2015

The funded status of the multi-employer plan calculated as of March 31, 2014, was as follows:

	Millions of Yen	
	The Pension Fund of Japan Electronics Information Technology Industry	Osaka Pharmaceutical Welfare Pension Fund Association
Plan assets	¥ 231,951	¥ 292,417
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	262,247	366,867
Net balance	¥ (30,296)	¥ (74,450)

The net balance above is mainly caused by past service cost of ¥82,118 million and a deficiency brought forward of ¥23,869 million. Past service cost under the plan is amortized on a straight-line basis over 20 years for The Pension Fund of Japan Electronics Information Technology Industry or over 17 years for Osaka Pharmaceutical Welfare Pension Fund Association, and the special contributions of ¥7 million, which are utilized for such amortization, were expensed in the consolidated statement of income of the Group.

The contribution ratio of the Group in the multi-employer plan calculated as of March 31, 2014, was as follows:

	The Pension Fund of Japan Electronics Information Technology Industry	Osaka Pharmaceutical Welfare Pension Fund Association
The contribution ratio of the Group in the multi-employer plan	5.29%	0.16%

The ratios above do not represent the actual actuarial liability ratio of the Group.

The Company also has recorded a liability for an unfunded retirement benefit plan covering all of its directors in the amount of ¥102 million (\$903 thousand) and ¥102 million as of March 31, 2016 and 2015, respectively.

7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

8. STOCK OPTIONS

The stock options outstanding as of March 31, 2016, are as follows:

Stock Option	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option	9 directors 152 employees 18 directors of subsidiaries 42 employees of subsidiaries	2,932,800	July 30, 2007	¥ 1,163 (\$ 10.29)	From July 30, 2009 to July 29, 2015
2013 Stock Option	6 directors 203 employees 34 directors of subsidiaries 43 employees of subsidiaries	1,460,000	September 13, 2013	¥ 3,110 (\$ 27.52)	From September 13, 2015 to September 12, 2021

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The stock option activity is as follows:

	2007 Stock Option (Shares)	2013 Stock Option (Shares)
For the year ended March 31, 2015		
Non-vested		
March 31, 2014 - Outstanding		1,452,000
Granted		
Canceled		(14,000)
Vested		
March 31, 2015 - Outstanding		1,438,000
Vested		
March 31, 2014 - Outstanding	677,600	
Vested		
Exercised	(340,800)	
Canceled		
March 31, 2015 - Outstanding	336,800	
For the year ended March 31, 2016		
Non-vested		
March 31, 2015 - Outstanding		1,438,000
Granted		
Canceled		(4,000)
Vested		(1,434,000)
March 31, 2016 - Outstanding		
Vested		
March 31, 2015 - Outstanding	336,800	
Vested		1,434,000
Exercised	(263,200)	(174,800)
Canceled	(73,600)	(4,200)
March 31, 2016 - Outstanding		1,255,000
Exercise price	¥ 1,163 (\$ 10.29)	¥ 3,110 (\$ 27.52)
Average stock price at exercise	¥ 7,094 (\$ 62.78)	¥ 7,073 (\$ 62.59)
Fair value price at grant date	¥ 98,325 (\$ 870.13)	¥ 174,900 (\$ 1,547.79)

The Assumptions Used to Measure Fair Value of 2007 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	26.14%
Estimated remaining outstanding period:	five years
Estimated dividend:	¥ 36 per share
Risk free interest rate:	1.403%

The Assumptions Used to Measure Fair Value of 2013 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	34.51%
Estimated remaining outstanding period:	five years
Estimated dividend:	¥ 36 per share
Risk free interest rate:	0.250%

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 33.0% and 35.6% for the years ended March 31, 2016 and 2015, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets (current):			
Unrealized intercompany profits	¥ 3,735	¥ 4,887	\$ 33,053
Inventories	513	555	4,540
Accrued bonuses	1,304	1,196	11,540
Accrued enterprise tax	527	575	4,664
Other	1,846	1,864	16,336
Total	7,925	9,077	70,133
Deferred tax assets (non-current):			
Depreciation	191	147	1,690
Unrealized intercompany profits	725	944	6,416
Liability for retirement benefits	113	117	1,000
Software	927	930	8,204
Investment securities	280	299	2,478
Tax loss carryforwards	961	381	8,504
Other	585	565	5,177
Less valuation allowance	(952)	(593)	(8,425)
Total	2,830	2,790	25,044
Deferred tax liabilities (current):			
Unearned revenue	217		1,921
Other	112	191	991
Total	329	191	2,912
Deferred tax liabilities (non-current):			
Net unrealized gain on available-for-sale securities	518	653	4,584
Revaluation of land for consolidation	344	400	3,044
Revaluation of intangible assets for consolidation	905	1,151	8,009
Asset for retirement benefits	179	313	1,584
Investment loss for subsidiaries capital reduction by corporation tax law	324	342	2,867
Undistributed earnings of foreign subsidiaries	8,079	7,558	71,496
Other	931	1,100	8,238
Total	11,280	11,517	99,822
Net deferred tax assets (liabilities)	¥ (854)	¥ 159	\$ (7,557)

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2015, is as follows:

Normal effective statutory tax rate	35.6%
Expenses not deductible for income tax purposes	0.9
Per capita levy	0.1
Foreign tax credit	(0.3)
R&D tax credit	(1.7)
Amortization of goodwill	1.1
Effect of tax rate reduction	0.5
Tax effect on undistributed earnings of foreign subsidiaries	6.8
Different tax rates applied to foreign subsidiaries	(3.1)
Change in valuation allowance	0.9
Other - net	1.0
Actual effective tax rate	41.8%

Since the actual effective tax rate at March 31, 2016, differed from the normal effective statutory tax rate by less than 5%, disclosure of details is omitted.

Tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33.0% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.2%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥69 million and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥68 million, deferred gain on derivatives under hedge accounting by ¥0 million, defined retirement benefit plan by ¥67 million in the consolidated balance sheet as of March 31, 2015, and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥204 million.

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, to approximately 30.8% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.6%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥192 million (\$1,699 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥28 million (\$248 thousand), deferred gain on derivatives under hedge accounting by ¥0 million (\$0 thousand), defined retirement benefit plan by ¥3 million (\$27 thousand) in the consolidated balance sheet as of March 31, 2016, and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥223 million (\$1,973 thousand).

10. LEASES

(Lessee)

The Group leases certain furniture, fixtures and other assets.

The minimum rental commitments under noncancelable operating leases are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Due within one year	¥ 2,474	\$ 21,894
Due after one year	11,763	104,097
Total	¥ 14,237	\$ 125,991

(Lessor)

The net investments in lease are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gross lease receivables	¥ 8,167	¥ 4,812	\$ 72,274
Estimated residual values	1,032	1,020	9,133
Unearned interest income	(663)	(419)	(5,867)
Investments in lease	¥ 8,536	¥ 5,413	\$ 75,540

Maturities of investment in lease for finance leases that are not deemed to transfer ownership of the leased property to the lessee are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 2,172	\$ 19,221
2018	1,924	17,027
2019	1,663	14,717
2020	1,201	10,628
2021	715	6,327
2022 and thereafter	492	4,354
Total	¥ 8,167	\$ 72,274

Future rental income under noncancelable operating leases (including imputed interest income):

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Due within one year	¥ 1,234	\$ 10,920
Due after one year	2,648	23,434
Total	¥ 3,882	\$ 34,354

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) **Group Policy for Financial Instruments**

The Group invests cash surpluses in low-risk financial assets, mainly short-term deposits and uses financial instruments, mainly short-term bank loans, for funding. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) **Nature and Extent of Risks Arising from Financial Instruments**

Receivables, such as trade notes, trade accounts and investments in lease, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Marketable and investment securities, mainly listing shares, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mostly less than six months.

Maturities of finance lease obligations, which are mainly used for the funding of equipment investments, are less than seven years after the balance sheet date.

Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables.

Please see Note 12, "DERIVATIVES" for more details about instruments, hedged items and the policy for hedge accounting and assessment procedures for hedge effectiveness.

(3) **Risk Management for Financial Instruments**

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers by each business administration department to identify the default risk of customers at an early stage. The credit risk regarding subsidiaries is also managed in the same manner. With respect to financial investments, the Group manages its exposure to credit risk by prohibiting its funding to high credit rated bonds in accordance with its internal guidelines. Credit risk from derivatives is minimized because the Group deals only with large financial institutions.

Market risk management (foreign exchange risk)

Foreign currency trade receivables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign currency exchange risk, which is recognized with respect to each currency and each month, is managed by using forward foreign currency contracts. Forward foreign currency contracts are used when foreign currency trade receivables are certainly expected from forecasted transactions according to conditions in foreign currency exchange fluctuations.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Derivative transactions have been approved by a predefined decision maker based on the internal guidelines, which prescribe the authority and the limit, and managed by regularly confirming the balance of each day by the finance department.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets in view of business income, expenditure, and equipment investment spending plan along with adequate financial planning by the corporate treasury department. Subsidiaries also report their financial plans to the Group. The finance department manages the liquidity risk by obtaining information of cash flows of the whole Group.

(4) **Fair Values of Financial Instruments**

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. The techniques include some changing factors and the fair values may be changed by adopting different assumptions. In addition, the contract amounts of derivatives in Note 12, "DERIVATIVES," do not directly indicate the market risk of derivatives.

(a) **Fair value of financial instruments**

The carrying amounts, fair values and unrealized gain/loss as of March 31, 2016 and 2015, are as follows. Note that financial instruments whose fair value cannot be reliably determined are not included (see (b)).

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2016			
Cash and cash equivalents	¥ 56,482	¥ 56,482	
Receivables:			
Trade notes	2,618		
Trade accounts	52,706		
Associated companies	225		
Allowance for doubtful accounts ^(*)	(589)		
Receivables - net	54,960	54,961	¥ 1
Investments in lease	8,536	8,459	(77)
Investment securities -			
Available-for-sale securities	3,264	3,264	
Total	¥ 123,242	¥ 123,166	¥ (76)
Payables:			
Trade notes	¥ 1,745	¥ 1,745	
Trade accounts	17,986	17,986	
Associated companies	138	138	
Lease obligations	883	867	¥ (16)
Income taxes payable	6,818	6,818	
Total	¥ 27,570	¥ 27,554	¥ (16)
Derivatives ^(**)	¥ 251	¥ 251	

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2015			
Cash and cash equivalents	¥ 50,220	¥ 50,220	
Receivables:			
Trade notes	2,802		
Trade accounts	50,069		
Associated companies	171		
Allowance for doubtful accounts ^(*)	(576)		
Receivables - net	52,466	52,464	¥ (2)
Investments in lease	5,413	5,365	(48)
Investment securities -			
Available-for-sale securities	3,595	3,595	
Total	¥ 111,694	¥ 111,644	¥ (50)
Payables:			
Trade notes	¥ 1,470	¥ 1,470	
Trade accounts	14,340	14,340	
Associated companies	166	166	
Lease obligations	250	265	¥ 15
Income taxes payable	9,639	9,639	
Total	¥ 25,865	¥ 25,880	¥ 15
Derivatives ^(**)	¥ (51)	¥ (51)	

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2016			
Cash and cash equivalents	\$ 499,841	\$ 499,841	
Receivables:			
Trade notes	23,168		
Trade accounts	466,425		
Associated companies	1,991		
Allowance for doubtful accounts ^(*)	(5,212)		
Receivables - net	486,372	486,381	\$ 9
Investments in lease	75,540	74,858	(682)
Investment securities -			
Available-for-sale securities	28,885	28,885	
Total	\$ 1,090,638	\$ 1,089,965	\$ (673)
Payables:			
Trade notes	\$ 15,442	\$ 15,442	
Trade accounts	159,168	159,168	
Associated companies	1,221	1,221	
Lease obligations	7,814	7,673	¥ (141)
Income taxes payable	60,336	60,336	
Total	\$ 243,981	\$ 243,840	¥ (141)
Derivatives ^(**)	\$ 2,221	\$ 2,221	

Notes: *1. Allowance for doubtful accounts associated with trade accounts receivable is deducted.
*2. Derivative assets and liabilities are on a net basis.

Assets

Cash and Cash Equivalents

The carrying values are adopted for cash and cash equivalents as they approximate fair value because of their short maturities.

Receivables

The carrying values are adopted for short-term receivables as they approximate fair value.

The fair values of long-term receivables, such as installment receivables, are measured at the present values discounted by risk-free rates and the future cash flows including credit risks.

Investments in Lease

The fair values of investments in lease are measured at the present values discounted by the interest rate after consideration of the remaining terms and credit risks.

Investment Securities

The fair values of equity securities are determined by securities exchange prices. Please see Note 3, "SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES," for securities categorized by purposes.

Liabilities

Payables and Income Taxes Payable

The carrying values are adopted for payables and income taxes payable as they approximate fair value because of their short maturities.

Lease Obligations

The fair values of lease obligations are measured at the present values of total principal discounted by the interest rate which would be used if a new lease transaction occurred.

Derivatives

Fair value information for derivatives is included in Note 12, "DERIVATIVES."

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investments in equity instruments that do not have a quoted market price in an active market	¥ 3,490	¥ 3,580	\$ 30,885

The above financial instruments are not included in investment securities because they do not have market values and it is difficult to estimate the future cash flows.

(5) Maturity Analysis for Financial Assets

March 31, 2016	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 56,482			
Receivables:				
Trade notes	2,618			
Trade accounts	52,435	¥ 271		
Associated companies	225			
Investments in lease	2,459	5,635	¥ 442	
Total	¥ 114,219	¥ 5,906	¥ 442	

March 31, 2015	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 50,220			
Receivables:				
Trade notes	2,802			
Trade accounts	49,105	¥ 964		
Associated companies	171			
Investments in lease	1,798	3,522	¥ 93	
Total	¥ 104,096	¥ 4,486	¥ 93	

March 31, 2016	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	\$ 499,841			
Receivables:				
Trade notes	23,168			
Trade accounts	464,027	\$ 2,398		
Associated companies	1,991			
Investments in lease	21,761	49,867	\$ 3,912	
Total	\$ 1,010,788	\$ 52,265	\$ 3,912	

12. DERIVATIVES

The Group enters into foreign currency forward contracts and foreign currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting is Not Applied

March 31, 2016	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S. dollars	¥ 7,730		¥ 247	¥ 247
Selling Euros	192		0	0

March 31, 2015	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts-				
Selling U.S. dollars	¥ 5,111		¥ (52)	¥ (52)

March 31, 2016	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S. dollars	\$ 68,407		\$ 2,186	\$ 2,186
Selling Euros	1,699		0	0

Derivative Transactions to Which Hedge Accounting is Applied

March 31, 2016	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts-				
Selling U.S. dollars	Receivables	¥ 1,521		¥ 4

March 31, 2015	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts-				
Selling U.S. dollars	Receivables	¥ 721		¥ 1

March 31, 2016	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts-				
Selling U.S. dollars	Receivables	\$ 13,460		\$ 35

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

13. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥ (331)	¥ 255	\$ (2,929)
Reclassification adjustments to profit or loss		(0)	
Amount before income tax effect	(331)	255	(2,929)
Income tax effect	134	(22)	1,186
Total	¥ (197)	¥ 233	\$ (1,743)
Deferred gain on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 61	¥ (67)	\$ 540
Reclassification adjustments to profit or loss	(59)	68	(522)
Amount before income tax effect	2	1	18
Income tax effect	(0)	(0)	(0)
Total	¥ 2	¥ 1	\$ 18
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (6,999)	¥ 1,775	\$ (61,938)
Total	¥ (6,999)	¥ 1,775	\$ (61,938)
Defined retirement benefit plans:			
Adjustments arising during the year	¥ (1,063)	¥ 1,119	\$ (9,407)
Reclassification adjustments to profit or loss	(799)	(347)	(7,071)
Amount before income tax effect	(1,862)	772	(16,478)
Income tax effect	606	(208)	5,363
Total	¥ (1,256)	¥ 564	\$ (11,115)
Total other comprehensive income (loss)	¥ (8,450)	¥ 2,573	\$ (74,778)

14. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016 and 2015, is as follows:

	Millions of Yen		Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Thousands of Shares		
For the year ended March 31, 2016:				
Basic EPS				
Net income attributable to common shareholders	¥ 36,233	207,735	¥ 174.42	\$ 1.54
Effect of dilutive securities				
Stock options		856		
Diluted EPS				
Net income for computation	¥ 36,233	208,591	¥ 173.71	\$ 1.54
For the year ended March 31, 2015:				
Basic EPS				
Net income attributable to common shareholders	¥ 26,638	207,311	¥ 128.49	
Effect of dilutive securities				
Stock options		765		
Diluted EPS				
Net income for computation	¥ 26,638	208,076	¥ 128.02	

15. RELATED PARTY DISCLOSURES

Transactions of the Company with related parties for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Officers of the Company - Exercise of stock options	¥ 217	¥ 23	\$ 1,920
Significant officers of the Company's subsidiaries - Exercise of stock options	31	12	274

16. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2016, was approved at the shareholders' meeting of the Company held on June 24, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥28 (\$0.25) per share	¥ 5,821	\$ 51,513

17. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group mainly produces and sells diagnostic instruments and reagents. The Company plans comprehensive strategies within Japan and conducts business activities there, and the four regional headquarters located in America, EMEA, China and Asia-Pacific plan comprehensive strategies for each region and conduct business activities in those regions.

Therefore, the Group consists of the geographical segments based on production and sales structures, which are "Japan," "Americas," "EMEA," "China" and "Asia-Pacific."

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies," and the profits of the reportable segments are their operating incomes.

Intersegment sales or transfers are determined based on market prices or costs of goods manufactured.

3. Information about sales, profit (loss), assets and other items is as follows:

	Millions of Yen							Reconciliations	Consolidated
	2016								
	Reportable Segment						Total		
Japan	Americas	EMEA	China	Asia-Pacific					
Sales:									
Sales to external customers	¥ 43,008	¥ 56,481	¥ 68,454	¥ 65,144	¥ 20,070	¥ 253,157		¥ 253,157	
Intersegment sales or transfers	101,012	867	1,929	6	105	103,919	¥ (103,919)		
Total	¥ 144,020	¥ 57,348	¥ 70,383	¥ 65,150	¥ 20,175	¥ 357,076	¥ (103,919)	¥ 253,157	
Segment profit	¥ 41,789	¥ 2,083	¥ 2,765	¥ 5,563	¥ 1,807	¥ 54,007	¥ 2,955	¥ 56,962	
Segment assets	152,344	35,667	69,505	37,413	19,011	313,940	(46,302)	267,638	
Other:									
Depreciation	5,571	2,293	3,964	275	1,310	13,413	(1,159)	12,254	
Amortization of goodwill	281		1,075		576	1,932		1,932	
Investment of associates accounted for using the equity method	2,048					2,048		2,048	
Increase in property, plant and equipment and intangible assets	9,794	3,735	5,561	668	1,428	21,186	(1,215)	19,971	

	Millions of Yen							Reconciliations	Consolidated
	2015								
	Reportable Segment						Total		
Japan	Americas	EMEA	China	Asia-Pacific					
Sales:									
Sales to external customers	¥ 43,400	¥ 47,014	¥ 63,257	¥ 49,840	¥ 17,866	¥ 221,377		¥ 221,377	
Intersegment sales or transfers	79,537	300	1,173	7	158	81,175	¥ (81,175)		
Total	¥ 122,937	¥ 47,314	¥ 64,430	¥ 49,847	¥ 18,024	¥ 302,552	¥ (81,175)	¥ 221,377	
Segment profit	¥ 31,163	¥ 2,402	¥ 5,199	¥ 6,802	¥ 1,227	¥ 46,793	¥ (2,382)	¥ 44,411	
Segment assets	130,888	34,522	69,094	35,611	18,386	288,501	(40,517)	247,984	
Other:									
Depreciation	4,926	2,192	3,817	269	1,177	12,381	(1,122)	11,259	
Amortization of goodwill	280		842		574	1,696		1,696	
Investment of associates accounted for using the equity method	1,932					1,932		1,932	
Increase in property, plant and equipment and intangible assets	8,901	1,702	5,803	233	1,900	18,539	(1,176)	17,363	

	Thousands of U.S. Dollars							Reconciliations	Consolidated
	2016								
	Reportable Segment						Total		
Japan	Americas	EMEA	China	Asia-Pacific					
Sales:									
Sales to external customers	\$ 380,602	\$ 499,831	\$ 605,787	\$ 576,496	\$ 177,611	\$ 2,240,327		\$ 2,240,327	
Intersegment sales or transfers	893,911	7,673	17,071	53	929	919,637	\$(919,637)		
Total	\$ 1,274,513	\$ 507,504	\$ 622,858	\$ 576,549	\$ 178,540	\$ 3,159,964	\$(919,637)	\$ 2,240,327	
Segment profit	\$ 369,814	\$ 18,434	\$ 24,469	\$ 49,230	\$ 15,991	\$ 477,938	\$ 26,150	\$ 504,088	
Segment assets	1,348,177	315,637	615,088	331,089	168,239	2,778,230	(409,752)	2,368,478	
Other:									
Depreciation	49,301	20,292	35,080	2,433	11,593	118,699	(10,257)	108,442	
Amortization of goodwill	2,488		9,513		5,097	17,098		17,098	
Investment of associates accounted for using the equity method	18,124					18,124		18,124	
Increase in property, plant and equipment and intangible assets	86,673	33,053	49,212	5,912	12,637	187,487	(10,752)	176,735	

Note: Reconciliations principally consist of intersegment transfers and unallocated corporate assets at ¥4,194 million (\$37,115 thousand) and ¥4,729 million for 2016 and 2015, respectively. The unallocated corporate assets are primarily composed of funds such as marketable equity securities.

4. Information about products and services

	Millions of Yen				
	2016				
	Instruments	Reagents	Maintenance Services	Others	Total
Sales to external customers	¥ 85,873	¥ 115,296	¥ 24,565	¥ 27,423	¥ 253,157

	Millions of Yen				
	2015				
	Instruments	Reagents	Maintenance Services	Others	Total
Sales to external customers	¥ 71,461	¥ 105,378	¥ 21,804	¥ 22,734	¥ 221,377

	Thousands of U.S. Dollars				
	2016				
	Instruments	Reagents	Maintenance Services	Others	Total
Sales to external customers	\$ 759,938	\$ 1,020,319	\$ 217,389	\$ 242,681	\$ 2,240,327

5. Information about geographical areas

(1) Sales

Millions of Yen				
2016				
Japan	America	China	Other	Total
¥ 39,846	¥ 50,592	¥ 65,189	¥ 97,530	¥ 253,157

Millions of Yen				
2015				
Japan	America	China	Other	Total
¥ 40,554	¥ 45,855	¥ 49,849	¥ 85,119	¥ 221,377

Thousands of U.S. Dollars				
2016				
Japan	America	China	Other	Total
\$ 352,619	\$ 447,717	\$ 576,894	\$ 863,097	\$ 2,240,327

Note: Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

Millions of Yen		
2016		
Japan	Other	Total
¥ 38,555	¥ 22,680	¥ 61,235

Millions of Yen		
2015		
Japan	Other	Total
¥ 37,550	¥ 21,512	¥ 59,062

Thousands of U.S. Dollars		
2016		
Japan	Other	Total
\$ 341,195	\$ 200,708	\$ 541,903

6. Information about major customers

There are no customers who account for more than 10% of the consolidated sales.

7. Information on the balance of goodwill of reportable segments

	Millions of Yen						
	2016						
	Japan	Americas	EMEA	China	Asia-Pacific	Eliminations/Corporate	Total
Goodwill at March 31, 2016			¥ 7,995		¥ 1,091		¥ 9,086

	Millions of Yen						
	2015						
	Japan	Americas	EMEA	China	Asia-Pacific	Eliminations/Corporate	Total
Goodwill at March 31, 2015	¥ 281		¥ 10,029		¥ 1,804		¥ 12,114

	Thousands of U.S. Dollars						
	2016						
	Japan	Americas	EMEA	China	Asia-Pacific	Eliminations/Corporate	Total
Goodwill at March 31, 2016			\$ 70,752		\$ 9,655		\$ 80,407

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sysmex Corporation:

We have audited the accompanying consolidated balance sheet of Sysmex Corporation and its subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sysmex Corporation and its subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

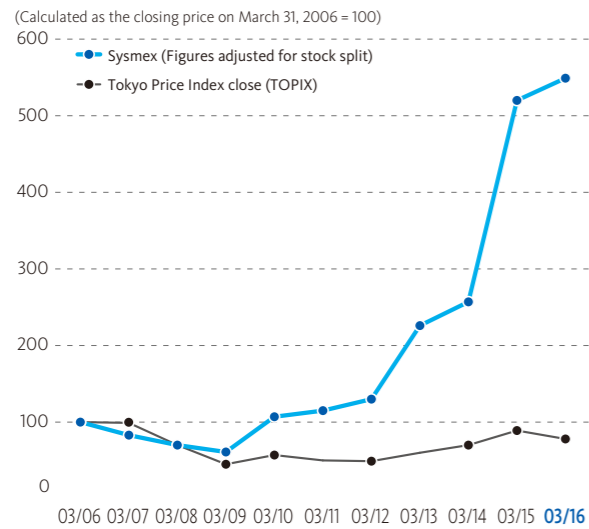
Deloitte Touche Tohmatsu LLC

June 24, 2016

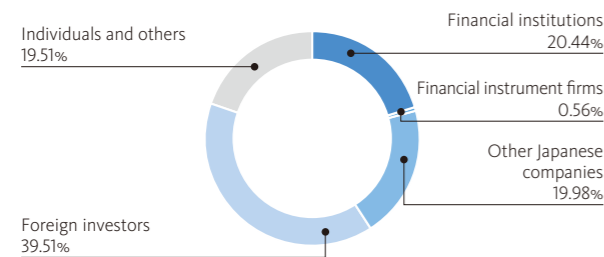
Member of
 Deloitte Touche Tohmatsu Limited

Stock Information (As of March 31, 2016)

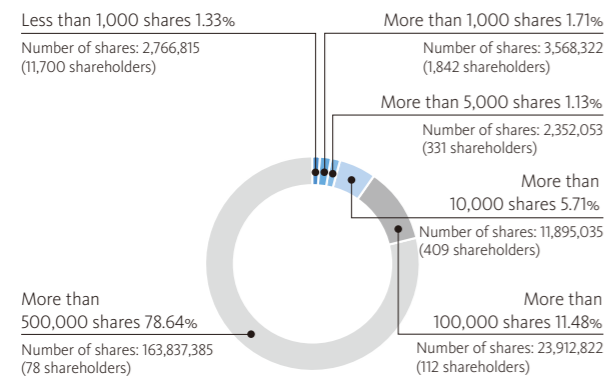
Stock Price Range



Composition of Shareholders



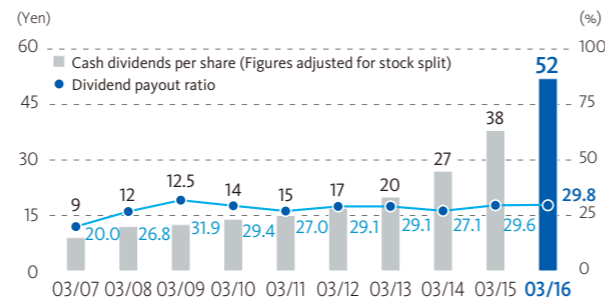
Distribution of Shares by Number of Shares Held



Principal Shareholders (Top 10)

Shareholders	Number of shares held (Thousands)	Percentage of shareholding (%)
Japan Trustee Services Bank, Ltd.	23,105	11.1
JPMorgan Chase Bank 380055	12,371	5.9
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.	10,297	4.9
The Master Trust Bank of Japan, Ltd.	8,080	3.9
Kazuko Ietsugu	6,124	2.9
Taeko Wada	6,124	2.9
Kenji Itani	5,000	2.4
Ryoshin Co.	4,800	2.3

Cash Dividends per Share and Dividend Ratio (Consolidated)



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

Dividend Policy

Sysmex 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.

Corporate Overview (As of March 31, 2016)

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 http://www.sysmex.co.jp/en/ IR information http://www.sysmex.co.jp/en/ir/ Sustainability information http://www.sysmex.co.jp/en/csr/
Number of Employees	7,446 (consolidated basis) (including part-time employees and others)
Fiscal Year	April 1—March 31
Shareholders' Meeting	In June
Number of Shares Authorized	598,688,000 shares
Number of Shares Issued	208,332,432 shares
Paid-in Capital	¥11,016 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	DSI (Daiwa Stock Indices) Dow Jones Sustainability Asia Pacific Index Ethibel Pioneer & Excellence FTSE4Good Index JPX-Nikkei Index 400 MSCI Standard Index MSCI Global Sustainability Indexes Russell/Nomura Japan Equity Indexes S&P Japan 500

