



System Report 2017



System Corporation

System Report 2017

For the year ended March 31, 2017

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Aiming to Contribute to the Development of Medical Care and the Health of People throughout the World

Since its founding, Sysmex's business has been focused on the *in vitro* diagnostics field. We have taken on the challenge of promoting advances in healthcare and aimed to create a fulfilling and healthy society. We endeavor to facilitate testing that aids swifter and more accurate diagnosis, that is conducted nearer to patients and places less of a burden on them, and that contributes to new levels of healthcare. We plan to continue taking on challenges in the healthcare domain by remaining a step ahead of the times and going outside our existing framework.



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Based on the “Sysmex Way,” the corporate philosophy for the Sysmex Group, we are working to realize a fulfilling and healthy society.



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We aim to achieve sustainable growth by enhancing profitability in our core businesses and investing in our next core businesses.



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Enhancing Corporate Value

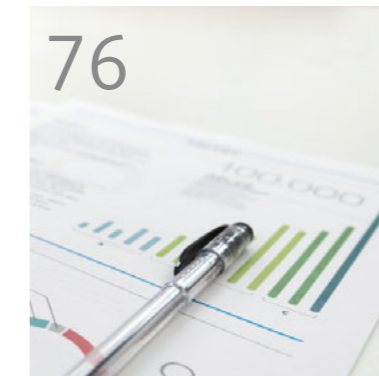
By putting into practice the “Sysmex Way,” the corporate philosophy for the Sysmex Group, we are contributing to society and working to achieve sustainable increases in corporate value.



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Editorial Policy

The Sysmex Report, an integrated report that summarizes financial and nonfinancial 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

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

Cautionary Note Regarding Forward-Looking Statements

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

Profile

Corporate Philosophy for the Sysmex Group

Aiming to Support People's Health, an Ideal We Have Carried Forward Since Our Founding

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

1959

In 1959, Sysmex Founder Taro Nakatani visited the United States, looking for new business ideas. His attention was drawn to the field of medical electronic devices.



Our founder, setting off on his overseas visit

1963

When he returned to Japan, Mr. Nakatani began working with young researchers, conducting studies and engaging in development. In 1963, the Company succeeded in the commercialization of Japan's first hematology analyzer, the CC-1001.



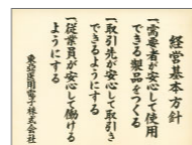
The CC-1001 automated hematology analyzer

1968

Established TOA MEDICAL ELECTRONICS CO., LTD. (current Sysmex Corporation)

Formulated by Founder Taro Nakatani

Our Fundamental Management Policy	
<p>Corporate Objective</p> <p>By selling the products we create, we will satisfy the demands of society at large, contribute to society and make our own lives more fulfilling.</p>	<p>Fundamental Management Policy (the "Three Aspects of Confidence")</p> <ul style="list-style-type: none"> • Total customer confidence in all of our products. • Total confidence in our associates in all our business transactions. • Total confidence of our employees in themselves and all their work.



2007

In line with changes in the global management environment, we redefined the perspective carried forward since the time of our founding, formulating an expanded corporate philosophy for the Sysmex Group, the "Sysmex Way."

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.

A Sustained Growth Trajectory

Since our founding, we have sought to foresee future needs and continued taking on challenges in the healthcare domain.

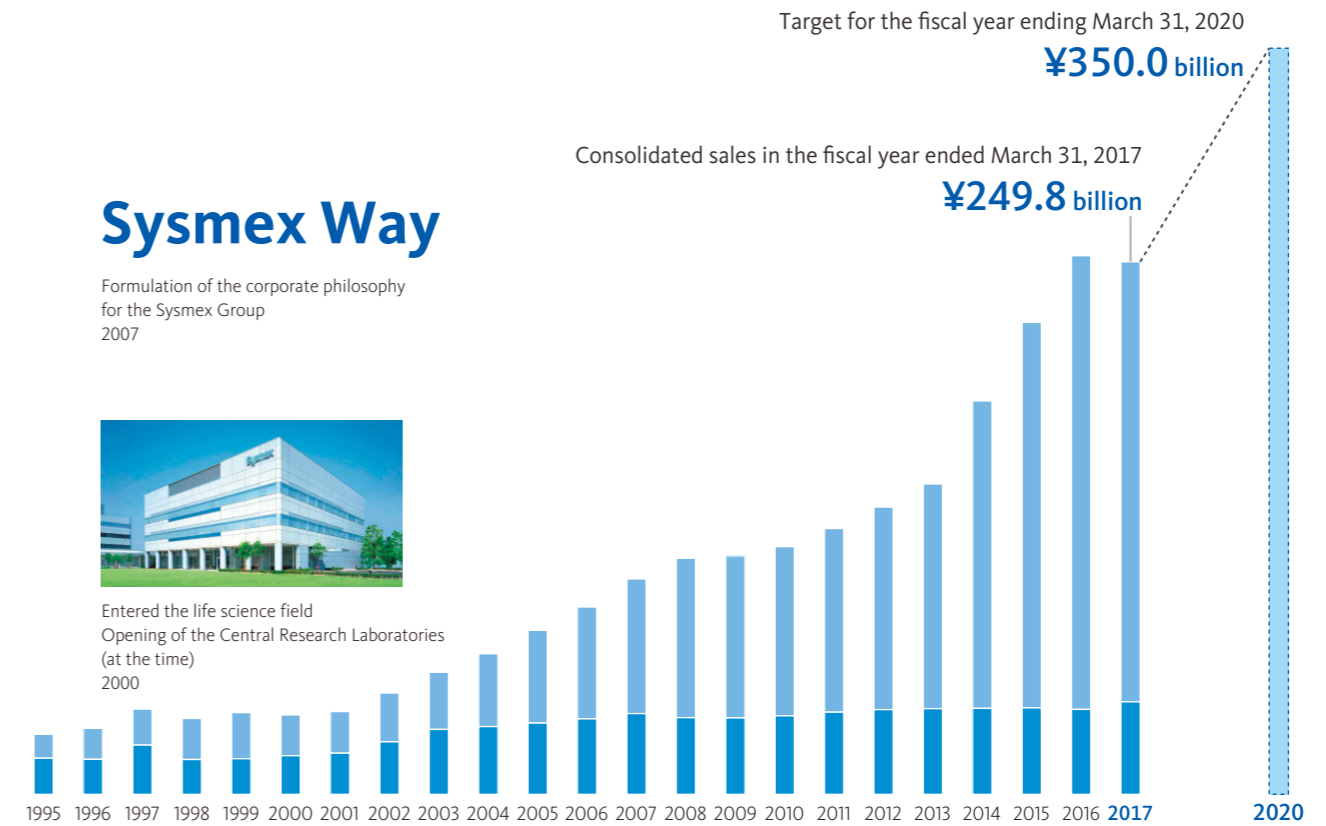


Sysmex Way

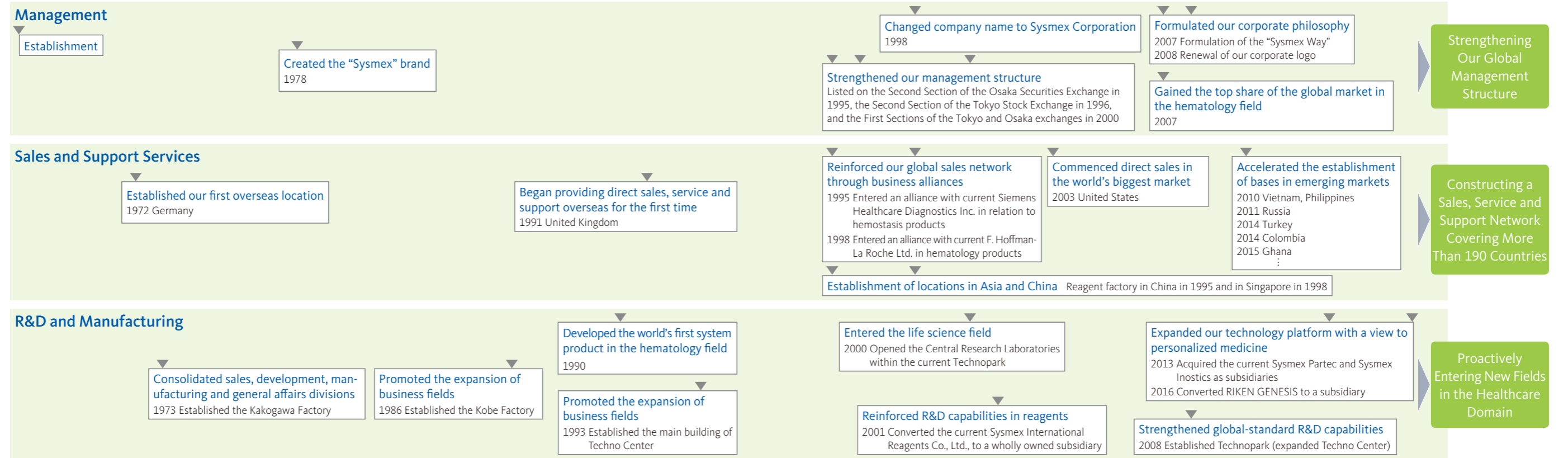
Formulation of the corporate philosophy for the Sysmex Group 2007



Entered the life science field Opening of the Central Research Laboratories (at the time) 2000



Note: Fiscal years through 1990 ended on February 20. Fiscal years from 1991 ended on March 31 (Japanese GAAP). Figures from 2016 are presented according to IFRS. Figures are presented on a non-consolidated bases through the fiscal year ended March 31, 1993, and on a consolidated basis from the year ended March 31, 1994.



Expanding the Healthcare Business

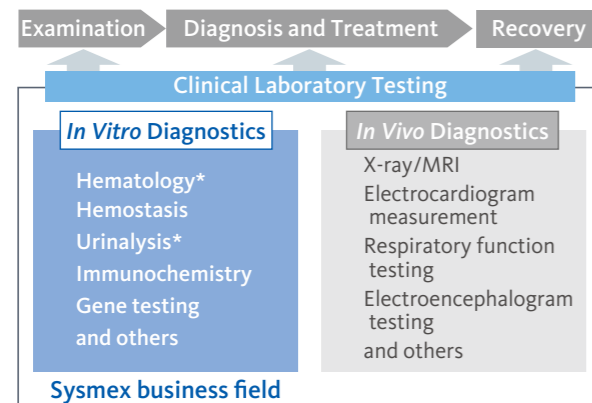


Business Domains and Market Positioning

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, which is used in a variety of scenarios that include medical diagnosis and 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. In line with progress on genetic analysis and technologies in recent years, the realization of personalized



* Diagnostics used for medical checkups as well

Market Scale and Sysmex's Business Domains

Testing field	Market Scale (\$ million)	Market Growth Rate	Composition of Sales (Fiscal year ended March 31, 2017)	Production		Sales and Service Area	Principal Alliances
				Instruments	Reagents		
Hematology	3,100	6%	63.8%	●	●	Global	F. Hoffman-La Roche
Hemostasis	1,800	5%	16.4%	●	○	Global	Siemens Healthcare Diagnostics
Urinalysis Of which, sediment urinalysis	1,000 320	6%	6.4%	●	●	Global	EIKEN CHEMICAL
Immunochemistry	18,000	6%	3.2%	●	●	Asia	—
Clinical chemistry	7,400	5%	1.4%	○	●	Asia	JEOL Furuno Electric
Others (genes, blood sugar, etc.)	21,700	—	8.8%	●	●	—	—
IVD market	53,000	6%	—	—	—	—	—

Note: Sysmex's assumptions

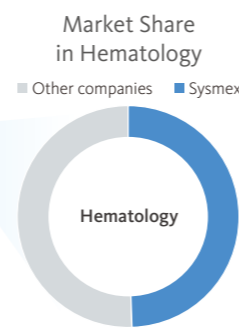
● Own products ○ Alliances

medicine has begun, such as performing risk diagnosis and monitoring the treatment results of individual patients. Thus, IVD is playing an increasingly important role in healthcare.

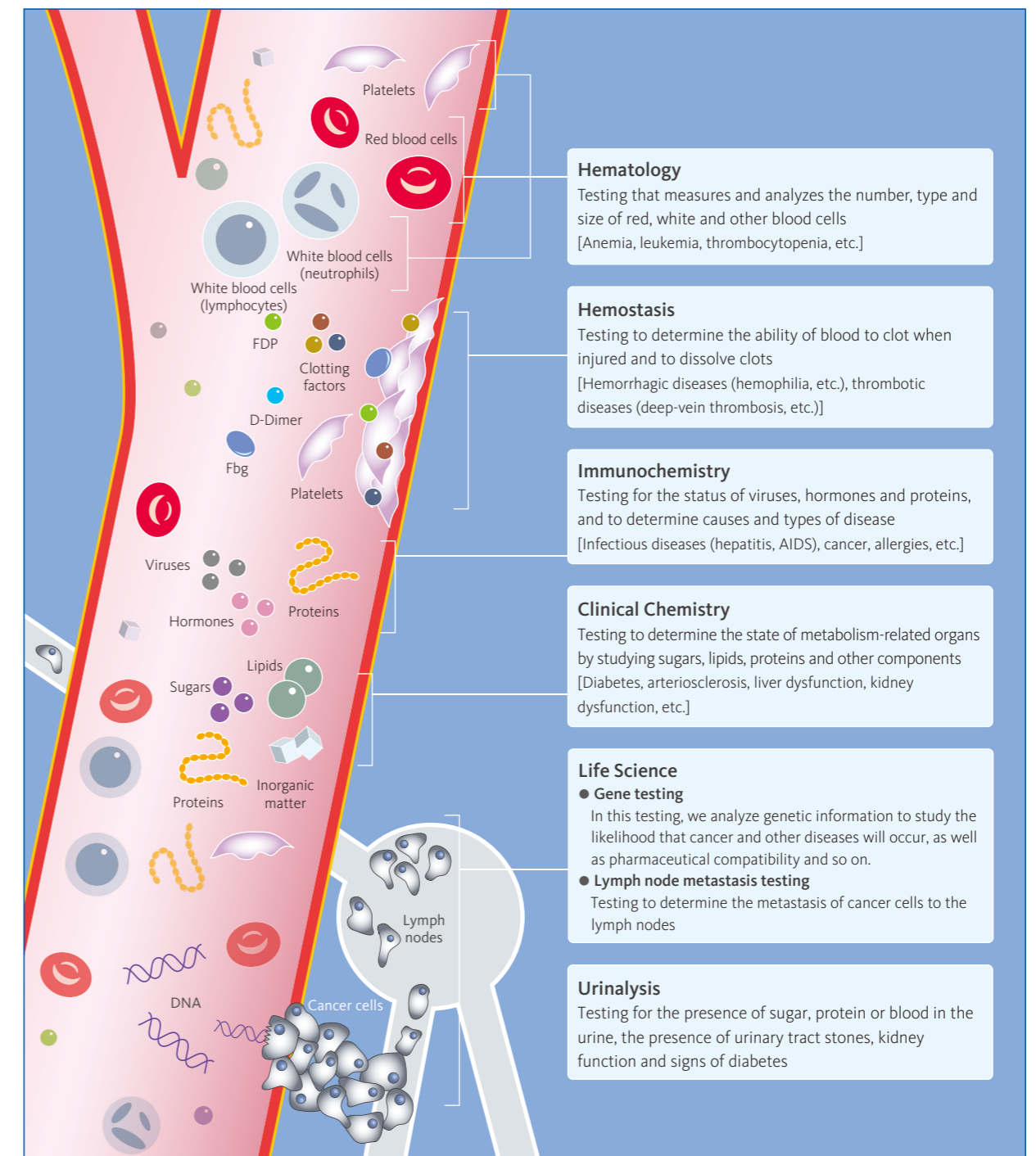
Market Position

Sysmex's business in the IVD domain involves the provision of instruments, reagents and software 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 developed 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.



Sysmex's Core Testing Fields

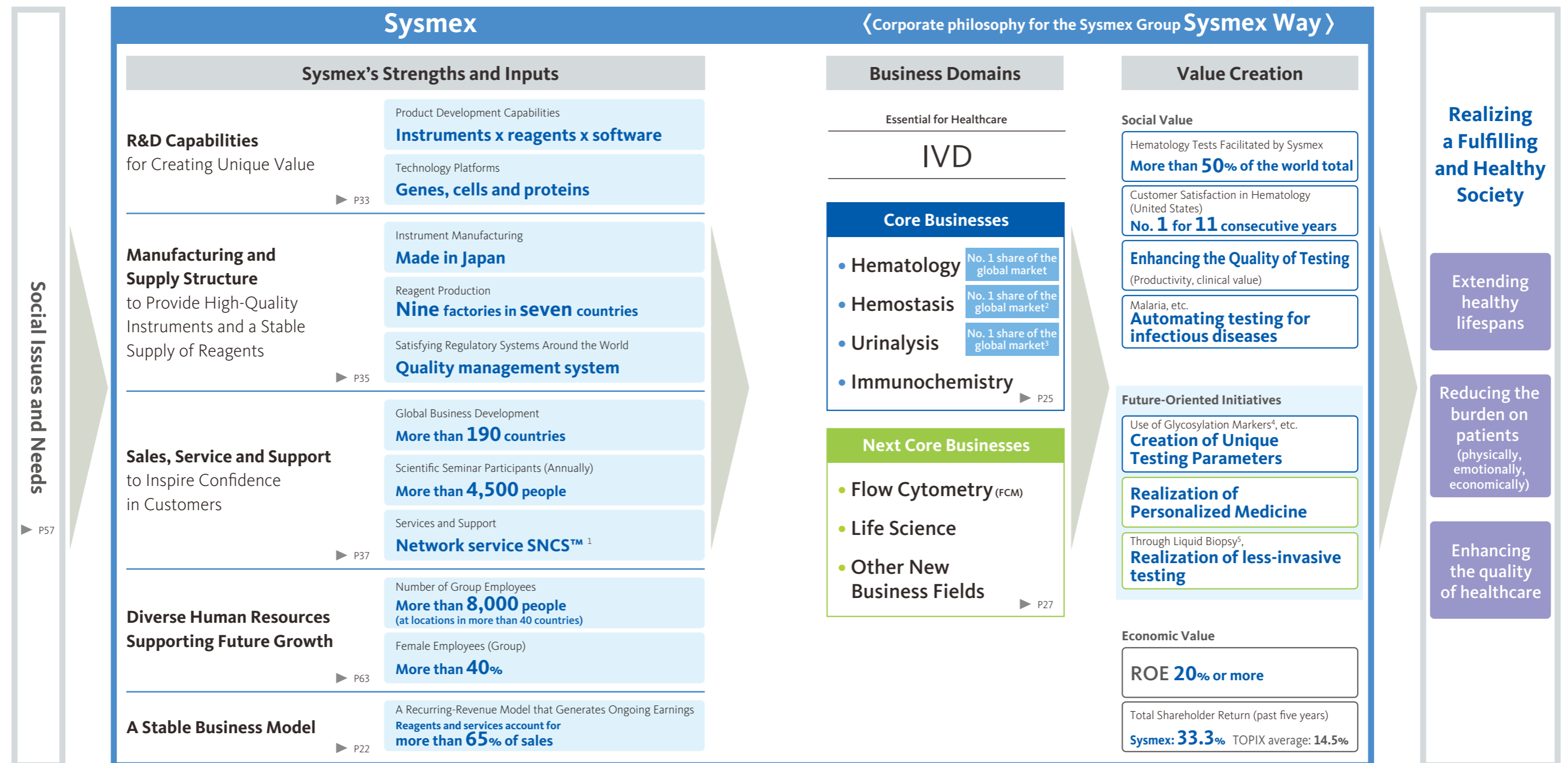


Our Story of Value Creation

In the healthcare domain, we are leveraging our strengths to create new value and contribute to the creation of a fulfilling and healthy society.

Based on the "Sysmex Way," the corporate philosophy for the Sysmex Group, we are leveraging our distinctive strengths and inputs to develop businesses in the IVD domain that support healthcare. We facilitate testing in more than 190 countries around the world and are

promoting future-oriented initiatives, such as the realization of personalized medicine. By extending healthy lifespans, reducing the burden on patients and enhancing the quality of healthcare, we will create value that contributes to the realization of a fulfilling and healthy society.



¹ Sysmex Network Communication Systems (SNCS): An online support service that connects to the Sysmex Customer Support Center and customers' instruments via the Internet to provide real-time external quality control and scientific information and monitor instrument conditions.

² Including our alliance with Siemens

³ Sediment urinalysis field

⁴ Glycosylation marker: A biomarker that targets structural changes in sugar chains present in glycoproteins

⁵ Liquid biopsy: Similar in performance to a biopsy, which is carried out on a sample taken from tissue such as tumors, but which attempts to reduce the burden on the patient by using blood or body fluid tests.

To Our Stakeholders



Hisashi Ietsugu
Chairman and CEO

We aim to achieve sustainable growth by enhancing profitability in our core businesses and investing in our next core businesses.

Message from the CEO

Sysmex's Mission: "Shaping the Advancement of Healthcare."

The "Sysmex Way," the corporate philosophy for the Sysmex Group, defines Sysmex's mission as "shaping the advancement of healthcare." We are developing our business in accordance with this mission. The *in vitro* diagnostics (IVD) domain has been the mainstay of our business since the time of our establishment. Going forward, we will continue contributing to the realization of a fulfilling and healthy society by taking on challenges in advancing healthcare.

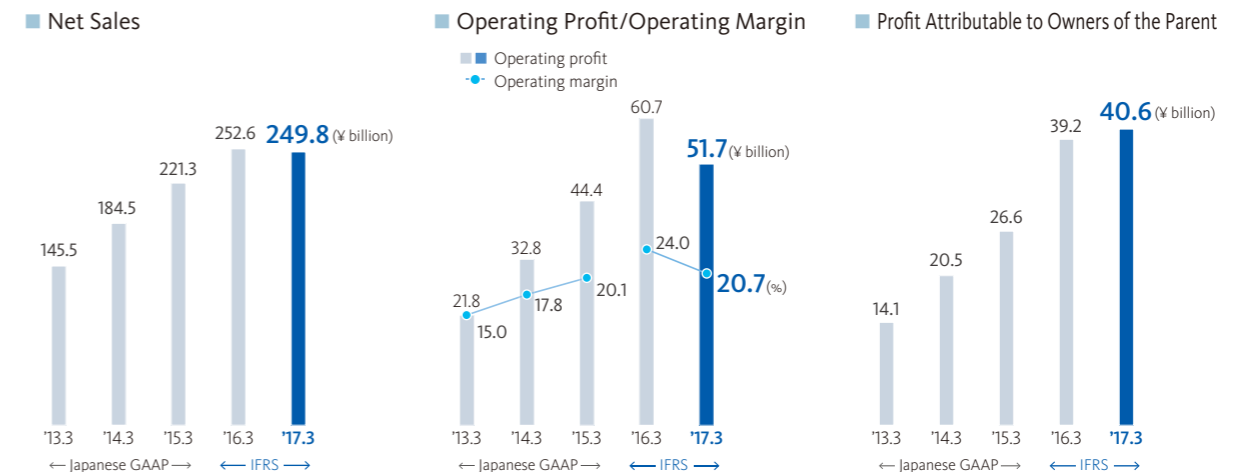
New Challenges for Achieving Sustainable Growth

In the fiscal year ended March 31, 2017, our growth was interrupted, following 16 continuous years of expansion in sales and 15 straight years of increases in profits. The overriding factor was the impact of exchange rates. With overseas sales accounting for more than 80% of the total, Sysmex is even more exposed to the impact of exchange

rate fluctuations than ever before. On a local currency basis, sales were up in all geographic locations, and business itself has not worsened. Nevertheless, I am extremely disappointed that our streak of ongoing increases in sales and profits has come to an end.

These operating results have aroused a sense of crisis

within the Sysmex Group, shaking us out of the sense that smooth sailing is a matter of course. All our employees are starting to realize how difficult it is to maintain ongoing growth. I believe this awareness is an important part of arousing the sense of challenge needed to put ourselves back on a growth trajectory.



Highlights of the Fiscal Year Ended March 31, 2017: Against a Backdrop of Higher Earnings, Invested in Medium- to Long-Term Growth

Looking back on the fiscal year ended March 31, 2017, we achieved steady profitability increases in such fields as hematology and hemostasis. In the hematology field, we obtained orders from prominent commercial labs and penetrated the West Coast region of the United States. Business in emerging markets also expanded, boosted by the launch of a compact model, the XN-L Series, reinforcing our position as the leading company in this field. In the immunochemistry field, which we are investing in as a driver of medium-term growth, the number of instruments in operation increased in Japan, China and other parts of Asia, creating a foundation for growth.

One issue we faced during the year was delays in our planned launch of new products in the urinalysis field. Also, various countries have reinforced their product regulatory systems in recent years, which means that approval sometimes takes more time than we expect. We are working to increase the speed of new product introductions by reinforcing our system for smoothly obtaining approvals.

On the profit front, I believe that achieving balance is more important than only striving to bolster profitability. While maintaining our operating margin at 20%, we will invest proactively toward the future. Specifically, we will invest in our R&D, manufacturing, and sales and service systems. Also, we will work to recruit and cultivate diverse human resources and make our Company an easier place for employees to work. I believe we need to take balance into account as we endeavor to enhance the quality of our management in these ways.

The Environment Surrounding the Healthcare Business

The environment in which Sysmex operates is in a state of dynamic flux. On a macro level, we face the ongoing aging of society, population increases in emerging markets and developing countries and outbreaks of infectious disease. On the technical front, the environment is characterized by the use of big data and advances in artificial intelligence (AI) and robotics. These changes in the operating environment are affecting needs in the healthcare market. In developed countries, technological innovation

is spurring advances in personalized medicine and other areas of advanced medical treatment. Given expectations of longer healthy lifespans as societies age, the need to curb medical expenses is growing. On the other hand, economic development in emerging markets and developing countries is driving demand to put healthcare infrastructures in place.

Aiming to Resolve Medical Issues through Unique Technologies

Operating in this environment, Sysmex will take on the challenges of creating new technologies and addressing unmet medical needs. In these ways, we will contribute to the health of people around the world.

For example, we are strengthening our efforts in blood tests that make it easy to check for genetic changes and initiatives to realize personalized medicine—diagnosis and treatment tailored to individuals. Also, no specific drugs exist for the treatment of Alzheimer's dementia, which is expected to become an increasingly serious social problem as societies age. However, early detection and appropriate care are thought to improve the situation or delay the onset of the disease. Sysmex is working to develop technologies for using blood tests to detect signs of the disease. Testing plays an important role in such treatment, and numerous themes of this nature remain to be addressed.

Another important question is how to expand our creation of new value. Sysmex is developing its business globally, and we are creating systems to deliver our products not just in specific regions but around the world. At the same time, it is essential to lower costs. By doing so, we can promote the advancement of healthcare by providing value to even more people.

Growing by Reinforcing Profitability in Core Businesses and Investment in Our Next Core Businesses

Our recently formulated new mid-term management plan, which concludes in the fiscal year ending March 31, 2020, positions hematology, urinalysis, hemostasis and immunochemistry as core businesses. We aim to augment sales and profits by pursuing growth in these fields. These core businesses enable Sysmex to leverage its existing strengths. We see room for growth in these fields, which



are still expanding. In particular, needs are increasing in emerging markets and developing countries, where infrastructures are being put in place as populations increase, so we anticipate further growth.

We will invest the profits generated in these core businesses into our next core businesses—our engines for further growth. By accelerating commercialization in flow cytometry (FCM), life science and other new business fields, we aim to transform our business portfolio to achieve sustainable growth.

To support this expansion, we will reinforce manufacturing in various ways, such as by establishing a base for the development of bio-diagnostic reagents. In addition to reinforcing our IT foundation to optimize operating processes, we will step up recruitment and cultivation of human resources who are next-generation leaders and who have advanced specialties and promoting further diversity to transform ourselves.

Maximizing Shareholder Returns by Maintaining Sound Growth

The environment in which Sysmex operates is undergoing sudden and major changes. I think that environmental compliance should always be equated with management. Environmental compliance enables a company to continue

generating new value and maintain growth. I believe that companies can meet shareholders' expectations as a result.

First, ongoing growth provides the basis for shareholder returns through stable dividends. To date, Sysmex has raised dividends for 15 consecutive fiscal years. We will invest proactively in order to maintain high rates of growth, but in the interest of ensuring the important balance between such investment and returning profits to shareholders, we will continue targeting a dividend payout ratio of 30% going forward.

In addition, I recognize the importance of clarifying Sysmex's current situation and future direction to accurately assess the market. Through our investor relations activities, we engage in dialogue with our shareholders and investors. Furthermore, by enhancing corporate governance and ensuring highly transparent management, we aim to cultivate trust-based relationships with our stakeholders.

September 2017

Hisashi Ietsugu
Chairman and CEO

Our Financial Perspective

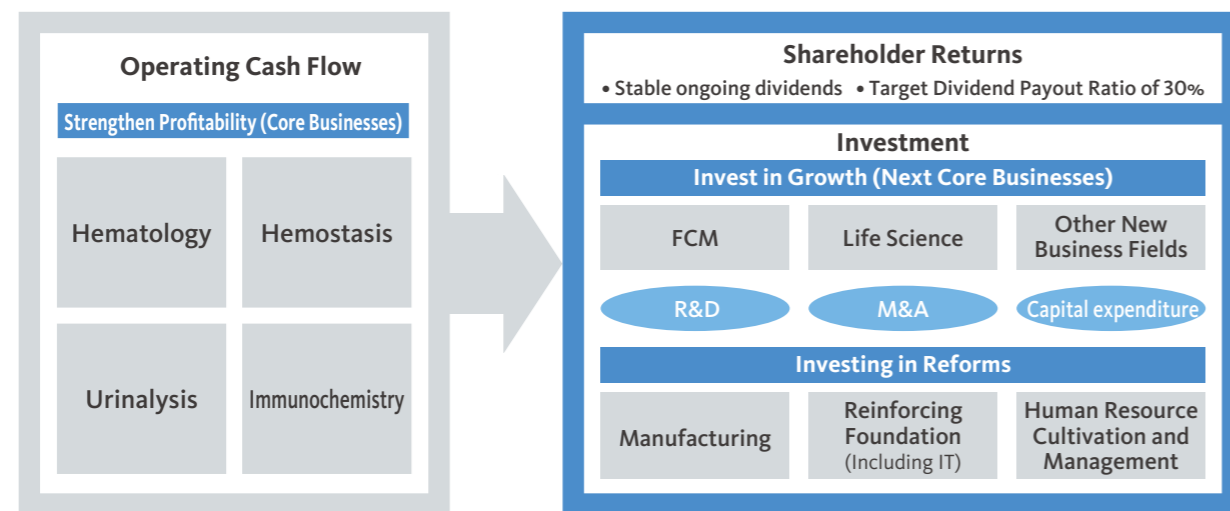
We invest proactively and provide appropriate shareholder returns.

Generating and Using Funds

In hematology, hemostasis, urinalysis and immunochemistry, which we have positioned as core businesses, we aim to further increase profitability and expand operating cash flow.

We will use the cash these businesses generate to invest in core businesses. In addition, we will invest proactively in R&D, M&A and capital expenditure toward further

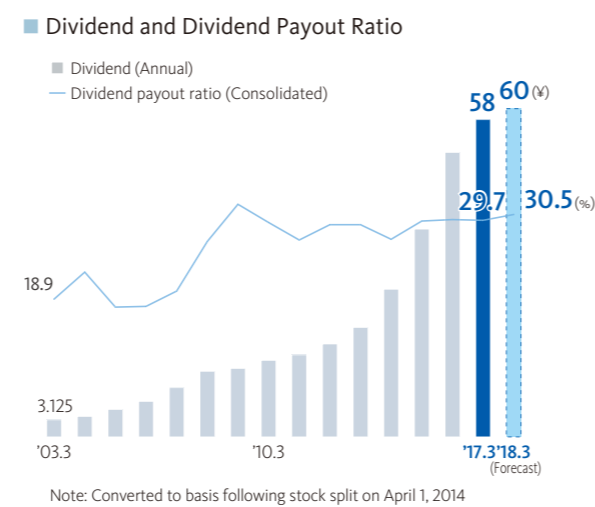
growth in our new core businesses. As investments in future-oriented reforms, we will concentrate on reinforcing manufacturing and foundation, including IT, and on human resource cultivation and management. Regarding shareholder returns, we intend to maintain stable ongoing dividends and increase ROE.



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%
- 15 Consecutive Years of Dividend Increases



Proactive Investments to Augment Corporate Value

To achieve further growth, Sysmex is investing toward accelerated future expansion in FCM, life science and other new business fields. In addition, we invest in R&D to generate highly valuable new testing and diagnostic technologies, in M&A to expand our technology platforms, and in capital expenditures for factory expansion to meet our global supply responsibilities. As a result, our R&D expenses and capital expenditures have grown over the past 10 years. During the period of the mid-term management plan that concludes in the fiscal year ending March 31, 2020, we plan to build a base for bio-diagnostic reagents in Kobe.

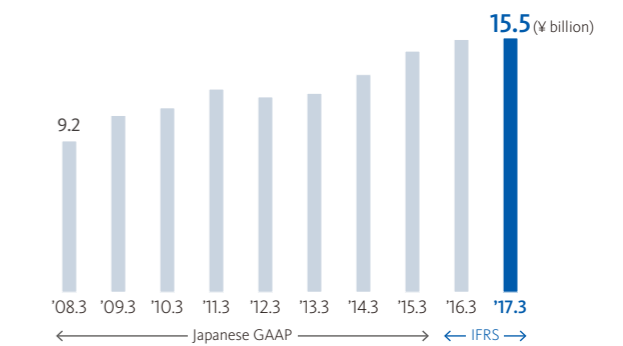
- R&D to Accelerate Future Growth in FCM, Life Science and Other New Business Fields
- Capital Expenditure for Factory Expansion to Meet Our Global Supply Responsibilities
- M&A to Enhance Our Technology Platforms

ROE

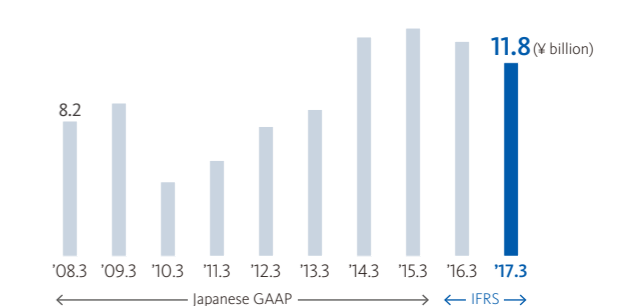
ROE was 20.7% in the fiscal year ended March 31, 2017. Going forward, we plan to augment ROE while maintaining a healthy financial balance.

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

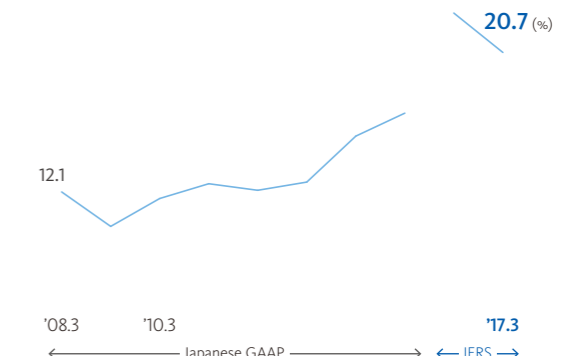
Research and Development Expenses



Capital Expenditure (Tangible)



ROE



Financial Highlights

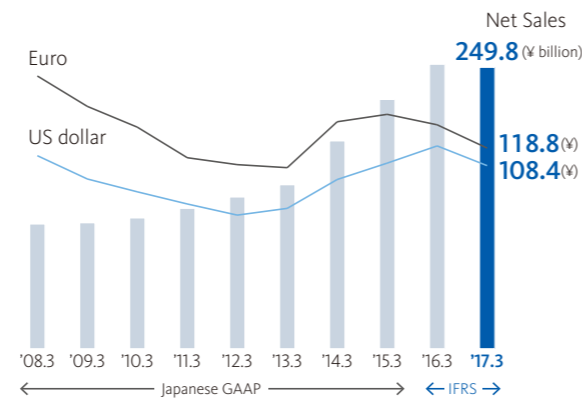
Net Sales

¥249.8 billion

(Down 1.1% year on year)

Sales were up in all geographic regions on a local currency basis, but down overall due to the impact of yen appreciation.

Note: Exchange rates had a negative impact on net sales of ¥26.4 billion.



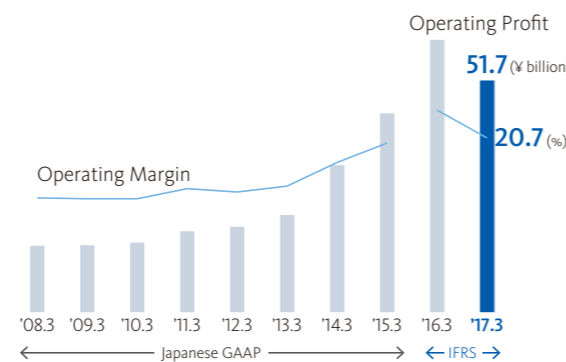
Operating Profit Operating Margin

¥51.7 billion 20.7%

(Down 1.1% year on year) (Down 3.3 percentage points year on year)

Operating profit declined due to the impact of yen appreciation and a worsening cost of sales ratio.

Note: Exchange rates had a negative impact on operating profit of ¥11.1 billion.



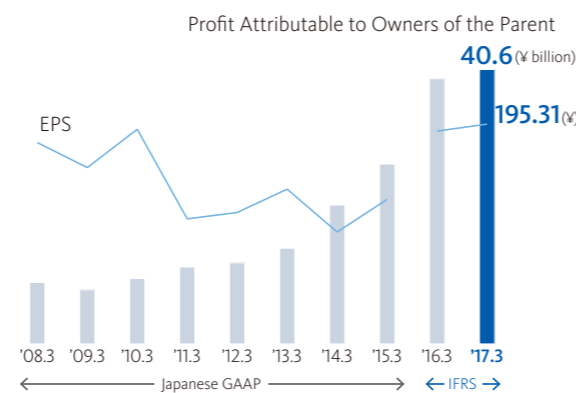
Profit Attributable to Owners of the Parent Earnings per share (EPS) (Basic)

¥40.6 billion ¥195.31

(Up 3.5% year on year) (Up 3.3% year on year)

Profit increased, due to a reduction in income tax expenses stemming from a reversal of deferred tax liabilities in line with a revised tax treaty between Japan and Germany.

(Figures through the fiscal year ended March 31, 2015, are net income.)

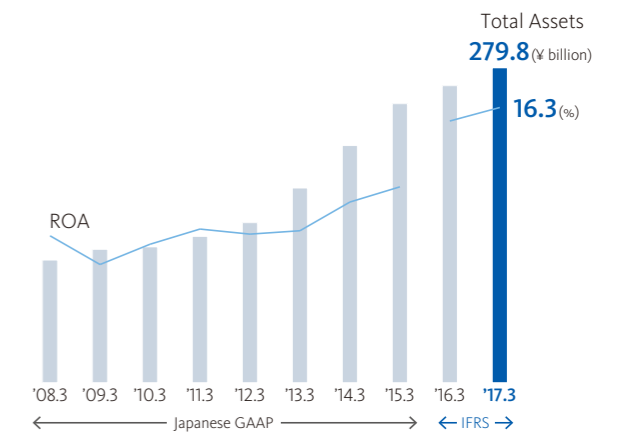


Total Assets Return on Assets (ROA)

¥279.8 billion 16.3%

(Up 6.0% year on year) (Up 0.8 percentage point year on year)

Total assets increased in line with rises in trade and other receivables and intangible assets.



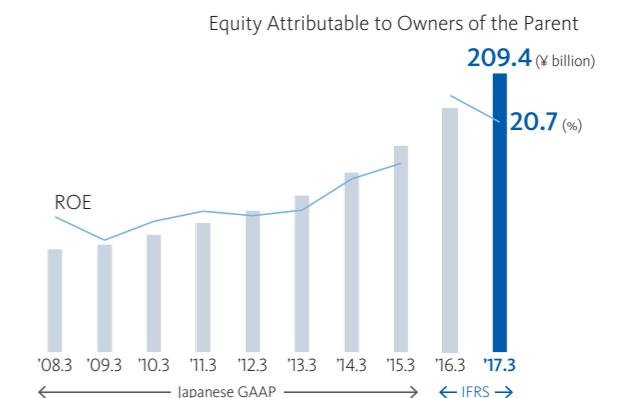
Equity Attributable to Owners of the Parent Return on Equity (ROE)

¥209.4 billion 20.7%

(Up 14.6% year on year) (Down 2.4 percentage points year on year)

Although profit rose, ROE decreased in line with increases in equity attributable to owners of the parent.

(Figures through the fiscal year ended March 31, 2015, are for equity and return on equity.)

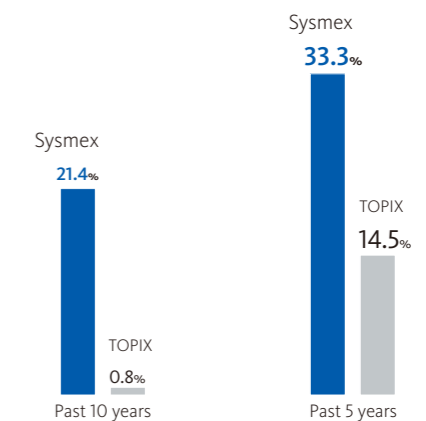


Total shareholder return (TSR) (annualized rate)

21.4% 33.3%

(Past 10 years) (Past 5 years)

Due to dividend rises and increases in the share price, total shareholder return (past five years) outpaced TOPIX by 18.8 percentage points.



Growth Strategies

Through further growth, we will contribute to the creation of a fulfilling and healthy society.

External Environment: The Expanding Healthcare Market

In developed countries, healthcare needs have begun to change dramatically due to technological innovation and advances in healthcare technologies.

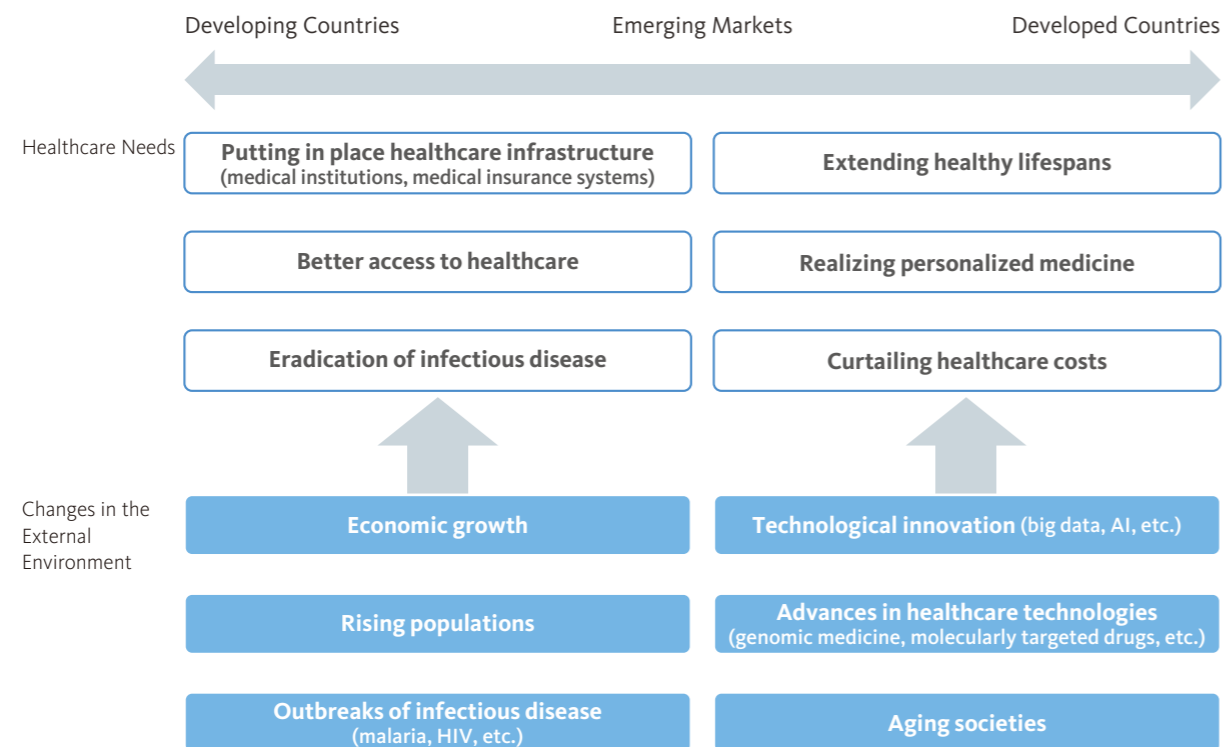
With personalized medicine, for example, it is becoming possible to select effective treatment methods based on individual patient characteristics. Once personalized medicine is realized and popularized, not only will the quality of patient treatment increase, but it will become possible to curb healthcare costs by eliminating the administration of unnecessary drugs. The role of testing in healthcare is growing, as testing is required to determine

individual patients' characteristics.

Meanwhile, emerging markets and developing countries continue to invest in healthcare infrastructure as their economies grow, causing the market to expand. Various countries are also calling for increases in basic healthcare, such as the establishment of medical insurance systems, hospitals and infrastructure. The market is also expected to grow as populations continue to expand.

In individual disease categories, measures to counter infectious disease are becoming an international issue, prompting demand to test for malaria and other diseases.

■ Changing Healthcare Needs



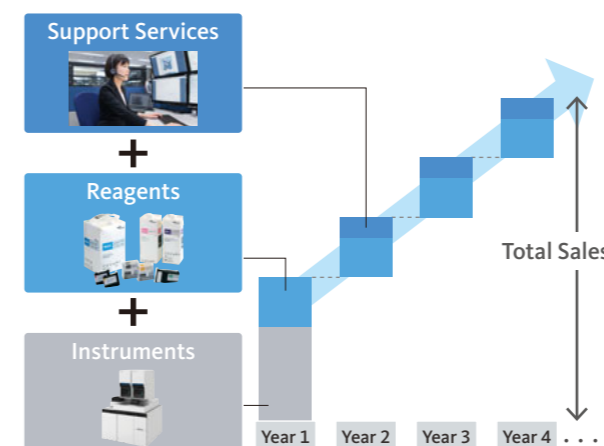
Internal Environment: Characteristics and Strengths That Will Enable Growth

Sysmex has unique characteristics and strengths that support sustainable growth. We are rolling out measures

to realize medium- to long-term growth by leveraging these strengths.

A Business Model That Generates Stable Earnings

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



Highly Competitive

Sysmex enjoys the leading share of the global market in the hematology, hemostasis and urinalysis (sediment) fields. With IVD demand increasing, particularly in emerging markets, we expect high levels of growth to continue in each of these fields.

Testing field	Market Scale (\$ million)	Market Growth Rate	Composition of Sales (Fiscal year ended March 31, 2017)
Hematology	3,100	6%	63.8%
Hemostasis	1,800	5%	16.4%
Urinalysis Of which, sediment urinalysis	1,000 320	6%	6.4%
Immunochemistry	18,000	6%	3.2%
Clinical chemistry	7,400	5%	1.4%
Others (genes, blood sugar, etc.)	21,700	—	8.8%
IVD market	53,000	6%	—

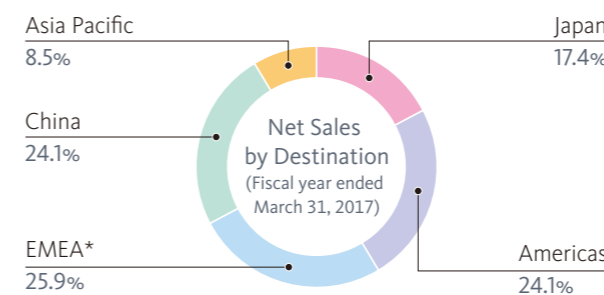
Note: Sysmex's assumptions

No. 1 Share of the Global Market

(In hemostasis, the figures are the total including Siemens. Urinalysis indicates sediment testing.)

A Sales and Support Structure Covering More than 190 Countries

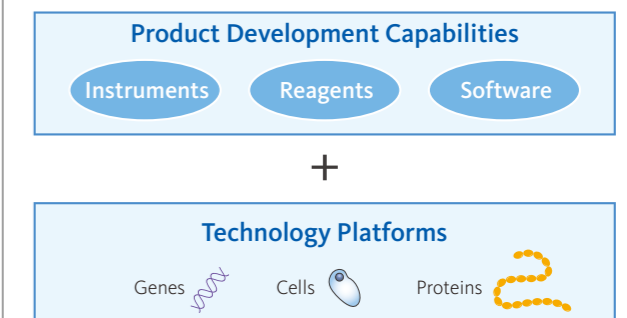
We have created a structure tailored to the characteristics of individual regions that delivers products and services in more than 190 countries. We leverage this strength to bring newly developed products to the global market quickly.



*EMEA: Europe, the Middle East and Africa

Unique Technological Capabilities

Sysmex has specialists in a variety of fields. This strength enables us to create unique instruments, reagents and software. Another major characteristic is our three different technology platforms: cells, genes, and proteins.



Long-Term Management Targets

Sysmex Way

A Unique & Global Healthcare Testing Company

Group Corporate Philosophy

Long-Term Management Targets (2020)

Mid-Term Management Plan

Long-Term Management Plan 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.

New Mid-Term Management Plan

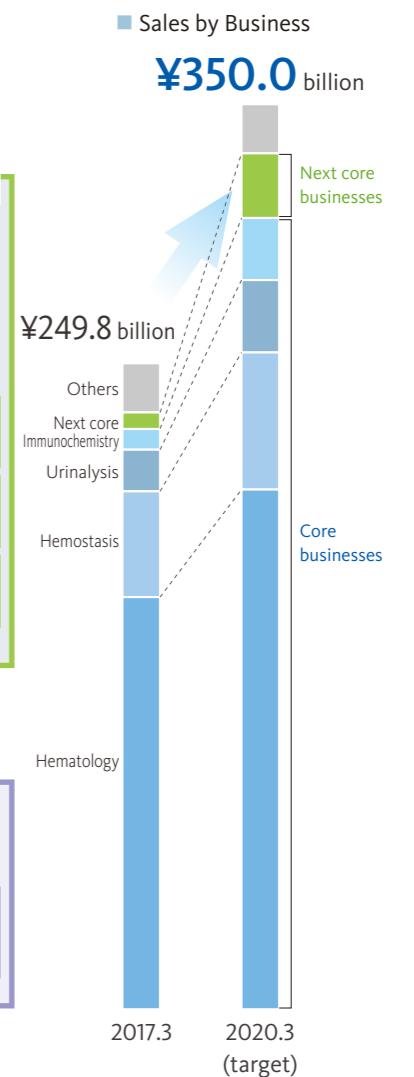
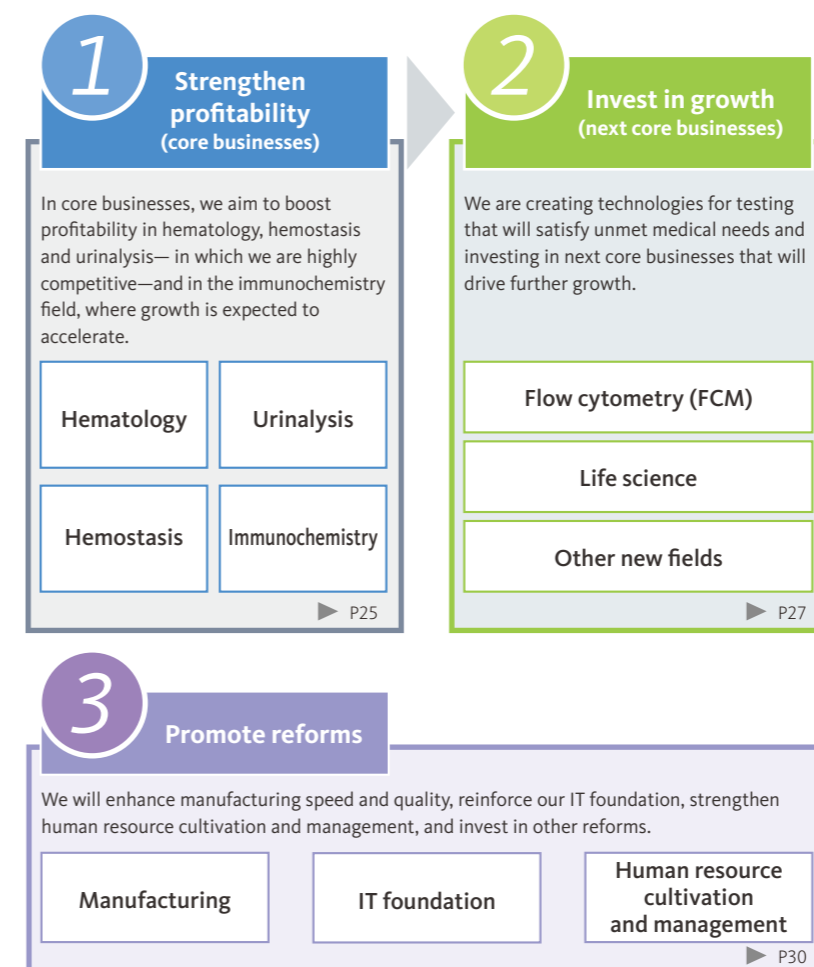
Sysmex has formulated a mid-term management plan concluding in the fiscal year ending March 31, 2020. We are working to reinforce profitability in core businesses, which are central to our current operations. In addition,

we are investing aggressively in areas positioned as our next core businesses, which will drive Sysmex in the future. Furthermore, we are promoting reforms to ensure sustainable growth from 2020 onward.

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

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

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



1

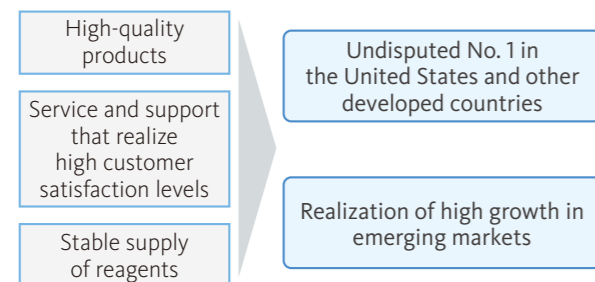
Reinforcing Profitability to Achieve Further Growth (Core Businesses)

Hematology Field

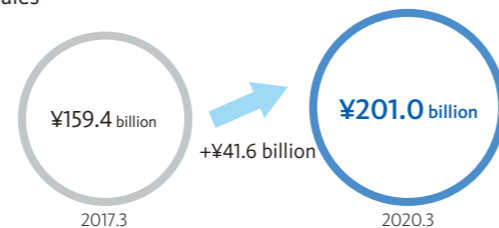
Sysmex earned the No. 1 share of the global market in the hematology field in 2007 by developing high-quality products and offering high levels of productivity, particularly for IT and system products. We continued to increase our market share even further through sales of the XN Series, our flagship model, and by providing services and support that achieved high levels of customer satisfaction. Going forward, we intend to further improve laboratory workflows through the space-saving new XN Series (launched

in June 2017) in emerging markets and other areas where market growth is anticipated. In response to rising demand, we are transitioning to local reagent production and reinforcing our ability to provide a stable supply of reagents.

Strengthen Profitability in the Hematology Field



Sales



XN-9100™

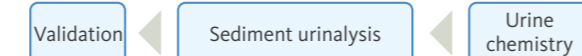
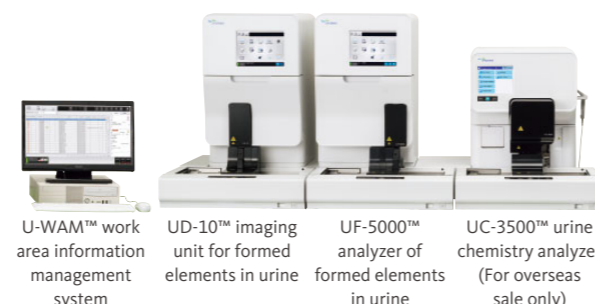
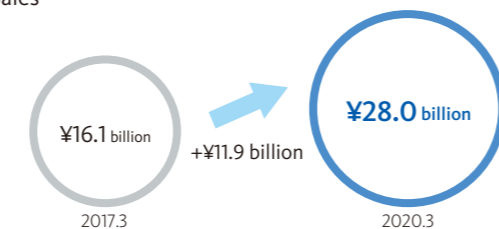
Urinalysis Field

Sysmex obtained the No. 1 share of the global market in the sediment urinalysis field through sales of the UF Series, which was the first in the world to utilize flow cytometry* in this field. To augment our presence further, in January 2016 we entered a business alliance with EIKEN CHEMICAL CO., LTD., to expand our portfolio of urine chemistry analyzers and realize increased efficiency through integrated operations in the urinalysis field including chemistry, sediment and imaging instruments.

Although it is taking time to acquire regulatory approval, to date we have put a system in place for sales promotion. Going forward, we will aim to take the No. 1 share of the market for the entire urinalysis field, including urine chemistry and sedimentation. We are strengthening our activities in this area, including improving the urinalysis work flow to achieve high levels of productivity.

* Flow cytometry: 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

Sales

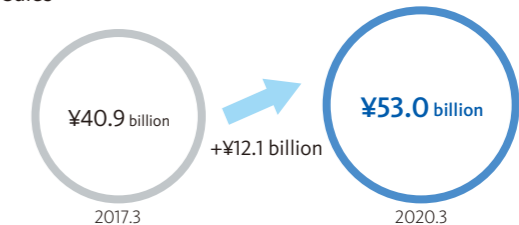


New Mid-Term Management Plan

Hemostasis Field

Based on our global alliance with Siemens Healthcare Diagnostics, we have achieved the No. 1 share of the global market by taking advantage of each other's strengths. In the future, we plan to accelerate business in this field by introducing fibrin reagents used in testing for clotting abnormalities and thrombosis, thereby increasing profitability.

Sales



CS-5100™



CS-2500™/CS-2400™



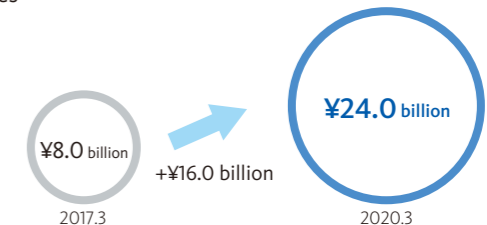
CS-1600™

Immunochemistry Field

In the immunochemistry field, which represents the largest IVD market, we are focusing our activities on Asia. Our approach here is to expand our business by concentrating on measurement parameters that Sysmex is uniquely able to offer. In the past few years, we have seen a steady increase in the number of instruments in operation, thanks to the strength of our sales promotions for the

HISCL Series, mainly in Japan and China. By accelerating market introductions in other Asian countries, we aim to boost the number of instruments in operation further. By also expanding our reagent portfolio (particularly in the hepatic disease domain), we will achieve higher sales and improve profitability.

Sales

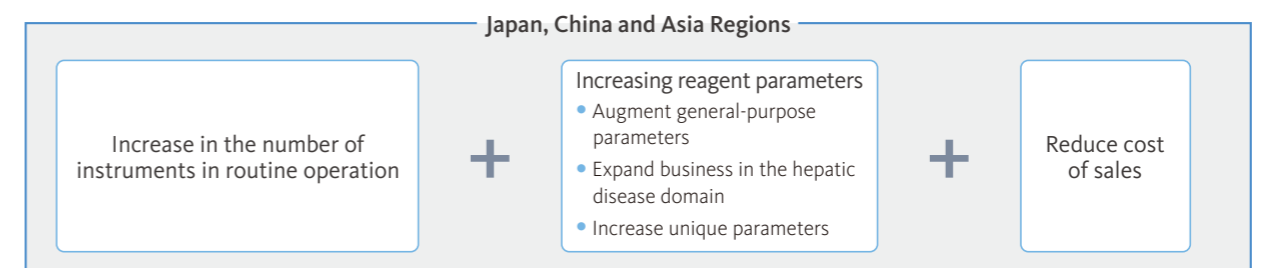


HISCL™-5000



Reagents

Expanding Business and Improving Profitability in the Immunochemistry Field



2

Investing in Growth to Reform Our Business Portfolio

New Mid-Term Management Plan

Interview with the Executive in Charge of Next Core Businesses



Thinking of the lives we help through new testing motivates me.

Kaoru Asano
Member of the Managing Board and Senior Executive Officer
Senior Managing Director
R&D Strategic Planning, Next-Core Business

Reforming Our Business Portfolio

To continue growing over the medium to long term, we have positioned next core businesses as new business domains in which we will leverage our unique technologies, and aim to reform our future business portfolio.

Contributing to Society

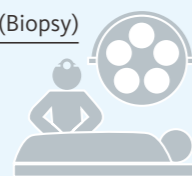
To succeed in our next core businesses, it is important to adopt a perspective that asks how we can provide value to society. For instance, our current focus is on liquid biopsy, which is a tool for contributing to the realization of personalized medicine. Once this is realized, it will become possible to select optimal treatment regimens for individual patients, which has the benefit of providing effective treatment. Improving treatment will link to the curtailment of healthcare costs, which means making an extremely large contribution to society.

The challenge that we have taken on, of trying to address society's issues, is never-ending. However, this means more than creating technologies. We must steadily commercialize these individual technologies in order to bring new testing into the world.

Reducing Physical and Economic Burdens with Liquid Biopsy

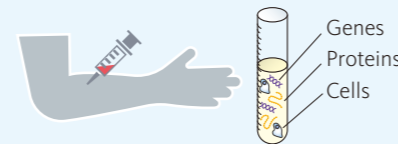
Conventionally: Tissue Analysis (Biopsy)

Direct analysis of the affected specimen



Blood Analysis (Liquid Biopsy)

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



The Challenge of Commercialization

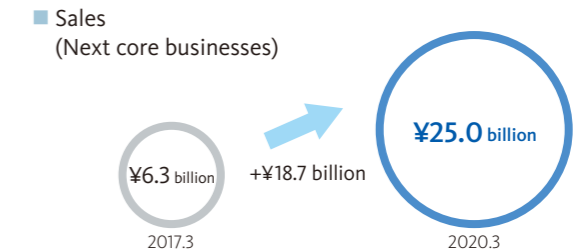
Creating and commercializing technologies is no easy process. However, because Sysmex is Japan's leading company in the IVD field, we receive numerous offers for cooperation from research institutions, universities and other companies. This assistance is a major driver that propels our R&D forward. Sysmex already provides sales and service in more than 190 countries, and we have built up a global network for obtaining regulatory approval. These factors are extremely important strengths in accelerating the global rollout of products we have commercialized.

The Power to Surmount Issues

The power to resolve issues is a strong source of motivation and passion for our employees, without which it would be impossible to achieve our goals.

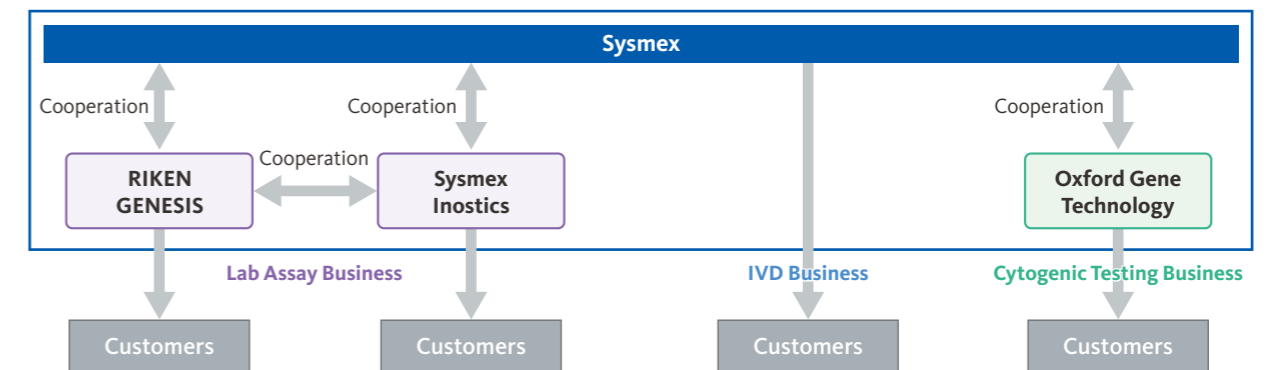
To maintain high levels of motivation, it is important to provide an environment that encourages employees to think for themselves and allows them the freedom to go about their business. I think it is also important to recognize how we are helping patients and contributing to society by commercializing and bringing to the world the technologies we are promoting.

To expand the next core businesses that will serve as the engines of future growth, Sysmex is working to augment the life science business, construct platforms for the FCM business and pursue commercialization in other new fields of business.



Life Science Business

Sysmex Group



The life science business is a key next core business, in which we will engage mainly in gene testing. Gene testing involves testing to diagnose gene-related diseases and drug compatibility. Based on these business characteristics, Sysmex will develop the following three businesses.

Lab Assay (Contracted Sample Analysis) Business

State-of-the-art gene analysis requires the use of laboratories with special equipment and specialized staff. Our lab assay service provides these to customers. In 2013, we converted Inostics into a subsidiary. This company possesses BEAMing technology for detecting minute quantities of genes circulating in the blood. In 2016, RIKEN GENESIS became a subsidiary, which has genome analysis technology that uses next-generation sequencers. These two companies are undertaking leading-edge gene testing for medical and research institutions. We are also leveraging synergies with these two companies to develop new gene testing for the early detection of cancer, recurrence monitoring and monitoring the effectiveness of anti-cancer agents.

IVD (Reagent) Business

In the gene analysis we provide as a lab assay service, ultimately we hope to offer IVD reagents that will allow any medical institution to perform such measurements themselves. Sysmex's system for the rapid detection of breast cancer lymph node metastasis, which uses the OSNA™ method that we developed, is already being conducted by many medical institutions through the use of IVD reagents. In this manner, we are moving forward with the development of IVD reagents that can perform the activities currently being done in laboratories, and we aim to provide these reagents to medical institutions around the world.

Cytogenic Testing Business

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

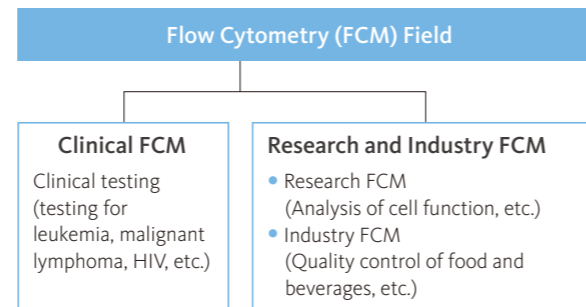
New Mid-Term Management Plan

FCM Business

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

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

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



Other New Fields

● Ultrahigh-Sensitivity HISCL™

Based on Sysmex's HISCL™ immunochemistry analyzer, using the immune complex transfer method* has enabled us to detect minute quantities of proteins circulating in the blood—something that was not previously possible. Going forward, we plan to commercialize this system for application in a host of diseases, such as using blood testing (liquid biopsy) for Alzheimer's dementia.

* Immune complex transfer method: A technology for using nonspecific adsorption to greatly reduce background noise



Ultrahigh-sensitivity HISCL™

● Cervical Cancer Screening System

We developed the LC-1000™ exfoliative cell analyzer to increase the efficiency of cervical cancer screening and other cytological examinations. Using this instrument to test for abnormalities in a cell's nucleic DNA volume and in cell morphology makes it possible to detect abnormal cells through cytology. The method currently mainstream in cervical cancer requires using a microscope to test cells taken from the cervix. Using our instrument in combination allows for more efficient testing.

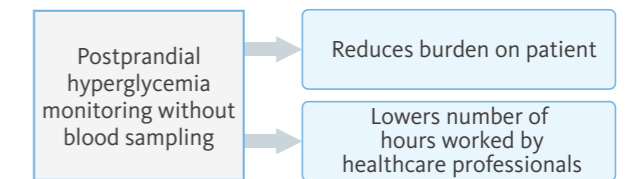


LC-1000™ exfoliative cell analyzer

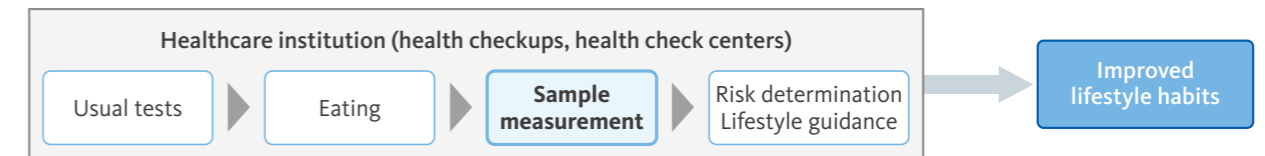
● Glucose Patch Test

We are developing a test (glucose patch test) that enables the status of postprandial hyperglycemia to be measured without blood sampling. The test is aimed at the early detection of diabetes, a typical lifestyle disease. We are working toward the commercialization of this test, which enables the relatively simple determination of postprandial hyperglycemia and can help improve lifestyle habits (eating).

■ Result of Introduction



■ Minimally Invasive Postprandial Glycemia Measurement Service



3

Promoting Reforms to Lead Growth

Manufacturing

Going forward, we will enhance manufacturing speed and quality, which will support further growth. For example, during the period of our current mid-term management plan we will increase our ability to develop and produce bio-diagnostic reagents, which should lead to growth in the immunochemistry business. Furthermore, as we take seriously our responsibility to provide products and services to customers, we intend to strengthen our systems for maintaining customer trust by providing a stable supply of high-quality products.

As one aspect of these efforts, in 2017 we expanded our US reagent factory to 1.8 times its former capacity, enhancing our ability to provide a stable supply of reagents in the Americas.



US reagent factory

IT Foundation

To optimize business processes, we will continue investing to strengthen our IT foundation. For example, we will use IT to boost productivity by optimizing our supply chain and engineering chain processes.

Human Resource Management

Sysmex considers people an important management resource necessary for sustainable growth, and we invest in our human resources accordingly. In particular, we are stepping up our recruitment and cultivation of human resources who are next-generation leaders that will drive Group growth and highly specialized personnel.

To create an organization that makes use of diverse specialized human resources, we are conducting diversity training targeting people at manager level and above.



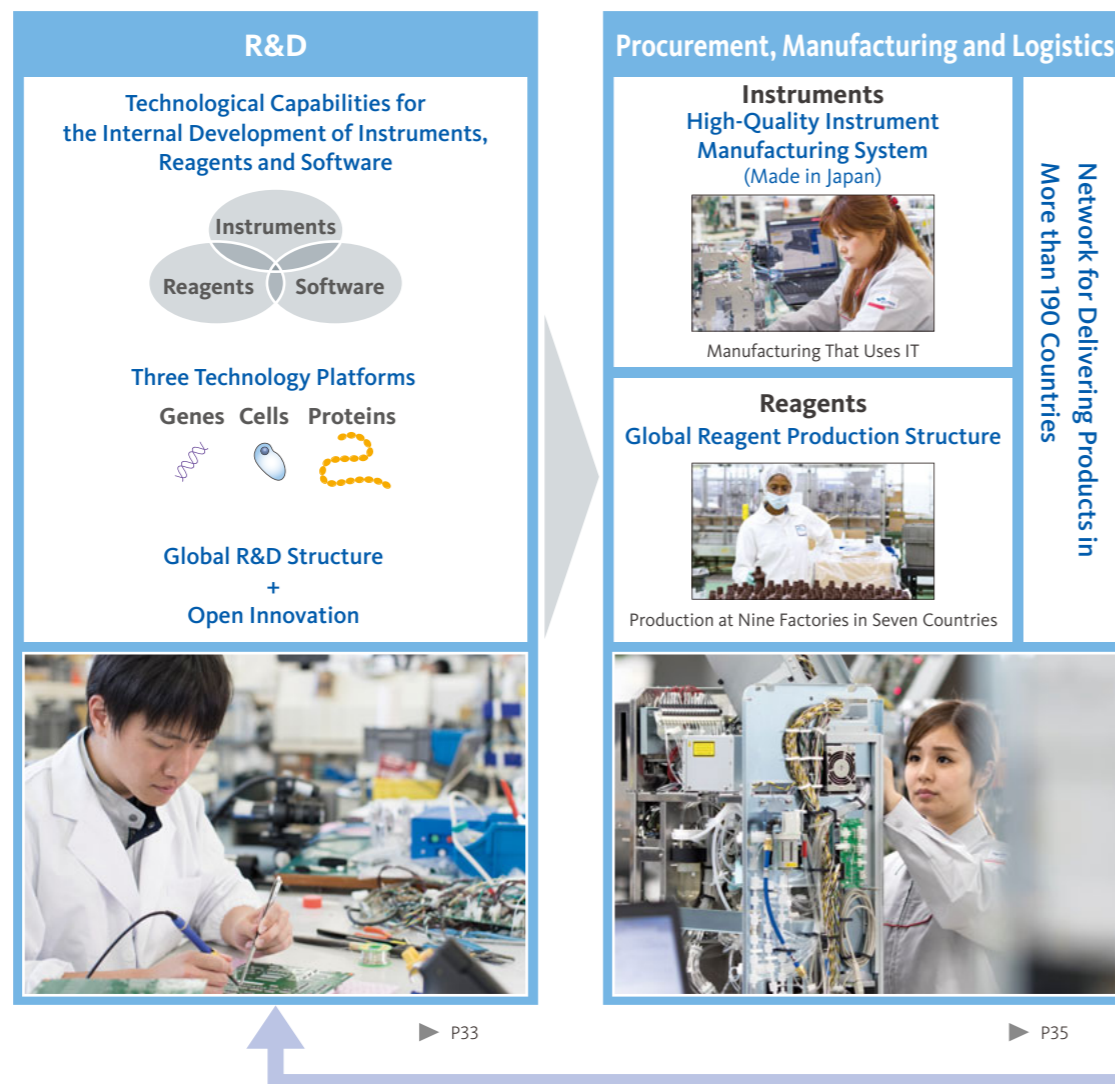
Management training

Business Activities

We are creating frameworks to generate and provide value in response to diverse market needs.

Framework for Generating Value

Sysmex creates its own global systems, ranging from R&D to manufacturing, sales, and services and support. Through these systems, we ascertain customers' issues and needs, which we quickly incorporate into our R&D. In addition to high-quality instruments, reagents and software that reflect these issues and needs, we provide high-value-added system products and online support. These efforts have earned us a strong reputation with customers around the world.



Research and Development

Sysmex leverages its proprietary technologies to resolve the healthcare issues society faces and contribute to the realization of a healthy society.

R&D Vision and Directions

Based on the "Sysmex Way," the corporate philosophy of the Sysmex Group, our R&D aims to contribute to society through the generation of new diagnostic technologies.

We are currently undertaking R&D on a variety of themes: extending healthy lifespans by taking on the challenges of unmet medical needs, realizing optimal treatment and curtailing healthcare costs through personalized medicine, and contributing to emerging markets and developing countries through the development of methods for the early diagnosis of infectious diseases.

As a company that has grown on the basis of its technological prowess, we recognize R&D as a source of growth and, accordingly, invest proactively in this area. Our R&D expenses totaled ¥15.5 billion in the fiscal year ended March 31, 2017.

Diverse Human Resources and a Global System

Sysmex's R&D divisions include human resources with diverse specializations, such as mechanical engineering, information science, electronic engineering, chemistry, applied physics, biology and other areas. We utilize their strengths to create the products needed for diagnosis, spanning instruments, reagents and software.

Centered on Technopark, our R&D hub, we are creating a global structure for generating new value. The structure comprises R&D centers in Europe and the United States and collaborations with such subsidiaries as RIKEN GENESIS and Sysmex Inostics.

In addition to expanding our own technology platforms, we are pursuing open innovation, collaborating with domestic and overseas research institutions, universities and medical institutions. Through these activities, we acquire new candidates for diagnostic parameters and strive to quickly complete advanced and highly valuable diagnostic techniques and reagents.



Three Technology Platforms

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. In 2016, we converted RIKEN GENESIS to a subsidiary, followed by Oxford Gene Technology in 2017.

important theme. Genes, proteins and cells in blood and bodily fluids contain information about affected parts of the body. In recent years, highly sensitive analysis has made it possible to perform tests and obtain results equivalent to the information available from resecting tissue from the affected parts of a patient's body. Liquid biopsy is gaining attention for its potential in reducing the physical, mental and economic burden on patients, as well as for its benefits in allowing for repeated testing (monitoring).

Of Sysmex's technology platforms, in the gene platform we are concentrating on the realization of genomic medicine¹. In the protein platform, we are working on Alzheimer's testing and other protein detection using ultrahigh-sensitivity HISCL™. In the cell platform, we are working to automate FISH testing² using imaging FCM technology and developing technology for the detection of circulating tumor cells (CTCs).

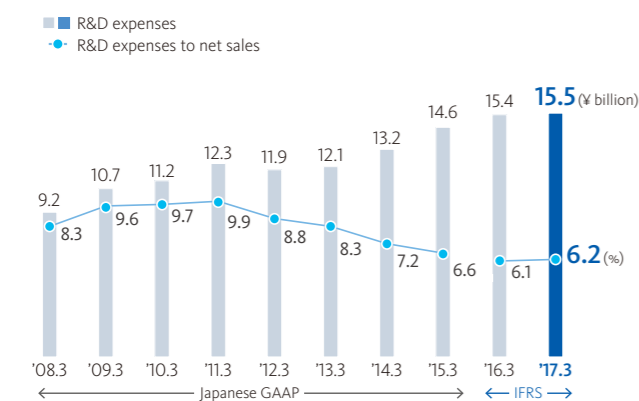
¹ Genomic medicine: The study of individuals' genome information and the provision of more efficient and effective disease diagnosis, treatment and prognoses based on these results

² FISH testing: Testing method that uses fluorescent material binding only specific genes to detect target genes within a chromosome

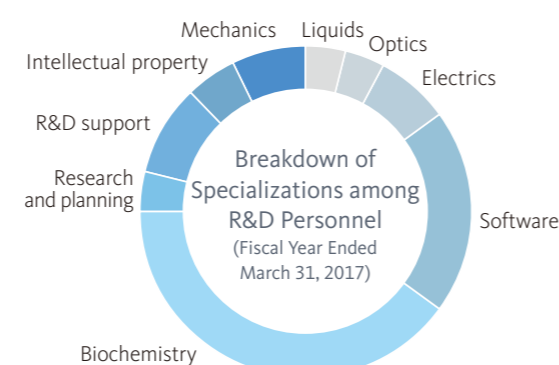
Future Initiatives

Sysmex is pursuing R&D toward the realization of liquid biopsy for personalized medicine, which it considers an

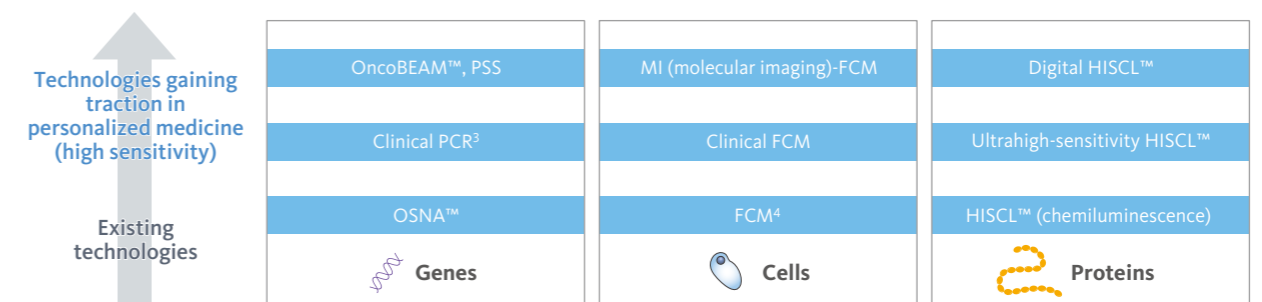
R&D Expenses/R&D Expenses to Net Sales



Human Resources with Diverse Specialties



Sysmex's Technology Platforms



³ PCR: A gene amplification technology for multiplying small quantities of DNA into large amounts

⁴ 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

Procurement, Manufacturing and Logistics

We have created an instrument manufacturing system that pursues high levels of quality and a global reagent production system, enabling us to supply products in more than 190 countries.

Realizing High Quality through a Proprietary, Made-in-Japan Instrument Manufacturing System

Extremely high quality is required of the high-performance, precision testing instruments Sysmex delivers, and mechanical automation is difficult for many aspects of their manufacture. At the same time, we must manufacture instruments efficiently in order to be cost-competitive globally.

To manufacture excellent products both accurately and efficiently, we employ information technology (IT), using an assembly process in which people are supported by technology.

For example, we use a system that provides 3D video instructions for manual processes, which has proven highly effective in boosting quality and productivity. We use Smart Pro, our proprietary manufacturing support system, to centralize information, manage progress on processes and perform quality control.

Another factor underpinning the high quality of our products is the quality of our suppliers. We procure materials and parts from Japanese suppliers who boast some of the industry's best technological capabilities.

As manufactured products pass through this system, they are subjected to our quality control systems, which comply with different countries' legal requirements, as well as an environmental protection system.

Through this distinctive "made in Japan*" system we have created, Sysmex delivers high-quality, high-value-added products around the world.

* Only Sysmex Partec's instruments are manufactured in Germany.

A Reagent Production System That Delivers a Stable Supply Globally

While we concentrate instrument manufacturing in Japan, the reagents that are required for testing are consumed each time a test is conducted, so we have situated our reagent factories near the markets in which the reagents



are used. Sysmex has two reagent factories in Japan and seven in six other countries. This arrangement enables us to provide a stable supply to meet demand from customers in locations around the world. Developing this global network of reagent factories has enabled us to reduce distribution costs and delivery lead times.

To meet an increase in global demand for reagents, Sysmex has been further expanding its production system. We are expanding the production area of our reagent factory in the United States to meet growing demand there; in July 2017 we increased production capacity to 1.8 times the factory's former level.

In line with our growth strategy, we are moving forward with the construction of a bio-diagnostic reagent development base in Japan. Through this location, we aim to accelerate reagent development and production and enhance quality in the interest of future growth.

Optimizing Supply Chain Processes to Realize a Stable Supply of Products

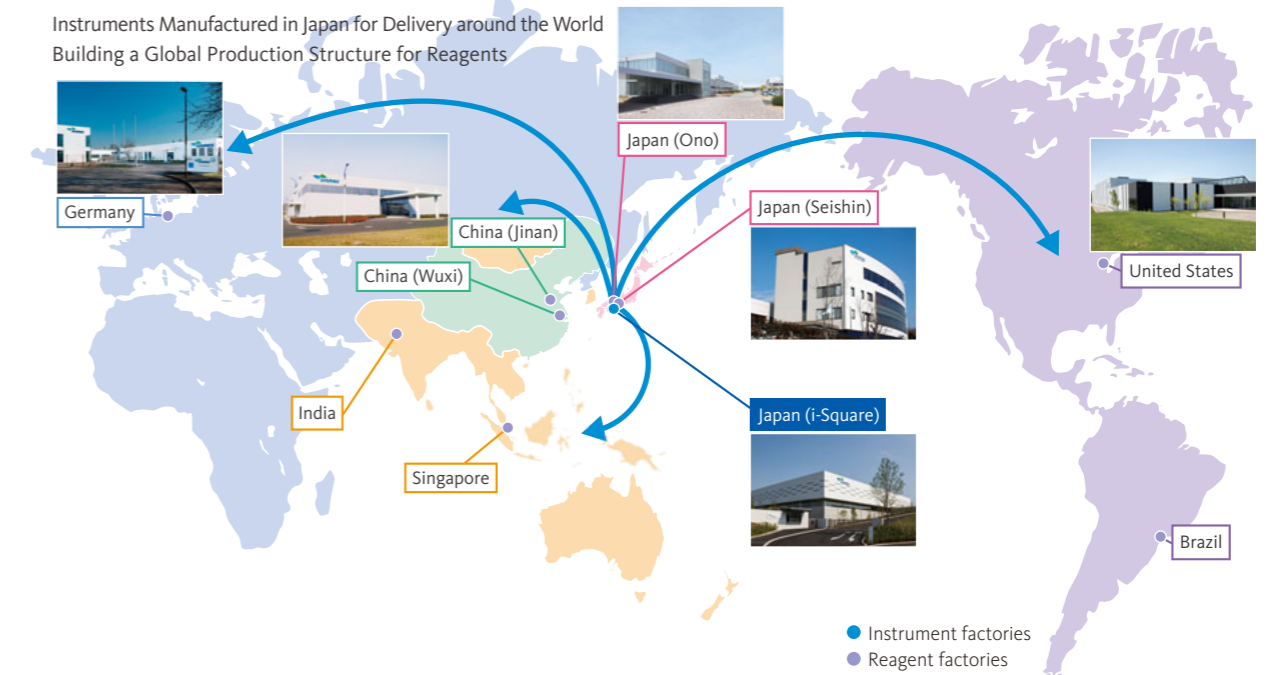
We are putting in place a framework to accurately ascertain demand conditions and always be ready to provide a stable supply of instruments swiftly in response to global demand fluctuations.

For reagents, we are dispersing risk by diversifying our sources of supply for principal ingredients. We are also transferring production to local factories, thereby addressing supply stability from various angles.

By ensuring a stable supply of products, we are working to meet our corporate social responsibilities and further increase the trust invested in us by customers around the world.

<p>Instrument Manufacturing</p> <p>Made-in-Japan quality Brand power, reliability Efficient manufacturing that fuses people and technology</p>  <p>Manufacturing that utilizes ICT</p>	<p>Reagent Production</p> <p>Produced at nine factories in seven countries Stable supply Reduced shipping costs and lead times</p>  <p>A production system that realizes stable supply</p>
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Global Supply System



Sales and Support Services

We are putting structures in place to deliver high-quality products, service and support to customers around the world.

Developing a Sales Structure around the World Tailored to Regional Characteristics

In 1972, shortly after the Company's founding, Sysmex opened its first overseas location, in Germany. We have developed our operations globally since that time, expanding our sales network to the point where we now cover more than 190 countries.

We provide direct sales, service and support in countries and regions that account for nearly 60% of our sales. Here, Sysmex employees have increasing opportunities to interact directly with customers to hear their needs and the issues they face.

We also conduct indirect sales, service and support in some regions, working with alliance partners to overcome differences in business practices and other issues. In these regions, we hold conferences for distributors to enhance their understanding of Sysmex's businesses and products.

In developing countries, in addition to conducting sales and providing services via distributors, we deliver products through global funds and engage in other activities aimed at boosting local levels of healthcare.

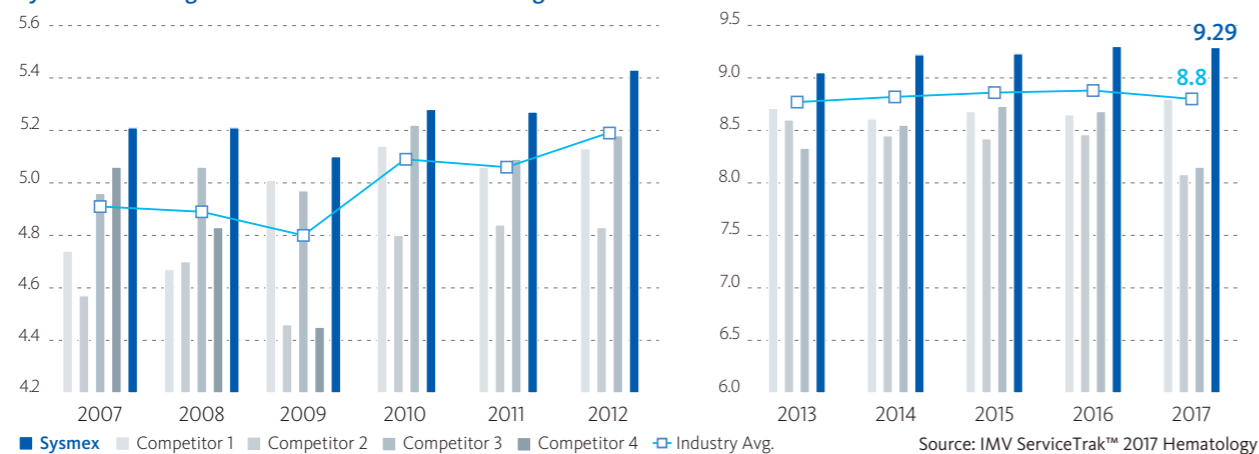
Delivering Products and Added Value to Customers

In addition to an extensive sales network, our ability to deliver Sysmex products across a broad area stems from a diverse product lineup tailored to customer needs in hematology and other core businesses.

Also, we go beyond simply selling products. To improve the operational effectiveness of our customers, we also offer testing work flow solutions, providing advice in such areas as the selection and placement of instruments and the operation of laboratories.

Customer Assessment in the United States

Sysmex Earns Highest Customer Satisfaction Rating for the Past 11 Years for "Overall Service Performance"



By fully leveraging our diverse product lineup, services, experience and expertise, we offer flexible proposals tailored to laboratory requirements. Providing added value in these ways has enabled our sales approaches to gain traction throughout the world.

control on customer instruments in real time, automatically monitoring their operational status and supporting operational safety. This system uses IT to enable Sysmex staff to check the status of customer instruments remotely and perform failure prediction.

To ensure the provision of high-quality services, we are stepping up our training of service engineers and distributors and striving to improve service levels.

Service and Support Activities That Support High Levels of Satisfaction with Sysmex Products

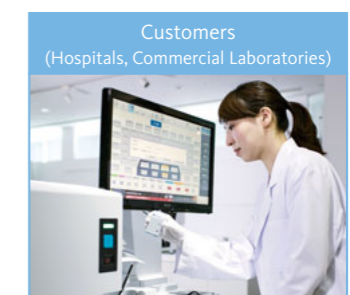
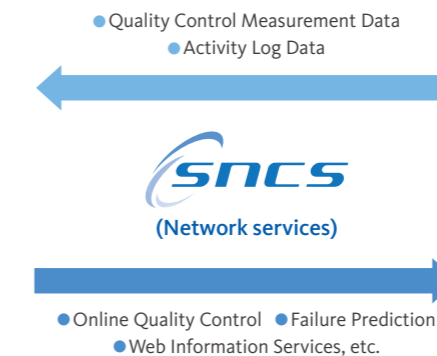
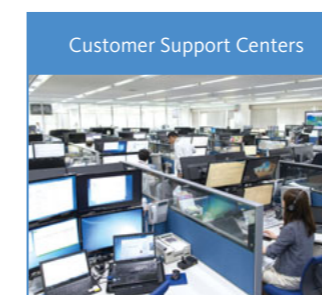
● **Through an Extensive Service Structure, Providing a Testing Environment That Instills Confidence**
 Sysmex products are involved in important decisions in medical settings, so reducing equipment downtime can help to increase customer satisfaction. Since the time of its founding, Sysmex has placed importance on instilling confidence in its customers through the provision of accurate test results. For this reason, we have focused on providing service and support, responding to instrument problems and answering customers' questions and requests.

For instance, our Customer Support Center is available to respond swiftly to telephone inquiries. We have also created a network service called SNCS™ (Sysmex Network Communication Systems) to provide quality

● Scientific Support That Accurately Demonstrates Product Quality

We also concentrate on scientific activities to enable customers to accurately utilize the clinical value Sysmex's products offer. For example, we provide training to customers who have purchased our products, teaching them how to use our instruments accurately and carefully communicate scientific information. We also explain to physicians how to use Sysmex's unique measurement parameters in clinical settings. These scientific support activities help customers make the most of our product capabilities. By holding scientific seminars in emerging markets and other locations, we help raise the level of knowledge among healthcare professionals and contribute to increases in the quality of healthcare.

SNCS™ Network Service

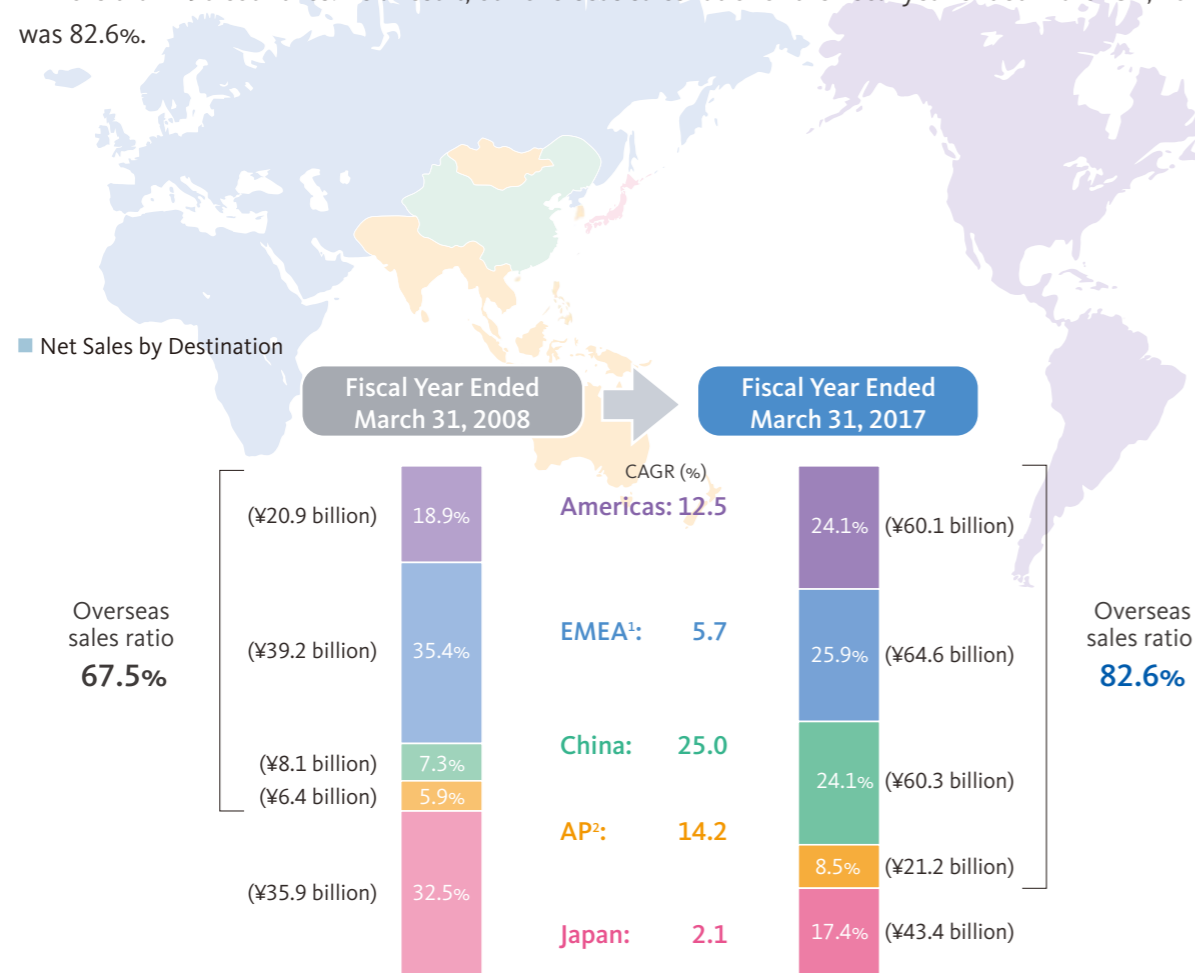


Overview of Business by Geographic Region

Since opening our first overseas location in the 1970s, we have expanded our business by tailoring operations to regional characteristics.

Sysmex opened its first overseas location, in Germany, in 1972. In 1991, we began offering direct sales, service and support overseas for the first time, in the United Kingdom, and we have developed our operations globally since then.

We currently have upwards of 60 Group companies in more than 40 countries, through which we provide high-quality products and stable service and support, tailored to regional characteristics, to customers in more than 190 countries. As a result, our overseas sales ratio for the fiscal year ended March 31, 2017, was 82.6%.

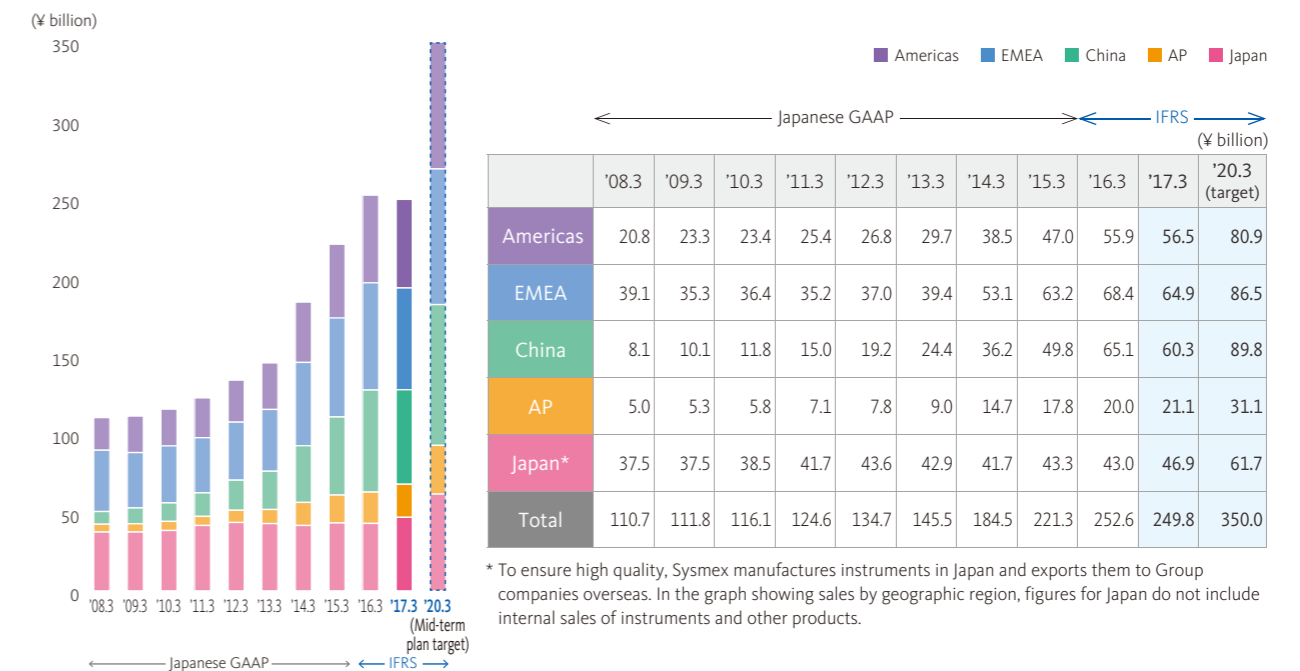


¹ EMEA: Europe, the Middle East and Africa

² Asia Pacific

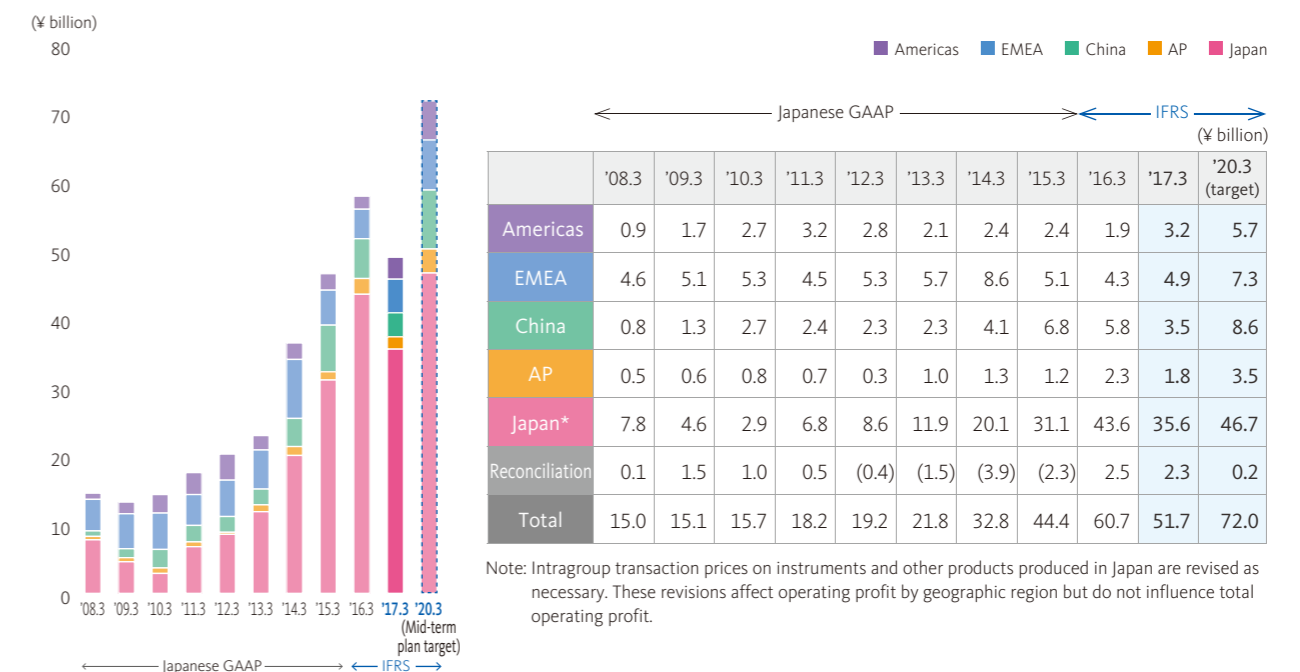
Note: Net sales by destination is defined as the sales amount recorded by Group companies to customers in a particular region. However, net sales by geographical region refers to the sales amount made by a Group company in a particular location.

Net Sales by Geographic Region



* To ensure high quality, Sysmex manufactures instruments in Japan and exports them to Group companies overseas. In the graph showing sales by geographic region, figures for Japan do not include internal sales of instruments and other products.

Operating Profit by Geographic Region



Note: Intragroup transaction prices on instruments and other products produced in Japan are revised as necessary. These revisions affect operating profit by geographic region but do not influence total operating profit.

Overview of Business by Geographic Region



Americas

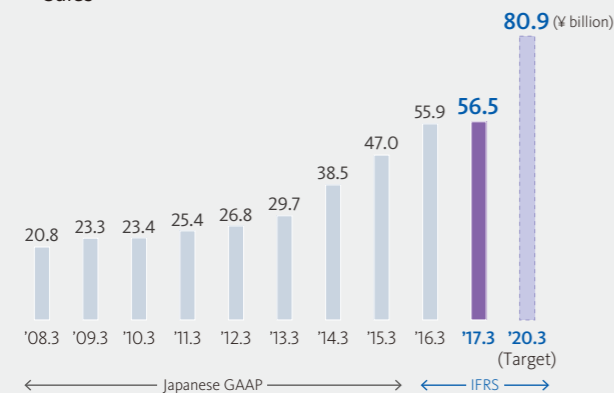
We have acquired a high market share in the hematology field in North America. We aim to achieve further growth by establishing bases in Central and South America.

Ralph Taylor
CEO, Sysmex America, Inc.

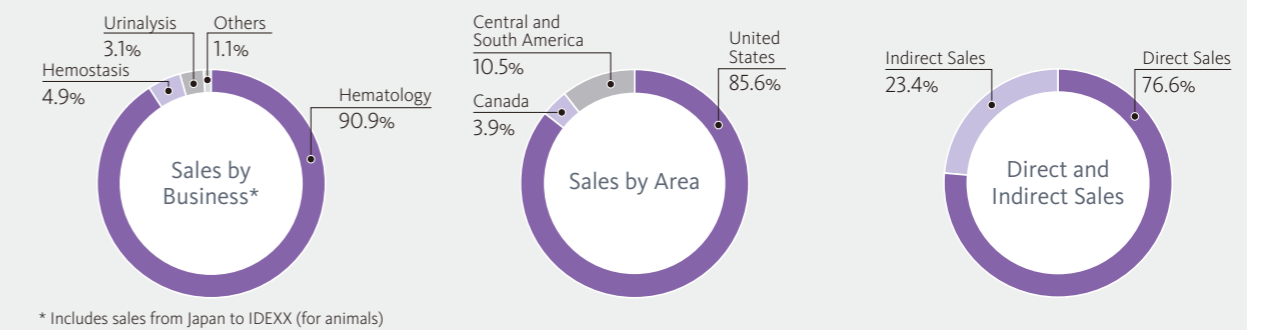


Activities in the Fiscal Year Ended March 31, 2017

■ Sales



- ▶ Sales rose by double digits on a local currency basis, thanks to expansion of the hematology field in the United States. Due to the impact of yen appreciation, however, sales were up only slightly on a yen basis.
- ▶ Operating profit grew, due to the impact of higher sales, a temporary halt in excise taxes, and a revision in intragroup transaction prices.
- ▶ Status by Principal Area
 - In the United States, sales increased due to favorable results in the hematology field stemming from a strategic focus on the West Coast area and the acquisition of a project from a prominent commercial lab.
 - Sales in Central and South America were down due to economic stagnation in Brazil, although benefiting from the acquisition of large-scale tenders in Mexico.



* Includes sales from Japan to IDEXX (for animals)

Market Characteristics

- **Sophisticated Activity Called for in North American Market**
The North American market comprises the advanced markets of the United States and Canada; these markets are highly regulated. Healthcare institutions are spread across a vast area, and this market calls for products that provide high levels of productivity and efficiency and capable of delivering clinical value to the end users. Furthermore, the market requires swift and high-quality response, so sophisticated and innovative sales and support services are essential.
- **High Potential in the Central and South American Market**
Different from the North American market, the Central and South American market centers on emerging markets and developing countries. At around 600 million people, the population of this huge market is double that of North America. In many cases, customers in this market do not have sufficient budgets to purchase the same state-of-the-art technologies and products as in developed countries, so the market tends to center on the provision of reasonably priced, high-quality products and services. As transport infrastructures are less developed, the market emphasizes structures capable of providing products in a stable manner that offer high levels of reliability.



Sysmex's Strengths

- **Regional Management Structure**
We have in place robust sales, marketing, and service and support structures centered on a regional headquarters. These and highly specialized quality assurance and regulatory affairs departments are Sysmex's strengths.
- **Coverage Across the Vast North American Market**
To respond effectively and promptly across this wide sales area, our services provide virtual instructor-led training, which is revolutionizing the way we provide training to our customers. We also support our customers by providing scientific and clinical seminars. We enjoy high levels of customer satisfaction as a result.
- **A Sales and Service Network to Support Business in Central and South America**
Among our strengths in Central and South America are a distributor network based on long-standing trust-based relationships, plus an extensive support structure that provides individual distributors with services and support. We have established our own subsidiaries in key countries such as Brazil and Mexico, where our support structures are made up of highly specialized local staff.
- **A Structure for Providing a Stable Supply of Reagents**
To ensure a stable supply of reagents while holding down transportation costs and reducing lead times, we manufacture reagents locally at two factories in the United States and Brazil. This arrangement is a major strength for Sysmex.

Medium- to Long-Term Growth Strategies

- **Achieving the Group's Long-Term Management Plan**
To meet the targets of our long-term management plan, we aim to obtain a No. 1 position in markets we are entering, leveraging innovation and outstanding customer service in the Americas.
- **Aiming to Be No. 1 in Markets We Are Entering**
We will reinforce our sales promotion in hematology targeting the hospital and laboratory market. In addition, we will enhance our absolute No. 1 position by entering the market for private medical practitioners. We aim to obtain the No. 1 position in the urinalysis field by offering integrated chemistry and sediment solutions. In the hemostasis field, we intend to achieve an absolute No. 1 position through our alliance with Siemens. We also plan to enter the market for clinical flow cytometry.
- **Bolstering Our Presence in the Central and South American Market**
In the Central and South American market, we will augment our presence by establishing our own subsidiaries and enhancing support for distributors, thereby strengthening our sales and service capabilities.
- **Investing in the Human Resources Who Will Support Sysmex in Its Next Generation**
We recognize that human resources are a vital management asset in the Americas, and we will proactively invest in them accordingly. We are identifying management candidates through human resource assessments, developing skills and building personnel-friendly working environments as initiatives to cultivate the human resources who will support Sysmex in its next generation.

Overview of Business by Geographic Region



EMEA (Europe, the Middle East and Africa)

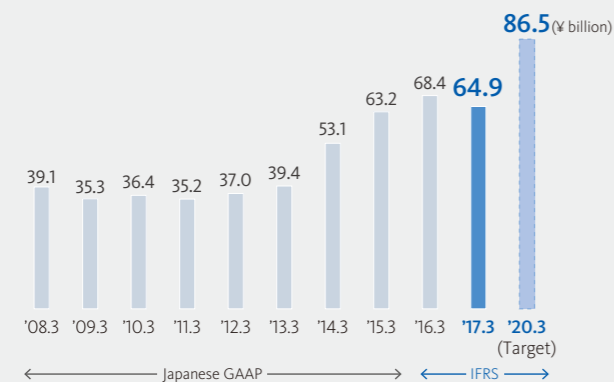
We operate in more than 100 countries in this region, including both developed countries and emerging markets. We are building sales and support service structures tailored to regional characteristics.

Juergen Schulze
President and CEO, Sysmex Europe GmbH



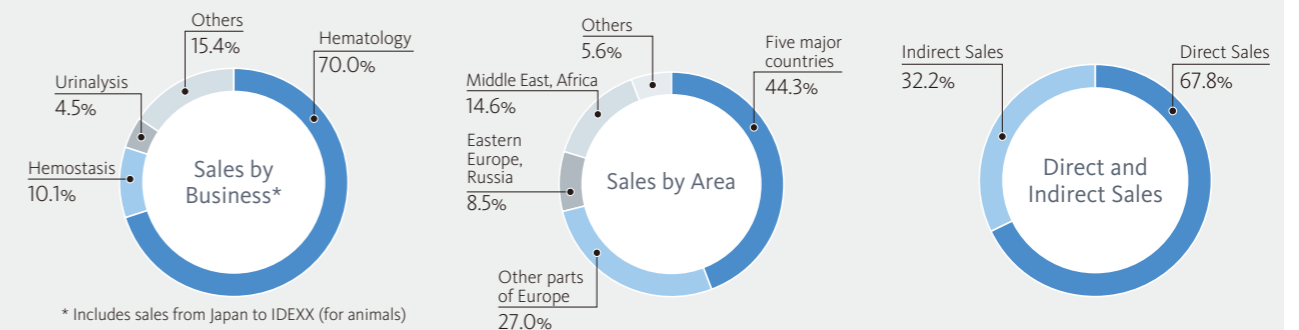
Activities in the Fiscal Year Ended March 31, 2017

■ Sales



- ▶ On a local currency basis, sales rose due to expanded sales in France, Germany and other developed countries, as well as to increasing sales in Turkey, Russia and other emerging markets. However, sales were down on a yen basis, owing to the impact of yen appreciation.
- ▶ Operating profit rose because of a revision in intragroup transaction prices and efforts to constrain SG&A expenses.
- ▶ **Status by Principal Area**
 - Sales grew in the five major countries* on increased sales in the urinalysis and hemostasis fields in France, spurred by the start of direct sales, despite the impact of Brexit.
 - Sales rose in Eastern Europe and Russia, as a growing installed instrument base pushed up reagent sales in the hematology and hemostasis fields in Russia.
 - In the Middle East and Africa, sales increased due to higher sales of reagents, owing to a higher installed instrument base in the hematology field in Iran and Saudi Arabia.

* Five major countries: Germany, the United Kingdom, France, Spain and Italy



* Includes sales from Japan to IDEXX (for animals)

Market Characteristics

● **A Diverse Region**

The EMEA region represents a vast market covering more than 100 countries across Western, Central and Eastern Europe, the Middle East and Africa. One major characteristic of this wide area is diversity—in language, culture and climate. The region includes the developed countries of Europe as well as African and other developing countries; response to customers' needs must be adjusted accordingly.

● **Sophisticated Requirements from Markets in Developed Countries**

The region's developed countries are working to curtail rising healthcare costs, so increasing the efficiency of testing is a key concern. At the same time, demand for high levels of clinical value is increasing, calling for the proposal of sophisticated solutions.

● **Emphasis on Both High Quality and Price**

In emerging markets and developing countries, demand for high-end products is growing among healthcare institutions targeting the wealthy class. Meanwhile, many customers face budgetary constraints, and their needs center on products that offer high quality but are also inexpensive. English is not the primary language in many parts of the region, making it vital to offer services and support in many regional languages.



Sysmex's Strengths

● **A Sales and Service Structure Encompassing a Diverse Region**

Sysmex's first move toward direct sales overseas was in the United Kingdom, and since that time the Company has expanded its direct sales, service and support structures throughout the EMEA region. We also utilize distributors to conduct sales and provide services, tailoring our approach to business practices in individual regions. As a result, today we have in place a structure that encompasses the entire EMEA region.

● **A Training Structure That Enhances Customer Satisfaction**
We have a training structure that delivers excellent customer service. The Sysmex Academy is a training facility with seven locations across the EMEA region. In addition to customers and distributors, this institution provides training to enhance the skills of Sysmex employees.

● **Provision of Solutions to the Customers' Issues**

Rather than simply selling products, we strive to propose solutions that address the issues customers face. We analyze the current status of laboratories to identify any issues, and then propose testing work flow improvements that address these issues, thereby optimizing testing.

Medium- to Long-Term Growth Strategies

● **Expanding the Product Portfolio**

In addition to the mainstay hematology market, we are stepping up our market introduction of new urinalysis products. We are strengthening efforts in the hemostasis field through an alliance with Siemens, and we are working to reform our product portfolio through an enhanced focus on our next core businesses, the flow cytometry and life science businesses.

● **Reinforcing the Regional Management Structure**

We will speed up decision-making by augmenting our regional management structure, accelerating business development that is suited to individual areas. Sysmex Europe serves as our regional headquarters, and we will also establish and delegate authority to a number of sub-regional headquarters.

● **Augmenting Human Resources and Enhancing Motivation**

As we consider augmenting human resource management and leadership skills as an important priority, we are developing our training programs. We are building an attractive workplace through ongoing activities to promote awareness of the Sysmex Way and measures to enhance employee motivation.

Overview of Business by Geographic Region



China

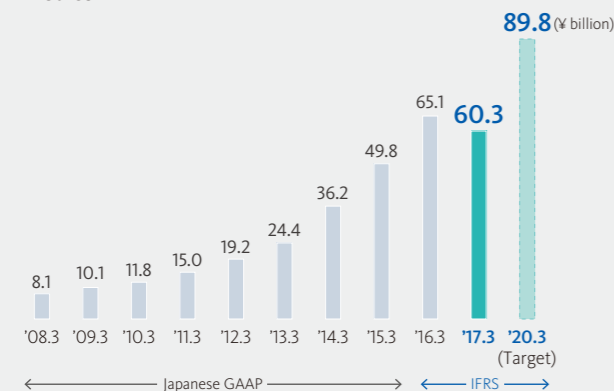
We have led other companies in developing a base of operations in this region. We will shore up our position as the leading company in the IVD domain.

Peng Zuo Hui
President and CEO, Sysmex Shanghai Ltd.

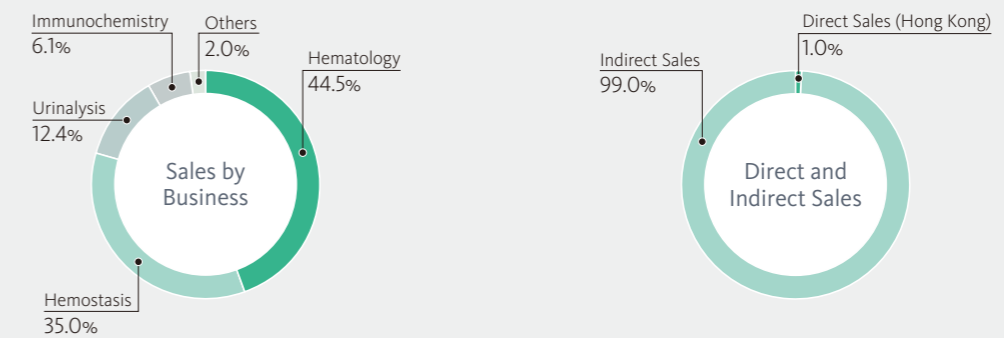


Activities in the Fiscal Year Ended March 31, 2017

Sales



- ▶ On a local currency basis, sales were up due to higher reagent sales in each field, despite the impact of distributor inventory adjustments on sales of instruments. However, sales were down on a yen basis, due to the impact of yen appreciation.
- ▶ The impact of yuan depreciation against the US dollar caused the price of (dollar-denominated) purchases from Japan to rise, prompting a worsening cost of sales ratio and a sharp fall in operating profit.
- ▶ Status by Principal Field
 - In the hematology field, reagent sales were up despite lackluster sales of instruments.
 - In the hemostasis field, reagent sales were favorable driven by growing demand for thrombosis testing.
 - In the urinalysis field, sales were up slightly due to higher reagent sales.
 - In the immunochemistry field, sales of reagents grew due to an increase in the operating instrument base.



Market Characteristics

● A Huge Market with a Population of Around 1.4 Billion People

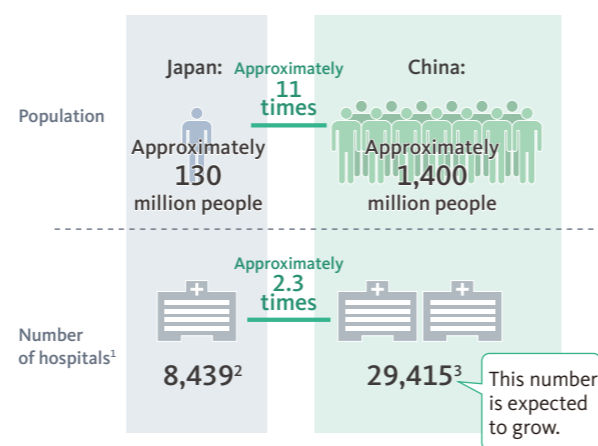
The healthcare market is expanding significantly in China, driven by rapid economic growth. The number of hospitals per person is lower than in Japan, and the creation of healthcare infrastructure is expected to continue increasing. Furthermore, the disparity in healthcare between metropolitan and rural areas is becoming a social issue, and the country is considering the introduction of a health insurance system.

● Rising Demand for High-End Products

In the IVD domain, rising demand is driving the need for higher levels of efficiency and automation, prompting a switch to high-performance products.

Meanwhile, efforts to curtail healthcare costs have emerged in recent years, against a backdrop of economic deceleration. For instance, the government has introduced a classification system aimed at raising the efficiency of healthcare services. Under this system, some patients with mild symptoms or chronic diseases that had previously received care at Level 3 hospitals are being relegated to Level 2 or lower hospitals in an effort to distribute healthcare resources. In addition to an increasing number of Level 2 and lower hospitals, their patient numbers are also growing. As a result, we anticipate an increasing need for high-end products.

■ Comparison of the Japanese and Chinese Markets



¹ Definition of "hospital" (Japan and China): Medical institution with 20 or more beds (in-patient facility)
² Source: Survey of Medical Institution Dynamics, Ministry of Health, Labour and Welfare (March 31, 2017)
³ Source: Statistics by the Ministry of Health, People's Republic of China (March 31, 2017)

Sysmex's Strengths

● Robust Business Foundation

Focusing on the growing Chinese market, we have taken the lead over our competitors in setting up structures in the country, such as establishing a reagent factory in Jinan in 1995. We have built up a robust business foundation. Currently, we provide products and services throughout China via alliances with more than 200 sales distributors.

● Abundant Product Lineup

In our core businesses of hematology, urinalysis and hemostasis, we offer a broad-ranging lineup, from compact instruments to automated, high-end instruments. Furthermore, in 2015 we entered the immunochemistry market as part of our initiatives to expand our portfolio.

● Excellent Brand Strength

In addition to being trusted for product quality, we have been holding scientific seminars in China for more than 20 years. These proactive efforts have helped to raise the quality of testing and build an excellent brand image for the Company.

Medium- to Long-Term Growth Strategies

● Aiming to Be a Leading IVD Company

In addition to the hematology, hemostasis and urinalysis fields, we are building a robust position in the immunochemistry market, which is growing solidly.

Hematology, Hemostasis and Urinalysis Fields

- Our products enjoy a high level of competitiveness in the Level 3 hospital market, and we will promote the introduction of products to meet needs in this market, as well as new products.
- To address the rapidly growing Level 2 hospital market, we are creating market-specific promotional and product sales schemes.

Immunochemistry Field

- We are reinforcing our distributor network to increase the number of HISCL™ instruments in routine operation.
- We will reinforce our system for obtaining regulatory approval with the aim of increasing the number of reagent parameters.
- We will enhance our IT-based service and support to ascertain market needs and further increase customer satisfaction.

Overview of Business by Geographic Region



Asia Pacific

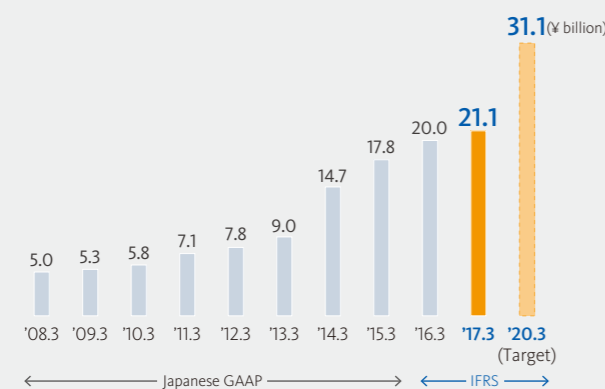
The Asia Pacific market has a population of around 2.4 billion people. Through scientific awareness activities centered on emerging markets, we are contributing toward increases in the quality of testing.

Frank Buescher
CEO, Sysmex Asia Pacific Pte Ltd.

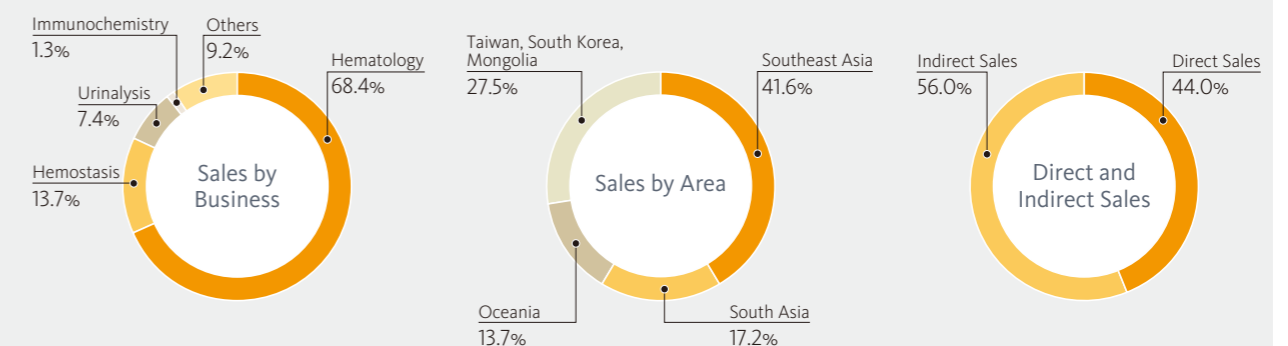


Activities in the Fiscal Year Ended March 31, 2017

Sales



- ▶ Sales were up due to increases in the hematology field and favorable performance in the hemostasis and immunochemistry fields, despite the impact of yen appreciation.
- ▶ Operating profit fell as a result of the worsening cost of sales ratio, as instruments made up a greater proportion of the sales mix and due to the impact of yen appreciation on currencies in the region.
- ▶ Status by Principal Area
 - In Southeast Asia, sales rose due to favorable performance in the hematology field in Vietnam and increased sales of instruments in the hematology and immunochemistry fields in Indonesia stemming from the introduction of national health insurance.
 - In Oceania, sales increased substantially, thanks to the acquisition of a large-scale project in Australia in the hematology field.
 - Looking at South Korea and Taiwan, sales decreased in South Korea, owing to the impact of yen appreciation (but rose on a local currency basis).



Market Characteristics

Strong Potential due to Economic Growth

One third of the world's population lives in the Asia Pacific region, which is characterized by the scale of its market and its strong potential. Population expansion and economic growth are driving increased demand for healthcare.

Diverse Demand for Healthcare Instruments

Market demand varies by country. The Asia Pacific region includes developed countries as well as developing markets, and individual countries' economic levels significantly affect their investment in healthcare. In Indonesia and other emerging markets, testing volume is increasing, thanks to the establishment of national health insurance systems and healthcare infrastructure development. Here, demand is increasing for relatively inexpensive products that are highly productive. In developing countries, meanwhile, the emphasis is on cost overrides productivity. The issue in these markets is to raise the level of knowledge among healthcare professionals.

Healthcare Expenditure by Population and GDP

	Population ¹	Healthcare Expenditure as a Percentage of GDP ²
India	Approximately 1,340 million people	4.7%
Indonesia	Approximately 260 million people	2.9%
Philippines	Approximately 100 million people	4.7%
Thailand	Approximately 70 million people	4.1%
Japan	Approximately 130 million people	10.2%

¹ Source: United Nations, World Population Prospects (2017)

² Source: World Health Organization (2016)

Sysmex's Strengths

A Sales, Service and Support Structure Closely Tailored to the Region

We are promoting direct sales and services in many countries, so our employees are able to hear customers' requests directly. This structure enables us to propose appropriate solutions. We also employ local distributors elsewhere, such as in developing countries. Sysmex is promoting sales throughout the AP region through this combination of direct and indirect sales, according to regional characteristics.

Support for Advances in Healthcare Infrastructure

Emerging markets and developing countries make up the majority of the AP region, and healthcare infrastructures are underdeveloped in many locations. Making use of scientific seminars and educational materials is a strategy Sysmex has pursued over many years, as we are working to enhance healthcare knowledge across the region. We are also engaging in initiatives in many Asian countries to support quality control and enhance laboratory quality in other ways. Through these activities, we are helping to build up the region's healthcare infrastructure, as well as reinforce the Sysmex brand.

Medium- to Long-Term Growth Strategies

Reinforcing Our No. 1 Position in Hematology

We will provide new clinical value by developing our XN Series. In addition to developed countries and emerging markets, we will propose customer-focused solutions in developing countries, where basic testing is increasing, reinforcing our No. 1 position in hematology.

Enhancing Our Portfolio

We will promote the market launch of products in the hemostasis, urinalysis, immunochemistry and clinical chemistry fields. We are making progress in applying for approvals of key parameters in the immunochemistry field, introducing HISCL™ and establishing a unique position in the market. Also, by providing further clinical value, we will reinforce our presence in urinalysis and other fields.

Securing Highly Specialized Human Resources

To achieve our strategies, we are working to maintain highly specialized employees throughout the AP region. We strive to improve workplace environments, providing places where employees can work pleasantly and become increasingly engaged. Such efforts have twice earned us awards in Singapore as the "Best Company to Work for in Asia."

Overview of Business by Geographic Region



Japan (including exports to overseas subsidiaries)

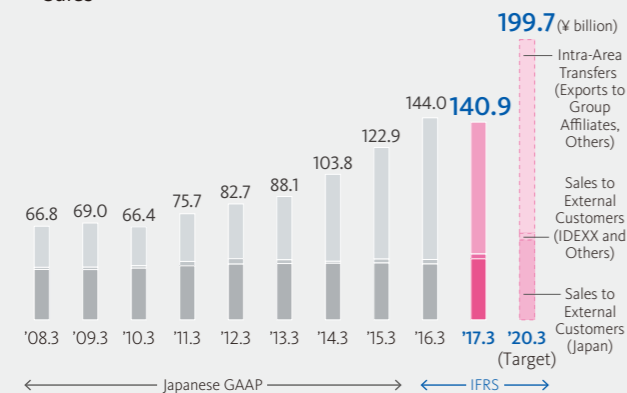
As a leading company in the IVD domain, we aim to boost overall laboratory sophistication and efficiency, and are working to create new testing parameters.

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

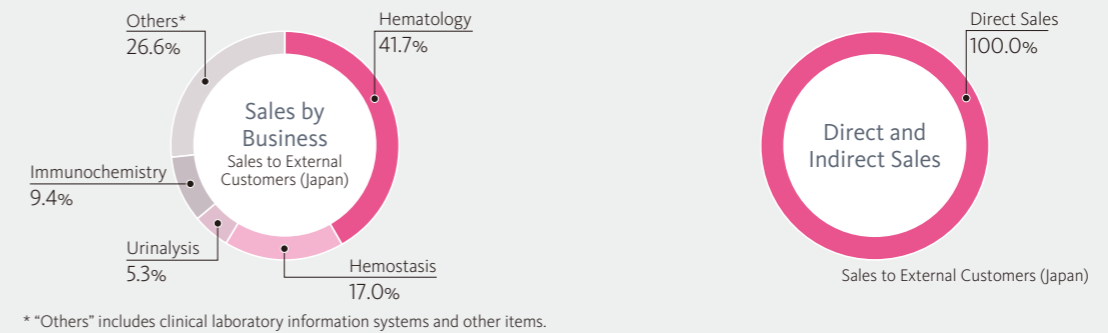


Activities in the Fiscal Year Ended March 31, 2017

■ Sales



- ▶ In the Japan geographic region, sales were down due to the impact of yen appreciation on exports to Group affiliates (overseas).
- ▶ Operating profit fell due to a revision in intragroup transaction prices, one-off factors and the effect of yen appreciation on exports to Group affiliates (overseas).
- ▶ Sales by Principal Field
 - In Japan, sales increased due to favorable reagent sales in the hematology, urinalysis, immunochemistry and hemostasis fields, plus the impact of converting RIKEN GENESIS to a subsidiary.
 - Sales of veterinary instruments to IDEXX were up.



Market Characteristics

● **An Environment Characterized by an Established Healthcare System**

Due to the national health insurance system, Japan has in place an environment in which all citizens have access to equal healthcare. In addition, the market is characterized by patients having the freedom to choose the medical institution where they receive care.

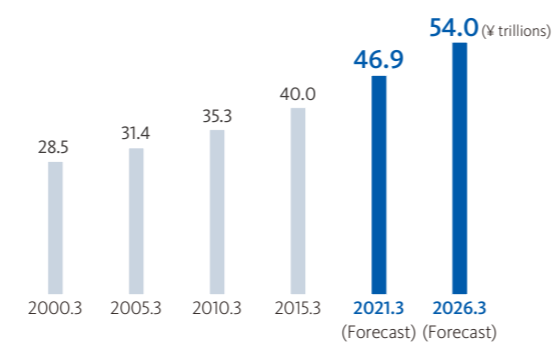
● **World's Lowest Rate of Childbirth and Aging Population an Issue**

Against the backdrop of this healthcare system, Japanese life expectancy is among the world's highest. However, because of the low birth rate Japan has a decreasing number of children and the population is aging, so curtailing healthcare costs is becoming an urgent issue. Under these circumstances, the national government has begun promoting the functional specialization of hospitals and regional healthcare alliances.

● **Demand for Personalized Medicine**

Given the rising cost of drugs and prevalence of advanced medical care for cancer and other illnesses, demand is growing for personalized medicine that will enable the prediction of medical effects. In addition, requests for lower-impact surgeries are increasing, so the market for medical robots is expected to grow.

■ Healthcare Costs in Japan



Source: Ministry of Health, Labour and Welfare "Changes in Medical Care Expenditure" (Fiscal 2015) and "Future Projections of Social Security-Related Expenses" (Fiscal 2011)

Reasons Healthcare Costs Are Increasing by ¥1 Trillion per Year

- Drug costs (+ increase in high-priced drugs)
- Increase in the number of patients with cancer and other diseases

Precision medicine

Growing need for gene testing

Sysmex's Strengths

● **Extensive Sales, Service and Support Structure**

We have branches and sales offices throughout Japan, and a sales, service and support structure that is unmatched by our competitors. In each area, people in charge of sales, scientific support and services create value for customers, and we have a strong reputation for the extensive service and support we offer.

● **Sharing Customer Input with R&D and Manufacturing Divisions**

Our R&D and manufacturing locations are nearby, facilitating close communication. We have in place a system to share customer input and reflect this information in our business processes.

● **Providing Added Value in Response to Needs in Medical Settings**

Through a combination of high-quality instruments, diverse reagents, software that enables integrated control of test information, and services and support, we propose total solutions tailored to diverse needs in healthcare settings. In addition to providing new value from a scientific perspective, we propose testing workflow improvements—a strength that contributes to increases in economic value for medical institutions.

Medium- to Long-Term Growth Strategies

● **Establish an Overwhelming No. 1 Position in the IVD Market**

By reinforcing our core businesses, we intend to further reinforce Sysmex's position.

- Maintain the undisputed No. 1 position in the hematology field.
- Increase our presence in the integrated urine chemistry and sedimentation market.
- Reinforce the sales promotion of hemostasis fibrin reagents.
- Increase reagent sales through activities adopting parameters specialized for immunochemistry, hepatic disease and infectious disease.

● **Create a New Business Model**

- We will provide new value through our next core business.
- Contribute to personalized medicine: Establish our brand in the gene business and the clinical genome market.
- Expand regional healthcare systems: Expand regional healthcare by supporting integrated community care making use of ICT.
- Propose new value to hospital management: Provide new value through hospital management consulting.

Principal Testing Fields and Products

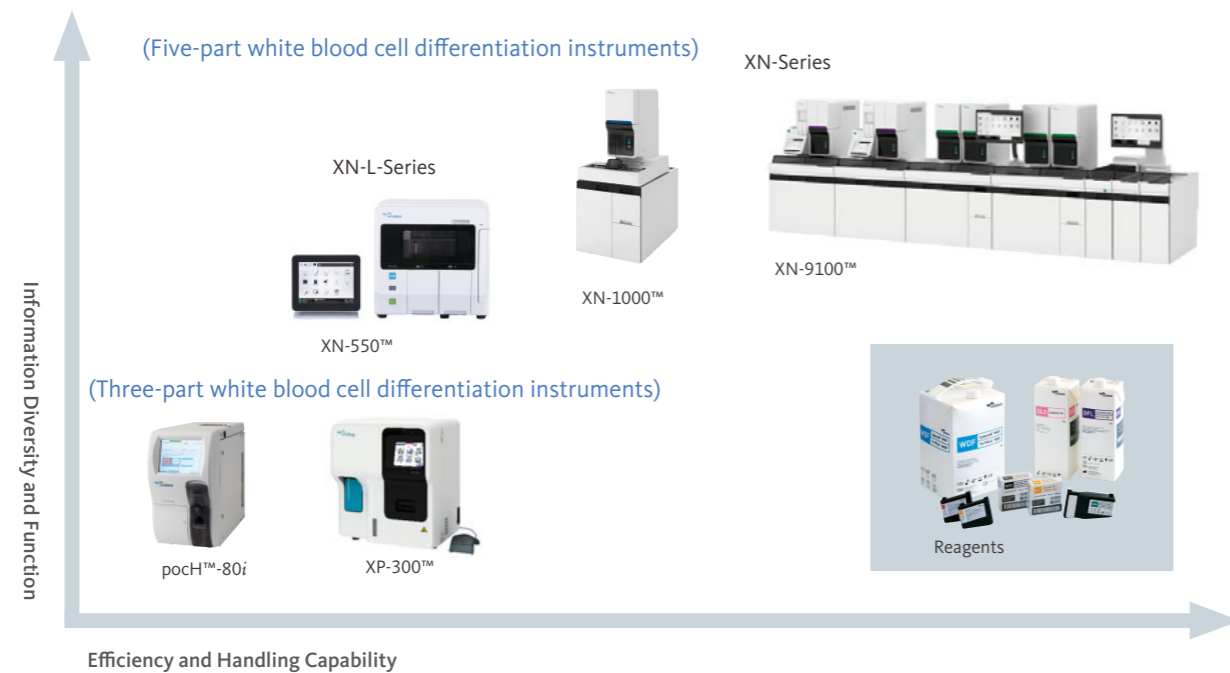
Hematology Core Business

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

Sysmex offers three-part white blood cell differentiation models, used for determining basic parameters, as well as five-part white blood cell differentiation models. Numerous reagents are used with these models to deliver a high degree of clinical significance. We also offer a wide-ranging lineup of system products that can be used for rapid, high-volume testing in large-scale labs.

Recent years have seen the entry into this business by manufacturers from emerging markets, as well as our conventional 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 Core Business

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

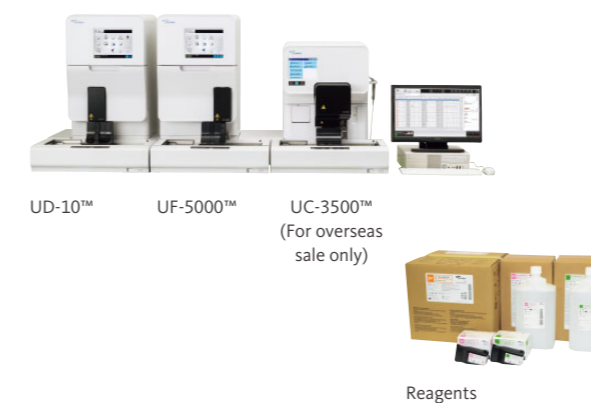
In 1995, Sysmex concluded a business alliance with Siemens Healthcare Diagnostics Inc. (previously, Dade Behring Inc.), forging a synergistic relationship in selling

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



Urinalysis Core Business

Urinalysis can be broadly divided into two types: chemistry urinalysis and sediment urinalysis. The first type involves dipping a test paper into urine to determine the presence of sugar, protein or blood. In the second type, formed elements, including blood and other cells, are analyzed. We introduced the world's first urine formed sediment analysis system—the UF Series—that uses flow cytometry (FCM)*. This series has the leading share of the global market. Furthermore, we have entered a business alliance with EIKEN CHEMICAL CO., LTD., to expand our portfolio of analyzers of urine chemistry, thereby responding to diverse urinalysis testing needs.



Clinical Chemistry Core Business

Clinical chemistry involves examining the enzymes, sugars and proteins in the blood to determine the body's nutritional status, liver and kidney functions, and test for conditions such as arteriosclerosis. Sysmex has entered alliances with JEOL Ltd. and Furuno Electric Co., Ltd., and is providing sales and support services for their automated clinical chemistry analyzers, leveraging our own network in China and other parts of Asia.



Immunochemistry Core Business

Immunochemistry uses antigen-antibody reactions to test for the presence of HIV and the hepatitis virus, and to check for cancer. In addition to reagents to test for infectious disease and tumor markers, we are augmenting our lineup of proprietary reagents to test for liver fibrosis progression and atopic dermatitis. We are also working to develop our business in Asia, including Japan and China, through sales of the HISCL™ Series fully automated immunochemistry system, which performs highly sensitive, high-speed (17 minutes) assays on minute sample quantities.



Life Science Next Core Business

We provide systems that use the OSNA™ method Sysmex developed to rapidly test for lymph node metastasis. We also offer assay services such as Curebest™ 95GC Breast, a service for research use to determine expression levels of 95 cancer-related gene types, making use of BEAMing technology to detect to a high degree of sensitivity genes that are present in minute samples of blood.



FCM Next Core Business

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

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

User Report: HISCL™-5000 Fully Automated Immunochemistry Analyzer

HISCL Introduction Helping to Raise Testing Quality and Lower Costs



Dr. Dong Haixin
Chief of Clinical Laboratory Center
Affiliated Hospital of Jining
Medical University

Affiliated Hospital of Jining Medical University

Located in the center of Jining, in Shandong Province, this is a Level 3 general hospital operated under provincial jurisdiction. The hospital has healthcare, education, scientific research and preventive care functions. It is a large-scale facility, with 3,100 beds, conducting around 3 million outpatient examinations each year.



Q. 1 What is the background for introducing the HISCL?

For some time, our hospital's laboratory center has been using Sysmex's testing instruments and reagents for hematology, hemostasis and urinalysis (sediment), and we are highly satisfied with Sysmex's product quality and services. We had been using another company's instruments for measuring immunochemistry tests, but in 2015 we decided to switch to an analyzer with infectious disease parameters, in order to increase the laboratory center's operating efficiency and quality.

We first learned fully about the HISCL during a HISCL product briefing in 2015. We were very attracted by the HISCL's characteristics (high sensitivity, rapid measurement, wide range and minute samples), as these were strengths not being offered by others, as well as its high productivity. Thereafter, we received a proposal from Sysmex and its distributors, learned about its history of use from key opinion leaders within China, and considered introducing the analyzer. In December 2015, we held a public tender. We received numerous bids from major global companies, but the HISCL ranked highest in terms of

productivity increases, and this clinched the decision to introduce the analyzer at our hospital.

Q. 2 What were some of the benefits of introducing the HISCL?

The HISCL offers a much faster measurement time than other companies' products, handling all parameters in 17 minutes. On average, each day our hospital measures some 2,500 infectious disease parameters. With four instruments, we can handle all of these in 3.5 hours. In addition, the instruments are highly sensitive and have a wide measurement range, which greatly reduces measurement errors, erroneous judgments of gray zone samples and the need to remeasure high-value samples. This has resulted in fewer complaints from the clinic. These instruments have also substantially shortened the amount of time required for staff operations and patient medical examinations. Our hospital's laboratory center has a quality policy of "accuracy, high efficiency, safety and service" in line with the ISO 15189 quality management system, and the HISCL is true to this policy. Furthermore, by introducing the HISCL we have been able to resolve the problem of how to report the results of urgent immunochemistry test parameters

in one hour. The instruments provide appropriate test information swiftly and accurately for the eight pre-surgery immunochemistry parameters in quick tests conducted prior to surgeries, including emergency, endoscopic, closed and senile osteoporosis surgeries.

Q. 3 Would you describe a memorable episode related to the HISCL?

I was most impressed by the words of the person in charge of sales, who said, "If you want to lower costs and increase quality, leave it to Sysmex." And the laboratory center realized these results. The laboratory center has a number of immunoassay systems from major global companies, but in an overall comparison introducing the HISCL has been a major asset in terms of reducing costs and increasing quality.

Another memory comes to mind with regard to test results. One patient noted that "The results of HCV tests performed at another hospital with a different instrument are different from the results I received from your hospital." However, in the final test results at a government medical institution, our test results (those of the HISCL) turned out to be correct. Since that incident, Sysmex's products have gained



an even higher reputation for quality within the hospital. They are earning high marks with the laboratory center and top management of the hospital.

Q. 4 Do you have any requests for Sysmex?

Currently, we are very satisfied with Sysmex's products and services. In addition to the products, in services and support we are extremely reassured by user-oriented remote network services, such as the SNCS.

As a user of many of your products, our requests for Sysmex going forward would be that you continue to provide us with good testing products, bring numerous new immunochemistry test parameters into the market quickly, and continue working to increase the quality of testing and lower costs.

Also, the HISCL platform involves Sysmex's proprietary test parameters. We would like to collaborate with Sysmex by conducting clinical evaluations, in the aim of establishing unique test indicators that offer high clinical value even more accurately and quickly.

Q. 5 What message would you like to leave for the person in charge of sales at Sysmex?

Sysmex's staff all seem to have friendly personalities and be professional and enthusiastic about their work. Naturally, we first learned from Sysmex's sales manager in the immunochemistry field about the HISCL, after which we evaluated and began to use the product. We were not simply choosing a single brand or a single product. Even more important than the product is the people. We give the people in charge of sales at Sysmex high marks for providing specialized services and acting as advisors, proposing optimal solutions based on their understanding of our laboratory center.

CSR Management

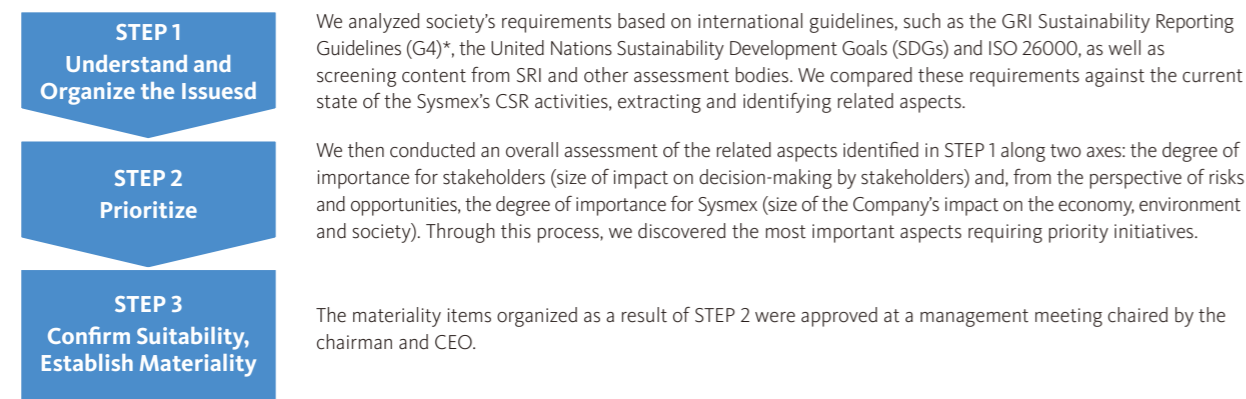
In the aim of realizing a sustainable society, Sysmex is endeavoring to resolve the issues facing society through its business activities.

Identifying Materiality Items and Developing an Action Plan

Sysmex believes its CSR is to build trust and confidence among stakeholders by putting into practice the "Sysmex Way," the corporate philosophy for the Sysmex Group. We have set up various committees, headed by executives, to promote activities according to key CSR-related themes.

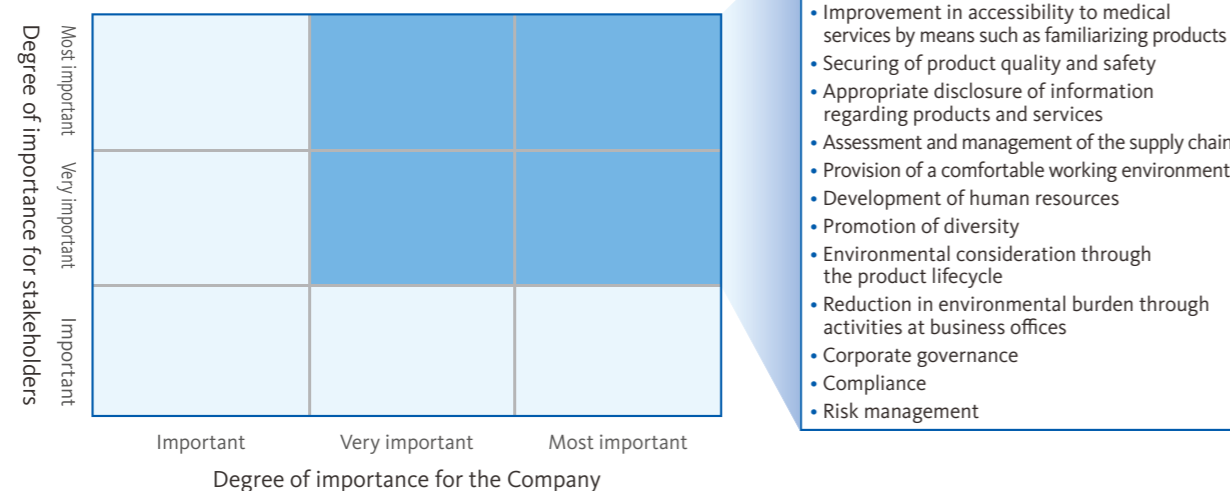
In 2017, Sysmex has identified priority issues (materiality items) with a view to realizing a sustainable society and achieving sustainable growth for the Group. We are currently developing a specific action plan based on these identified materiality items and are taking actions accordingly. Please see Sysmex's website for more detailed information on CSR activities.

The Process of Identifying Materiality



* GRI Sustainability Reporting Guidelines (G4): Fourth Edition of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

Sysmex's Materiality Matrix



Sysmex's Materiality Items

Materiality	G4-Related Perspective	SDG Targets	Page Described
Resolution of medical issues through products and services <ul style="list-style-type: none"> • Resolution of medical issues through business activities • Improvement in accessibility to medical services by means such as familiarizing products 	<ul style="list-style-type: none"> • Indirect economic impact • Local communities 		P59
Responsible provision of products and services <ul style="list-style-type: none"> • Securing of product quality and safety • Appropriate disclosure of information regarding products and services. • Assessment and management of the supply chain 	<ul style="list-style-type: none"> • Customer health and safety • Product and service labeling • Procurement practices • Supplier environmental assessment • Supplier assessment for labor practices • Supplier human rights assessment • Supplier assessment for impact on society 		P61
Realization of an attractive workplace <ul style="list-style-type: none"> • Provision of a comfortable working environment • Development of human resources • Promotion of diversity 	<ul style="list-style-type: none"> • Employment • Training and education • Diversity and equal opportunity • Equal compensation for men and women 		P63
Environmental consideration <ul style="list-style-type: none"> • Environmental consideration through the product lifecycle • Reduction in environmental burden through activities at business offices 	<ul style="list-style-type: none"> • Products and services • Transport • Raw materials • Energy • Water • Emission into the atmosphere • Effluents and waste 		P62
Governance <ul style="list-style-type: none"> • Corporate governance • Compliance • Risk management 	<ul style="list-style-type: none"> • Governance • Indirect economic impact • Compliance (environment, society, responsibility for products) • Anti-corruption • Anti-competitive behavior 		P65

External Evaluations

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 2017 Global 100 (The 100 Most Sustainable Companies in the World). We were 70th in this ranking, and first in the category of "Health Care Equipment & Supplies." This was the third time we have been selected for this ranking, and the second consecutive year. We have also been chosen for inclusion in well-known indices of ESG investment, such as the Dow Jones Sustainability World Index and the FTSE4Good Index, as well as other major indices of socially responsible investment (SRI).

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



FTSE4Good

Resolution of Medical Issues through Products and Services

We are contributing toward the resolution of medical issues by leveraging our unique technologies and global network.

Expectations on the Resolution of Medical Issues

In recent years, against the backdrop of aging populations in developed countries, demand has been increasing to curtail rising medical expenses and extend healthy lifespans. Meanwhile, in line with economic growth, emerging markets are calling for better healthcare. In developing countries, where healthcare infrastructure is unable to keep pace with population increases, improving access to healthcare is an issue. Responding to malaria and other infectious diseases is also an issue. Recognizing such issues as common goals for the international community, in September 2015 the United Nations adopted the Sustainable Development Goals (SDGs), which set targets related to human health and welfare. Expectations are growing with respect to global companies' initiatives to resolve medical issues.

Sysmex's Approach to Resolving Healthcare Issues

In line with our mission of "shaping the advancement of healthcare," which is defined in the "Sysmex Way," the corporate philosophy of the Sysmex Group, we are working to create new value. We believe our mission is to address the shared desire of people around the world to remain healthy.

We are expanding our product lineup in response to testing needs, and working to provide accurate test data swiftly. In recent years, we have been conducting research and development to create advanced, high-value testing and diagnosis technologies with a view to realizing personalized medicine. To boost access to healthcare in emerging markets and developing countries, we are promoting business activities aimed at raising local levels of healthcare.

By leveraging our unique technologies and global network spanning more than 190 countries, we are contributing to the resolution of healthcare issues and working to build a sustainable society.

Relation to the SDGs

The Sustainable Development Goals (SDGs) adopted by the United Nations consist of 17 goals to be met by 2030. Goal 3, to "Ensure healthy lives and promote well-being for all at all ages," targets the following objectives.



- Reduce maternal mortality
- Reduce the mortality of children under five years of age
- Eradicate AIDS, tuberculosis, malaria and tackle other communicable diseases
- Reduce premature mortality from non-communicable diseases
- Ensure access to essential healthcare services, medicines and vaccines
- Develop the skills of and conduct training for health workers in developing countries

Products Using Unique Technologies to Resolve Healthcare Issues

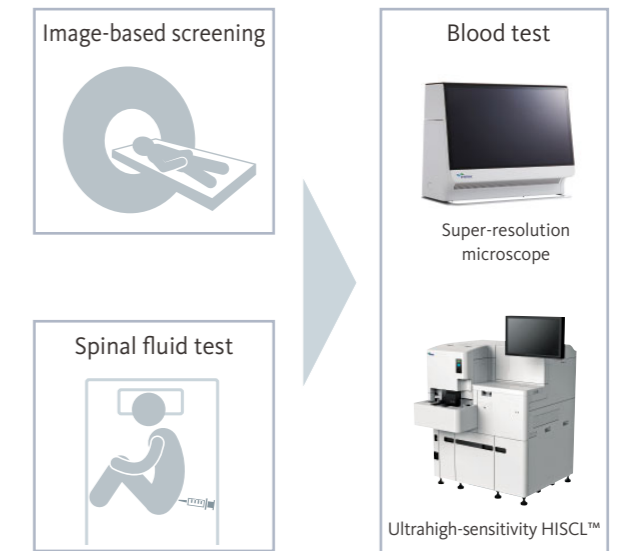
● Sample Initiative 1:

Helping to Prevent and Diagnose Dementia
 Sysmex strives for innovation in the aim of providing advanced and highly valuable diagnostic technologies. One such example is the diagnosis of Alzheimer's disease through blood testing, an area in which we are pursuing R&D in collaboration with Eisai Co., Ltd.
 Worldwide, the number of people with dementia* is forecast to rise from 46.8 million in 2015 to 74.7 million in 2030. The problem is growing increasingly serious as the world's population ages.

Alzheimer's is one of the most common forms of dementia, but the level of satisfaction with current treatments is low. While diagnosis of Alzheimer's disease is sometimes made by using tests such as brain imaging and cerebrospinal fluid examinations, various issues exist, such as the high cost of such testing and the physical burden placed on patients. By using blood tests to detect minute protein quantities and their structural abnormalities, which are thought to impact the disease state, Sysmex is striving to develop products that might aid in early diagnosis and treatment.

* Source: World Alzheimer Report 2015, Alzheimer's Disease International

■ Realizing Alzheimer's Disease Testing through Liquid Biopsy



Helping to Reduce the Physical, Emotional and Economic Burden on Patients

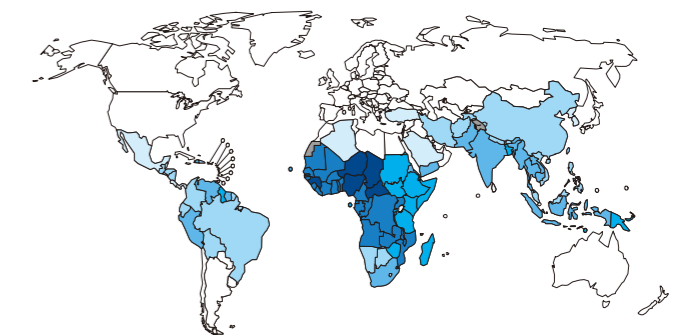
● Sample Initiative 2:

Supporting the Diagnosis of Infectious Disease
 Malaria affects some 200 million people around the world, and is said to cause around 600,000 deaths each year. Distinguishing tropical malaria, which can lead to death if the disease becomes serious, from other types of malaria is an extremely important part of diagnosis and treatment. However, current testing methods involve microscope-based examinations, which require skilled and experienced medical professionals. Hence, demand exists for the development of a new technology for distinguishing and diagnosing malaria simply and quickly.

Sysmex has developed the XN-30 multiparameter automated hematology analyzer, which utilizes the Company's existing automated hematology analyzer technology to measure red blood cells infected with malarial plasmodia in approximately one minute. At present, use is limited to research applications, but going forward we anticipate application in a broad range of areas, from basic research to clinics.

■ Endemic Areas for Malaria

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



Malaria deaths per 100,000 people (2013)
 ■ 100 or more ■ 1-9 □ No malaria transmission
 ■ 50-99 ■ Fewer than 1 ■ Not applicable
 ■ 10-49 ■ Estimated malaria deaths equal zero
 Source: WHO "World Malaria Report 2014"



XN-30™ multiparameter automated hematology analyzer

Responsible Provision of Products and Services

As a healthcare company, we strive to increase quality and ensure the stable supply of products and services.

Building Structures to Enhance Quality and Ensure Stable Supply

Instilling confidence in its customers and business partners has been a matter of importance at Sysmex since the time of its founding. Our products are used in clinical testing, so they play a vital role in protecting people's lives and health. Being fully aware of this important responsibility, Sysmex has put in place systems to ensure product and service quality, safety, and stable provision.

For instance, we have established the Vigilance Division to cultivate the sharing of information with the aim of augmenting product quality and safety. This division investigates and analyzes such information from customers, and feeds their analysis results to relevant customers while also sharing them with design, manufacturing and other related functions, so that these findings may be applied to quality improvement and product development.

Reinforcing Supply Chain Management

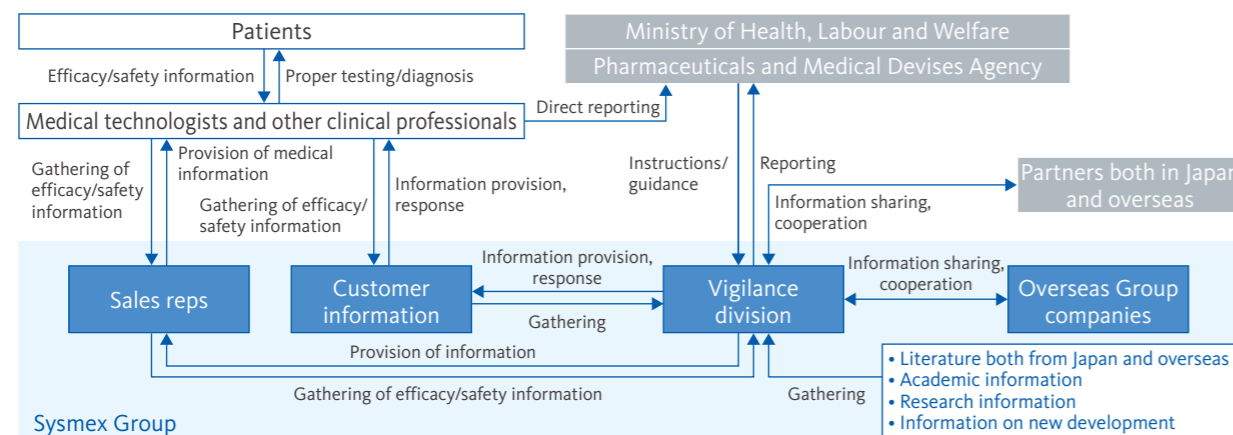
Delivering high-quality products to customers in a stable manner requires the cooperation of our business partners. Sysmex has formulated a Procurement Policy, which

outlines the Company's fundamental perspective on selecting business partners and engaging in procurement transactions. We are building a value chain in accordance with this policy. In addition, we are working to reinforce our relationships with business partners so that transactions are based on their understanding of Sysmex's business directions and procurement policy. Also, in the fiscal year ended March 31, 2017, we conducted CSR surveys of 280 existing business partners to confirm the status of their CSR activities.

Constructing a Stable Supply System

If testing is interrupted, physicians may become unable to accurately diagnose patients. For this reason, it is essential to ensure a stable supply of reagents, which are used each time a test is conducted. To prevent reagent supplies from being interrupted even in the event of emergency, we are reinforcing overseas production and dispersing risk by increasing the number of suppliers of key ingredients. At the same time, we are building a system through which factories can provide supplies to each other in emergencies. We have created an internal BCP manual on product supply and conduct simulation training.

Product Quality and Vigilance Control System



Environmental Consideration

We engage in environmentally considerate business activities and strive to reduce the environmental impact of products when used by customers.

Formulating and Pursuing Long-Term Environmental Objectives

As a company developing its operations globally, Sysmex recognizes increasingly serious environmental issues as a topmost priority. Accordingly, we have formulated long-term environmental objectives in the Sysmex Group Environmental Action Plan (Sysmex Eco-Vision 2020).

As part of our environmental consideration related to products and services, we are transitioning from air to marine transport for overseas exports and optimizing package sizes in order to increase container loading

efficiency. These efforts have substantially reduced CO₂ emissions from distribution. By providing environmentally considerate products, we are helping to reduce the environmental impact of products when used by customers. For our fully automated analyzers of formed elements in urine, launched in 2015, we switched to more environment-friendly and safer reagents that eliminate the need for processing waste liquid with neutralizing agents.

We are also mounting global initiatives to reduce environmental impact at business offices, including measures to reduce greenhouse gas emissions and increase the recycling rate.

Long-Term Environmental Objectives of the Sysmex Group Environmental Action Plan (Sysmex Eco-Vision 2020) and Results of the Fiscal Year Ended March 31, 2017

Sysmex Eco-Vision 2020	Fiscal Year Ended March 31, 2017: Results and Key Initiatives (Against Base Year)
Environmental consciousness in product life cycle process <ul style="list-style-type: none"> Promote eco-friendly products and service models 	Results: <ul style="list-style-type: none"> Continued working to reduce electricity use and achieve better compactness in the development of new products Continued efforts to develop alternatives for animal-derived substances in reagents By adopting concentrated reagents, decreased reagent switching time and achieved reduction in waste To reduce waste, increased the number of instrument varieties employing reusable packaging materials
<ul style="list-style-type: none"> Reduce carbon dioxide emissions for logistics by 50% (per unit of nonconsolidated sales) Base year: Fiscal year ended March 31, 2011 	Result: 32% reduction (4.937t-CO₂/hundred million yen) <ul style="list-style-type: none"> For exports, promoted shift from air to ocean transport Optimized product package sizes and conducted loading simulations to increase container loading efficiency
Environmental consciousness at business offices <ul style="list-style-type: none"> 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 	Result: 27% reduction (7.36t-CO₂/hundred million yen) <ul style="list-style-type: none"> Reduced use of electricity by improving production efficiency (Sysmex International Reagents) Reduced CO₂ emissions by using solar power (Reagent factory in Germany, i-Square) Result: 91.8% <ul style="list-style-type: none"> Reused packaging material on purchased items (Sysmex Wuxi) Result: 18% increase* (25.4m³/thousand boxes) <ul style="list-style-type: none"> Reused reverse-osmosis (pure) wastewater through improvement of ultrapure water plant (Sysmex Asia Pacific) Reused industrial waste water after treatment (Sysmex India) <small>* The volume of water resources used increased in line with factory expansion and production increases. We continue with initiatives to increase the efficiency of manufacturing processes.</small>

Please see our website for medium-term objectives and detailed initiatives for reaching the goals outlined in Sysmex Eco-Vision 2020. <http://www.sysmex.co.jp/en/csr/>

Realization of an Attractive Workplace

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

Realization of an Attractive Workplace

System considers human resources an important management resource for achieving sustainable growth, and invests in the recruitment and cultivation of diverse human resources. Our human resource development system is designed to develop skills in an ongoing, planned manner. We promote diversity and inclusion, and we have introduced various systems aimed at making the workplace more motivating. We strive to create a working environment that maximizes the skills of diverse human resources and provides individual employees with opportunities for growth.

Through these initiatives, in line with the positioning of our long-term management targets, we aim to be “an attractive company providing value and confidence” to our employees and other stakeholders.

Promoting Global Human Resource Development

Throughout the Group, System has around 8,000 employees, with overseas employees accounting for more than 55% of this total. We are a global company, with Group companies operating in more than 40 countries. To promote this globalization and provide opportunities for growth to employees around the world, in the fiscal year ended March 31, 2015, we formulated a global human resource development system to facilitate human resource development throughout the Group. In the same year, System opened the Global Communication Center in Japan, as a place for human resource development and exchange. We are promoting initiatives to enhance a sense of unity within the Group, develop next-generation human resources, strengthen networks within the Group and foster cultural understanding.

Initiatives Targeting Global Human Resource Exchanges

In 2012, we introduced a Global Exchange Program to promote interaction among human resources throughout the Group. Employees engage in dialogue about the “System Way,” introduce their regions and visit customers together. These activities help promote mutual understanding and foster a sense of Group unity. In the fiscal year ended March 31, 2017, 20 employees from 11 countries visited Japan as part of this program.

Comment from a Participant



Andres Camperos
System Colombia

“Interacting with System employees from around the world was a great opportunity to deepen my understanding of the System Way and global business developments.”



Promoting Diversity

As part of its initiatives respecting diversity, System aims to create a working environment that makes the most of individual employees’ capabilities without regard to 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, as well as a work-at-home system, and opened an in-house daycare center. As a result, the number of female managers at System Corporation has risen to 8.8% (up 2.3 percentage points over two years). For the Group as a whole, this figure has grown to 16.2%, up 4.6 percentage points over the same period.

System is also introducing barrier-free facilities in an effort to provide a comfortable working environment for people with disabilities. In April 2017, we established System Harmony Co., Ltd., as a new company to promote the employment of people with disabilities and realize an inclusive society.

Category		2015.3 2016.3 2017.3 (%)		
Percentage of Female Managers (Director Level or Above)	System Corporation	6.5	8.3	8.8
	Overall Group	11.6	14.3	16.2



Kids Park, our in-house daycare center

Creating a Working Environment That Maximizes Skills (Third-Party Evaluations)

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.

- “Great Place to Work”
System Europe (2012, 2014, 2016)
System Brazil (2014)
- “Companies That Care Honor Roll,” a ranking of companies that contribute to the welfare of employees, their families and the local community
System America (2009–2017)
- A good company to work for, “HR Asia Best Companies to Work for in Asia 2015”
System Asia Pacific (2015, 2016)
System Malaysia (2016)
- Nikkei ranking of “Companies that Motivate People”
System Corporation (2016) had an overall ranking of 27th out of 462 companies.
- In 2017, we were recognized for excellence in health management in the large company division (White 500).
System Corporation (2017)
- We received the top-level (Level 3) “Eruboshi” mark for promotion of women’s participation and advancement in the workplace.
System Corporation (2016)



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



Corporate Governance

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

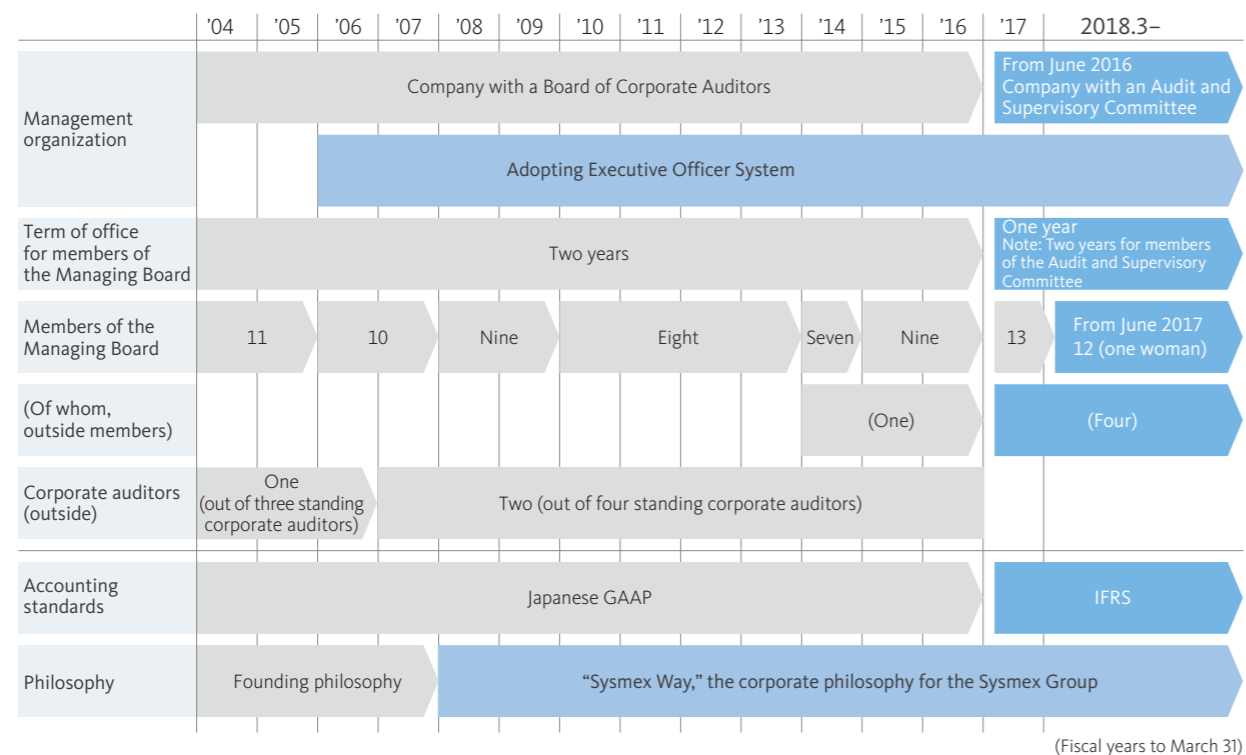
Management Organization

System recognizes that reinforcing corporate governance is an important management issue. In accordance with the "System Way," the corporate philosophy for the System Group, we have adopted a structure designed to augment management soundness and transparency, as well as increasing management speed and efficiency. In June 2016, System transitioned from 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,

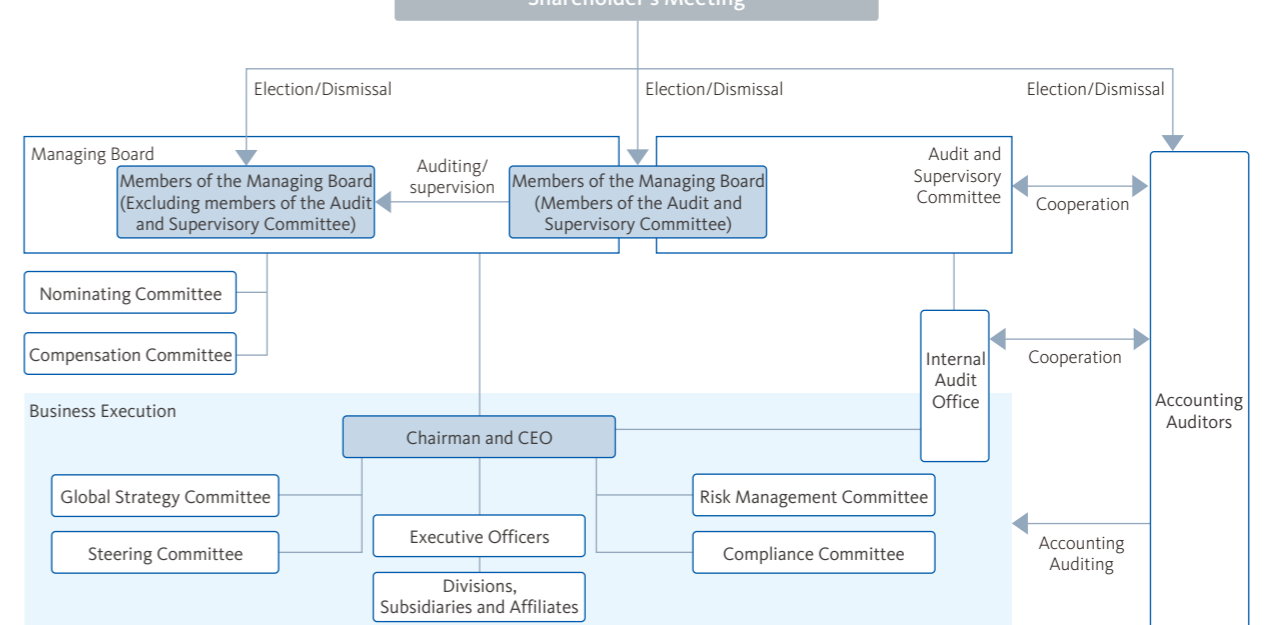
and enhancing the corporate governance system. We are also strengthening the Managing Board's audit and supervisory functions by appointing outside members.

The management structure currently comprises 12 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 18 executive officers (of whom six are also members of the Managing Board). In addition, the Company has introduced an 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



Corporate Governance Structure



Organization	Activities	Members	Meetings in the fiscal year ended March 31, 2017
Managing Board	Deliberate important matters related to management	Members of the Managing Board	16 (rate of attendance: 100%)
Global Strategy Committee	Deliberate on the Group's management direction and matters of strategic important	Chairman and CEO and senior executive officers	13
Steering Committee	Deliberate important matters related to overall Group operations as an advisory body to facilitate decision-making by the Chairman and CEO (Note) In addition to the above, in April 2017 we began holding meetings of executive officers to resolve issues on operationally important projects.	Chairman and CEO and executive officers Executive officers	15 —

Evaluating the Effectiveness of the Managing Board

To enhance the effectiveness of the Managing Board, the Company conducted a survey of all members of the Managing Board (including members of the Audit and Supervisory Committee) and evaluated the Managing Board's effectiveness based on discussions with the Managing Board on the survey's results. An overview of the analysis and evaluation of results follows. **(Composition)** The scale of the Managing Board and ratio of independent outside members of the Managing Board are generally appropriate, both in nature and diversity. **(Operation)** The provision of information necessary to fully discuss the Managing Board's agenda is generally appropriate. To further improve effectiveness, the Company is working to improve the Managing Board's operation through the distribution of materials beforehand,

organizing points at issue, and providing related information necessary to understand the background. **(Status of Agenda and Deliberation)** The time for addressing and deliberating the Managing Board's agenda is appropriate, and individual members of the Managing Board leverage their knowledge and experience to engage in deliberation.

Proposals have been made with regard to matters introduced by individual members of the Managing Board to be deliberated by and reported to the Managing Board, operation of the Managing Board, and necessary materials. Regarding these proposals, the Managing Board has determined that it will respond to operational issues and continue to discuss medium-to long-term issues.

Going forward, the Company's Managing Board will be evaluated regularly, in the aim of further enhancing its effectiveness.

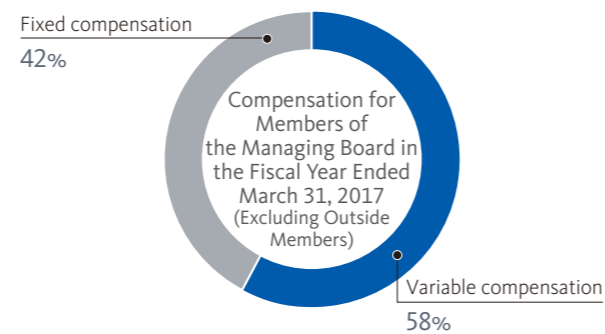
Corporate Governance

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.

operating performance and responsibility for achievements. Compensation for members of the Managing Board (excluding members of the Managing Board who are members of the Audit and Supervisory Committee) divides broadly into fixed and variable portions. Fixed compensation is determined on the basis of a member's position, while variable compensation (including stock options) varies depending on performance. Compensation for Members of the Managing Board (Audit and Supervisory Committee), corporate auditors and outside members of the Managing Board comprises only a fixed portion. Compensation amounts for members of the Managing Board (excluding members of the Managing Board who are members of the Audit and Supervisory Committee) are discussed and determined by the Managing Board following deliberation by the Compensation Committee.



Executive Compensation (Fiscal Year Ended March 31, 2017)

Sysmex determines executive compensation amounts and calculation methods by making a clear link between

■ Breakdown of Executive Compensation (Fiscal Year Ended March 31, 2017)

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 members of the Audit and Supervisory Committee) (excluding outside members)	638	260	—	377	—	8
Members of the Managing Board (Members of the Audit and Supervisory Committee) (excluding outside members)	18	18	—	—	—	1
Corporate auditors* (excluding outside corporate auditors)	9	9	—	—	—	2
Outside executives	26	26	—	—	—	5

* 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	Company category	Amount of compensation by type (¥ million)				Total compensation (¥ million)
			Basic compensation	Stock options	Bonuses	Retirement benefits	
Hisashi Ietsugu	Member of the Managing Board	Submitting company	59	—	129	—	188

Responding to Japan's Corporate Governance Code

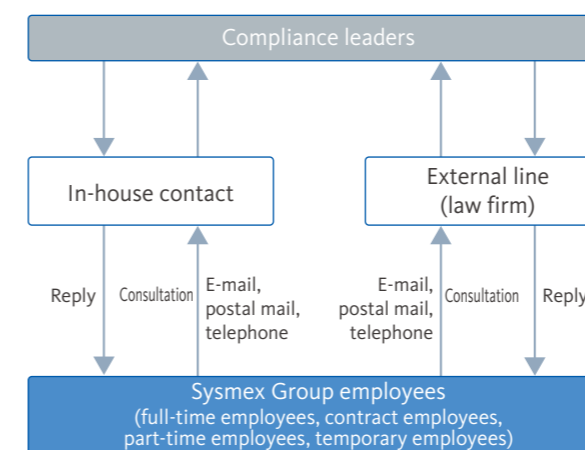
Sysmex complies with each of the principles of Japan's Corporate Governance Code, introduced by the Tokyo Stock Exchange. We publish reports submitted to the Tokyo Stock Exchange on our website.

Compliance

Based on our Group philosophy, the "Sysmex Way," we define our view of compliance as "conducting business activities not only in compliance with applicable laws and regulations, but also based on fairness and high ethical standards." 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 conduct training and work to instill this code. The code describes our thoughts on ethics in relation to research and development, prevention of bribery and adherence to international guidelines such as the Universal Declaration on Human Rights, as well as conserving the global natural environment.

Sysmex has established internal reporting systems in Japan and overseas to resolve any compliance issues quickly. The "Campanula Lines," our reporting system in Japan, has two lines for consultation and reporting:

■ The "Campanula Lines" Internal Reporting System



internal and external. Information received through these lines is handled anonymously to protect people consulting or providing information from any disadvantage.

In the fiscal year ended March 31, 2016, we received third-party evaluations of our systems for promoting compliance and their operational status. Based on these results, in the fiscal year ended March 31, 2017, we improved and expanded our internal reporting system to include key Sysmex Group companies overseas.

Risk Management

To control groupwide risk management activities, Sysmex established a Risk Management Committee, which is chaired by a risk management officer, the Group's chief executive in charge of risk management. This committee identifies major risks having the potential to significantly impact the Group's business. The committee also monitors the risk management status of individual divisions and affiliated companies and deliberates countermeasures in the event of a crisis with the potential to significantly affect Group management.

Sysmex formulates business continuity plans (BCPs) for its manufacturing, procurement and other functions to ensure it can fulfill its corporate responsibilities and supply products and services in a stable manner in the event of a disaster. Our BCPs identify products to be given provision priority so that our instruments can continue to function in a stable manner at healthcare institutions even in crisis situations. We have also prepared disaster-response regulations and manuals, including basic disaster-response regulations, putting in place systems that enable us to respond swiftly in emergencies.

Sysmex handles data about its customers, as well as on the organizations with which it collaborates on R&D and other testing. We recognize the importance of protecting information such as this, as well as of other important corporate secrets, and view the leak of such corporate secrets as a significant risk to the Group. Accordingly, we have in place structures to prevent this risk from materializing. To clarify our policies on ensuring information safety and security, in the fiscal year ended March 31, 2017 we formulated consistent global regulations for information security for all Group companies, reinforcing organizational countermeasures to information leaks and cyber threats.

Corporate Governance

IR Activities to Enhance Corporate Value

Sysmex 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.

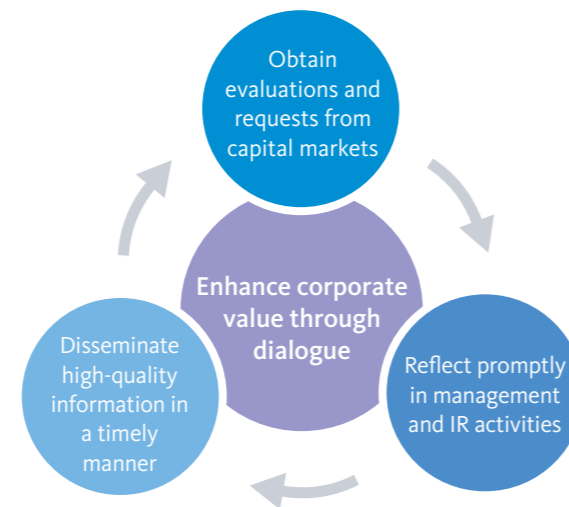
At meetings with institutional investors and analysts, we engage proactively on such themes as R&D, shareholder returns and capital policies, as well as our management strategies, business model and medium-term management plans. Although headquartered in Kobe, Sysmex visits locations including Tokyo, the United States, and European and Asian countries to conduct IR meetings. In the fiscal year ended March 31, 2017, we conducted 325 meetings.

Sysmex also provides opportunities for direct interaction, such as hosting tours of its facilities and business offices in Japan. In the fiscal year ended March 31, 2017, as an initial trial we held an IR Day at our human resource development center. This event enabled us to provide fuller explanations on such topics as Sysmex's corporate culture, the invisible value generated by our human resources and the business strategy for personalized medicine, which we are focusing on. Also, at our technology presentation we introduced current R&D projects underway at our R&D 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 pass on evaluations from our shareholders and the market to our management.

Objectives of Sysmex's IR Activities



Principal IR Events

Event	Activities
Technology presentations	Explanations from people in charge of R&D divisions about R&D progress In the fiscal year ended March 31, 2017, we introduced actual instruments at Technopark, our R&D hub.
Sysmex IR Day (business office tours)	Every other year In the fiscal year ended March 31, 2017, we provided explanations on the invisible value generated by Sysmex's corporate culture, and our human resources and our business strategy for personalized medicine.
Overseas facility tours	Every other year Tours of hospitals and other facilities actually using our products and explanations by executives at local subsidiaries about the market and Sysmex'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 Sysmex proactively discloses voluntary information such as operating performance by geographic region, type of business and product category. At our annual technology presentations, we explain our R&D successes and Sysmex's future potential.

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



Company tour for individual shareholders

Major Awards (IR Activities)

Sponsor	Awards
Institutional Investor	Ranked in five categories by Institutional Investor 2017 in the Japanese healthcare and pharmaceuticals category, including "Best CEOs" and "Best IR Professionals"
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

Members of the Managing Board



Hisashi Ietsugu

Chairman and CEO

Sep. 1986 Joined the Company, Member of the Managing Board
 Mar. 1990 Member of the Managing Board and Senior Executive Officer, Managing Director
 Feb. 1996 Member of the Managing Board and Senior Executive Officer, Managing Director (Representative Director)
 Apr. 1996 Member of the Managing Board and Senior Executive Officer, Senior Managing Director (Representative Director)
 Jun. 1996 President and CEO
 Apr. 2013 Chairman and CEO (current)

Reasons for Appointing

Holding the positions of Chairman and CEO of the Company, he has managed all of Sysmex and provided strong leadership for many years. He was appointed because he will be essential for increasing the corporate value with his sense of balance, enabling appropriate supervision and decision-making of the entire management based on his insight and abundant experience and achievements as a corporate manager.



Yukio Nakajima

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

Apr. 1973 Joined the Company
 Jun. 1999 Member of the Managing Board, Executive Vice President of Corporate Business Planning
 Apr. 2005 Member of the Managing Board and Executive Officer, Vice President of Corporate Business Planning
 Apr. 2009 Member of the Managing Board and Senior Executive Officer, Managing Director
 Apr. 2013 Member of the Managing Board and Senior Executive Officer, Senior Managing Director (current)

Reasons for Appointing

He has been involved in planning and administration departments, including Corporate Business Planning, Corporate Business Administration, IR, HR and General Affairs for many years and has contributed to the strengthening of the Company's management base. He was appointed because his abundant experience and wide-ranging insight will be essential for increasing corporate value.



Kaoru Asano

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

Aug. 1987 Joined the Company
 Apr. 2009 Executive Officer, Manager of Central Research Laboratories
 Apr. 2011 Executive Officer, Executive Vice President of R&D Strategic Planning
 Apr. 2013 Senior Executive Officer
 Jun. 2014 Member of the Managing Board and Senior Executive Officer
 Apr. 2015 Member of the Managing Board and Senior Executive Officer, Managing Director
 Apr. 2017 Member of the Managing Board and Senior Executive Officer, Senior Managing Director (current)

Reasons for Appointing

He has been involved in research and technology development for many years and has contributed to business development. He was appointed because leveraging his experience and insight in new R&D will be essential for increasing corporate value.



Junzo Yamamoto

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

Mar. 1980 Joined the Company
 Apr. 2011 Executive Officer, Executive Vice President of Instrument Production
 Apr. 2015 Senior Executive Officer
 Apr. 2017 Senior Executive Officer, Managing Director
 Jun. 2017 Member of the Managing Board and Senior Executive Officer, Managing Director (current)

Reasons for Appointing

He has been involved in instrument production and supply chains for many years and has contributed to strengthening the production system. He was appointed because his experience and insight will be essential for increasing corporate value.



Susumu Nishiura

Member of the Managing Board (Outside) Independent Director

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

Reasons for Appointing

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



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)

Reasons for Appointing

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



Kenji Tachibana

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

Mar. 1980 Joined the Company
 Apr. 2011 Executive Officer, Executive Vice President of IVD Business Development
 Apr. 2013 Senior Executive Officer
 Jun. 2014 Member of the Managing Board and Senior Executive Officer
 Apr. 2015 Member of the Managing Board and Senior Executive Officer, Managing Director
 Apr. 2017 Member of the Managing Board and Senior Executive Officer, Senior Managing Director (current)

Reasons for Appointing

He has been involved in business strategy development and international businesses and has contributed to strategic and global business development. He was appointed because he will be essential for increasing corporate value through the growth of businesses.



Kazuya Obe

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

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

Reasons for Appointing

He has been involved in international business serving as representatives of several overseas regional headquarters for many years and has contributed to global business development. He was appointed because his abundant experience and wide-ranging insight will be essential for increasing corporate value.



Mitsuru Watanabe

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

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

Reasons for Appointing

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



Yukitoshi Kamao

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

Mar. 1978 Joined the Company
 Apr. 2013 Executive Officer, Executive Vice President of Business Administration
 Jun. 2016 Member of the Managing Board (Member of the Audit and Supervisory Committee) (current)

Reasons for Appointing

He was appointed to utilize his experience and specialized expertise related to corporate management, which is necessary to increase the audit and supervisory functions.



Koichi Onishi

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

Jul. 1971 Joined Kobe Steel, Ltd.
 Jun. 2002 Executive Officer
 Apr. 2004 Managing Executive Officer
 Apr. 2007 Senior Managing Executive Officer
 Jun. 2010 Retired from Senior Managing Executive Officer of Kobe Steel, Ltd.
 Jun. 2010 President of Nippon Koshuha Steel Co., Ltd.
 Jun. 2013 Executive Corporate Adviser
 Jun. 2014 Joined the Company, Corporate Auditor
 Jun. 2016 Member of the Managing Board (Member of the Audit and Supervisory Committee) (current)

Reasons for Appointing

He was appointed to utilize his abundant experience and deep insight into corporate management for audits of the Company.



Kazuhito Kajiuira

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)

Reasons for Appointing

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

Messages from Outside Members of the Managing Board

Susumu Nishiura

Member of the Managing Board (Outside)



I have the sense that Sysmex's Managing Board practices corporate governance through free and lively expression that takes diverse opinions into consideration. As an outside member of the Managing Board, I consider my roles to be supervising the execution of business by taking into account the general shareholders and other stakeholders, and enhancing corporate value. To ensure even more appropriate decisions going forward, I will work to increase communications on the Managing Board and clarify the decision-making process.

Sysmex has enjoyed substantial growth in its existing businesses, and cannot be easily overtaken by competitors. Despite this strength, however, I believe that an important topic for the Company will be the ability to quickly create its next core businesses amid the rapid progress in healthcare technologies. As steppingstones to sustainable growth, Sysmex has defined long-term management targets and formulated a mid-term management plan. In order to reach these goals, I will endeavor to express myself proactively to ensure that the Company responds appropriately in reforms to its business portfolio.

Masayo Takahashi

Member of the Managing Board (Outside)



Sysmex's stance is to achieve advances in healthcare by consistently embracing new technologies, concepts, methods and systems. This is in line with my own approach toward work. Since being appointed as an outside member of the Managing Board last year, I have done my best to help the Company move forward through its execution of business.

Sysmex contributes to the advancement of healthcare from a different perspective than has been evident to date by companies involved in drug discovery and the development of therapies. I see Sysmex's experience and performance from this viewpoint, as well as its forward-looking stance, as major strengths. At the same time, technological breakthroughs occur swiftly nowadays, and the more cutting-edge the technologies, the more important it is for them to begin contributing to corporate performance as quickly as possible. To ensure sustainable growth into the future, a company requires a spirit of challenge that enables it to absorb state-of-the-art technologies in new fields. I hope that Sysmex will remain consistently proactive and continue to grow by leveraging its strengths.

To ensure Sysmex is able to continue contributing to advances in the world's healthcare, I will take advantage of my own long years of experience in medical settings and the development of therapies. I also plan to maintain my approach of advising management from the objective viewpoint of academia and healthcare professionals.

Koichi Onishi

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



Last year, Sysmex made the transition to a company with an Audit and Supervisory Committee. By giving voting rights to members of the Audit and Supervisory Board, their voices are reinforced on the Managing Board. The Audit and Supervisory Committee is composed of a good balance of members with different types of experience. In my view, this structure enables the committee to audit the business from a variety of angles and function effectively. Due to my many years of experience in manufacturing, my overriding focus on this committee tends toward such areas as cost control, quality control, health and safety, and environmental disaster prevention. In particular, I consider operations from the perspective of internal control and risk management.

This year, Sysmex experienced a decline in sales and profits. In addition to external factors such as exchange rates, I think there were also issues with promoting new businesses that will serve as new pillars of growth. To expand further, in addition to relying on the president's outstanding management sense and leadership, I believe individual employees need to be more aware of the "Sysmex Way" and go about their business with passion and a strong sense of mission toward achieving goals. For my part, I will provide the check to ensure against legal violations and other negative factors, but in addition I consider it necessary for me to audit the Company from the standpoint of whether the Company is maintaining a proactive stance.

Kazuhiro Kajiura

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



I conduct my operations based on the spirit of acting independently according to my own beliefs I have cultivated in my many years as a certified public accountant. On the Managing Board, in addition to participating actively in discussions and enhancing accountability, I express my opinions from the perspective of the legality and suitability of management activities, as well as timely disclosure, with the aims of increasing management efficiency and augmenting the monitoring function. By transitioning to a company with an Audit and Supervisory Committee, Sysmex has strengthened authorities and the auditing function. As an outside member of the Managing Board and a member of the Audit and Supervisory Committee, I will express my opinions energetically to redouble the effectiveness of corporate governance and help realize the "Sysmex Way."

Sysmex has a high percentage of overseas sales and is highly competitive in hematology and other core businesses. Even so, expanding and strengthening its next core businesses is a matter of some urgency, due to the changing management environment in the healthcare business, which is characterized by such factors as the pursuit of further advances in healthcare and policies for containing healthcare costs. To this end, the Company needs to augment its global communications structure and recruit and nurture more global human resources. As an outside member of the Managing Board, I also would suggest the Company pursue further reforms in the acquisition and cultivation of human resources.

Executive Officers



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

Iwane Matsui

Senior Executive Officer
Deputy head of Global Marketing

Hiroshi Kanda

Senior Executive Officer
Deputy head of Core Business
Executive Vice President of ICH Business
Development

Yukio Hamaguchi

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

Keiji Fujimoto

Executive Officer
Regulatory Affairs & Quality Assurance

Ikuo Otani

Executive Officer
Deputy head of Core Business

Hiroshi Nagao

Executive Officer
Executive Vice President of Corporate Business
Administration

John Kershaw

Executive Officer
Chairman, Sysmex America, Inc.
Deputy head of Core Business

Juergen Schulze

Executive Officer
President and CEO,
Sysmex Europe GmbH

Mamoru Kubota

Executive Officer
Executive Vice President of LS Business

Peng Zuo Hui

Executive Officer
President and CEO,
Sysmex Shanghai Ltd.

Tomokazu Yoshida

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

Kensuke Iizuka

Executive Officer
Deputy head of Corporate Business Planning
and Administration

Financial and Other Information

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Consolidated Financial and Non-Financial Data (10 Years)

Japanese GAAP										IFRS		
Fiscal years ended March 31	2008	2009	2010	2011	2012	2013	2014	2015	2016	Fiscal years ended March 31	2016	2017
For the year:										For the year:		
Net sales	110.7	111.8	116.1	124.6	134.7	145.5	184.5	221.3	253.1	Net sales	252.6	249.8
Operating income	15.0	15.1	15.7	18.2	19.2	21.8	32.8	44.4	56.9	Operating profit	60.7	51.7
Net income attributable to owners of the parent ¹	9.1	8.0	9.7	11.4	12.0	14.1	20.5	26.6	36.2	Profit attributable to owners of the parent	39.2	40.6
Capital expenditure	8.2	9.3	4.5	5.8	7.9	8.9	13.3	13.9	13.8	Capital expenditure	13.0	11.8
Depreciation	3.9	7.2	7.0	6.8	7.0	7.9	9.9	11.2	12.2	Depreciation and amortization	12.1	12.3
R&D expenses	9.2	10.7	11.2	12.3	11.9	12.1	13.2	14.6	17.7	R&D expenses	15.4	15.5
Net cash provided by (used in) operating activities	11.6	13.1	21.2	18.1	17.0	25.8	36.5	38.6	39.5	Net cash provided by (used in) operating activities	41.7	32.8
Net cash provided by (used in) investing activities	(12.8)	(13.5)	(6.6)	(8.9)	(10.3)	(12.5)	(33.9)	(19.5)	(21.6)	Net cash provided by (used in) investing activities	(23.8)	(19.4)
Net cash provided by (used in) financing activities	(1.3)	0.7	(10.0)	(3.4)	(3.8)	(3.1)	(2.8)	(7.5)	(8.7)	Net cash provided by (used in) financing activities	(8.7)	(10.8)
At year-end:										At year-end:		
Total assets	109.0	118.5	120.7	130.0	142.2	173.0	210.7	247.9	267.6	Total assets	263.9	279.8
Cash and cash equivalents, end of year	9.6	9.4	13.8	18.9	21.8	34.3	36.5	50.2	56.4	Cash and cash equivalents, end of year	56.4	57.9
Total equity	79.1	79.8	87.1	94.2	102.5	119.1	146.2	169.5	188.0	Total equity	182.8	210.2
Interest-bearing liabilities	1.0	10.3	2.5	1.9	1.0	0.7	1.9	0.7	1.3	Interest-bearing liabilities	1.3	1.1
(Yen)										(Yen)		
Per share data:										Per share data:		
Equity (yen)	1,540.9	1,548.1	1,684.9	910.6 ³	990.5	1,151.3	703.7 ³	812.3	899.5	Equity attributable to owners of the parent (yen)	879.32	1,005.86
Net income (basic) (yen)	178.9	156.7	190.7	111.1 ³	116.8	137.5	99.4 ³	128.4	174.4	Profit attributable to owners of the parent (basic) (yen)	189.08	195.31
Net income (diluted) (yen)	178.3	156.4	190.5	110.9 ³	116.6	137.0	99.1 ³	128.0	173.7	Profit attributable to owners of the parent (diluted) (yen)	188.30	194.74
Cash dividends applicable to the year ² (yen)	12.00	12.50	14.00	15.00 ³	17.00	20.00	27.00 ³	38.00	52.00	Cash dividends applicable to the year	52.00	58.00
Dividend ratio (%)	26.8	31.9	29.4	27.0	29.1	29.1	27.1	29.6	29.8	Dividend ratio (%)	27.5	29.7
Other data:										Other data:		
Operating margin (%)	13.6	13.5	13.5	14.7	14.3	15.0	17.8	20.1	22.5	Operating margin (%)	24.0	20.7
Overseas sales ratio (%)	67.5	68.0	68.3	69.1	70.5	72.4	78.2	81.7	84.3	Overseas sales ratio (%)	84.2	82.6
Equity ratio (%)	72.2	66.8	71.5	71.9	71.6	68.7	69.2	68.0	69.9	Equity ratio (%)	69.3	74.8
Return on equity (ROE) (%)	12.2	10.1	11.8	12.7	12.3	12.8	15.6	17.0	20.4	Return on equity (ROE) (%)	23.1	20.7
Return on assets (ROA) ⁴ (%)	8.7	7.0	8.2	9.1	8.8	9.0	10.7	11.6	14.1	Return on assets (ROA) ⁵ (%)	15.5	16.3
Number of employees										Number of employees		
(Including part-time and other employees)	3,916	4,148	4,576	4,957	5,521	5,594	6,211	6,742	7,446	(Including part-time and other employees)	7,446	7,930
Female managers (director level or above) (%)	—	—	—	—	—	—	10.6	11.6	14.3	Female managers (director level or above) (%)	14.3	16.2
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	Greenhouse gas emissions at business offices per unit of consolidated sales ⁶ (t-CO ₂ /¥100 million)	7.26	7.36
Patent applications	350	339	360	424	331	295	302	307	317	Patent applications	317	344
Of which, overseas ⁷	195	185	206	283	230	195	205	217	215	Of which, overseas ⁷	215	234

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

² Dividend (actual) converted to post-split basis.

³ Two-for-one stock split

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

⁵ ROA = Profit 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

⁷ Figures shown for fiscal years ended on or after March 31, 2012 are including figures of countries to transfer international patent application

Management's Discussion and Analysis

Sysmex adopted IFRS from the fiscal year ended March 31, 2017. Our aim is to increase convenience to shareholders and investors in Japan and overseas by enhancing the international comparability of our financial information in capital markets. Figures for the fiscal year ended March 31, 2016 are also disclosed in compliance with IFRS.

Overview

Looking at economic conditions during the fiscal year ended March 31, 2017, in the United States, the employment environment was characterized by ongoing improvement, and the economy continued its gradual expansion. The European economy also continued to recover, but due to the UK's move to exit the European Union, which is beginning in earnest, the outlook remains uncertain. The Chinese economy continued to decelerate gradually, despite the introduction of fiscal policies and monetary easing measures. In the Asia Pacific region, uncertainty continued, centered on ASEAN countries. Overseas economies generally maintained the trend toward modest recovery, despite emerging uncertainties in the economic outlook. 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, developed countries in Europe and the United States are working to curtail medical expenses. In the United States, the Affordable Care Act that was introduced to decrease the number of people without medical insurance is being reviewed. In China, ongoing medical system reforms aim to erase medical service disparities between cities and farming villages, but the country is also

introducing policies to reduce medical expenses. 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.

Under these conditions, within the Sysmex Group a subsidiary, Sysmex Asia Pacific Pte Ltd., established a branch in Myanmar, which is demonstrating remarkable economic growth. By providing more robust support for distributors and customers in Myanmar, we will continue contributing to the development of healthcare in the country.

In 2014, Sysmex commenced capital participation in RIKEN GENESIS Co., Ltd., headquartered in Tokyo, engaging in efforts toward the realization of personalized medicine. To reinforce synergies with RIKEN GENESIS, we acquired additional shares in the company and converted it to a subsidiary. Together, Sysmex and RIKEN GENESIS will pursue R&D and business development initiatives to realize personalized medicine through genetic analysis.

During the fiscal year the Group recorded consolidated net sales of ¥249.8 billion, down 1.1% year on year. Operating profit declined 14.9%, to ¥51.7 billion, and profit before tax fell 15.3%, to ¥48.9 billion. However, profit attributable to

owners of the parent increased 3.5%, to ¥40.6 billion, stemming from a reduction in income tax expenses through a reversal of deferred tax liabilities in line with a revised tax treaty between Japan and Germany. Return on equity (ROE) declined 2.4 percentage points, to 20.7% during the fiscal year under review.

Net Sales by Destination¹

In overseas markets, reagent sales expanded in the hematology, hemostasis and immunochemistry fields thanks to a growing installed instrument base. Consequently, sales were robust in each country on a local currency basis, but the Sysmex Group's overseas sales decreased 3.0% year on year, to ¥206.4 billion, due mainly to the impact of the yen's appreciation in foreign exchange markets. The overseas sales ratio declined 1.6 percentage points, to 82.6%. Looking at overseas sales by destination, sales in the Americas amounted to ¥60.1 billion, up 1.6% year on year; in EMEA² ¥64.6 billion, down 5.3%; in China ¥60.3 billion, down 7.4%; and in Asia-Pacific ¥21.2 billion, up 5.9%.

In Japan, sales increased in the hematology, hemostasis and immunochemistry fields. As a result, sales in Japan rose 9.1% year on year, to ¥43.4 billion.

¹ 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.

² EMEA: Europe, the Middle East and Africa

Profits and Losses

Cost of Sales and SG&A Expenses

Cost of sales rose ¥6.1 billion, or 6.1%, to ¥108.1 billion. The cost of sales ratio accordingly increased 3.0 percentage points, to 43.3%.

Selling, general and administrative expenses increased ¥0.8 billion, or 1.1%, to ¥75.4 billion, owing to reinforcement of sales and after-sales service structures. SG&A expenses as a percentage of net sales rose 0.7 percentage point, from 29.5% to 30.2%.

Profit

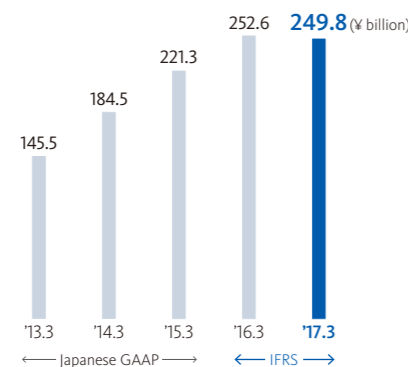
Operating profit fell ¥9.0 billion, or 14.9%, to ¥51.7 billion due to the impact of yen appreciation and a worsening cost of sales ratio, and the ratio of operating profit to net sales fell 3.3 percentage points, to 20.7%. Exchange rate fluctuations had a ¥11.1 billion negative impact on operating profit year on year.

However, profit attributable to owners of the parent increased ¥1.3 billion, or 3.5%, to ¥40.6 billion, stemming from a reduction in income tax expenses through a reversal of deferred tax liabilities in line with a revised tax treaty between Japan and Germany.

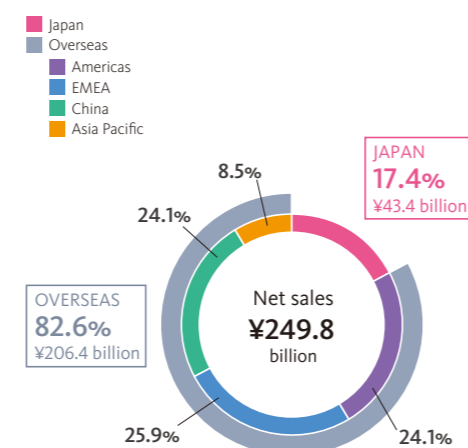
R&D expenses

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 expenses amounted expanded ¥0.1

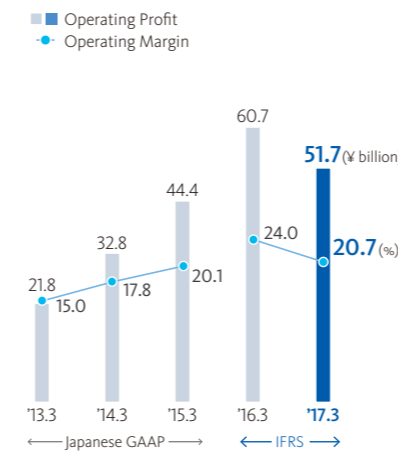
■ Net Sales



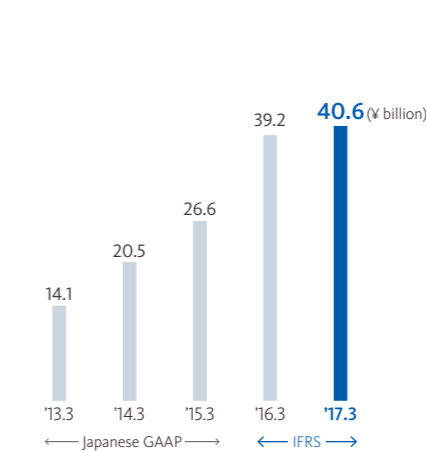
■ Net Sales by Destination



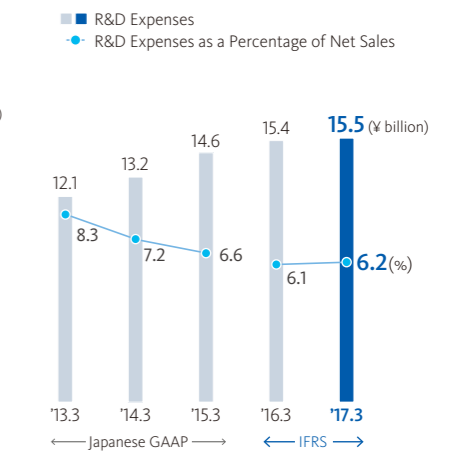
■ Operating Profit
● Operating Margin



■ Profit Attributable to Owners of the Parent



■ R&D Expenses
● R&D Expenses as a Percentage of Net Sales



Management's Discussion and Analysis

billion, or 0.9%, to ¥15.5 billion. R&D expenses as a percentage of net sales increased 0.1 percentage points, from 6.1% to 6.2%.

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.

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 ¥58 per share, which includes an interim dividend of ¥28. Consequently, we increased annual dividends by ¥6 per share for the year for the fiscal year ended March 31, 2016. This amounted to the 15th consecutive year of dividend increases and a consolidated payout ratio of 29.7%.

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

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, 2017, total assets amounted to ¥279.8 billion, up ¥15.8 billion from March 31, 2016. As principal factors, trade and other receivables (current assets) rose ¥5.4 billion, intangible assets rose ¥4.5 billion, trade and other receivables (non-current assets) grew ¥2.3 billion, inventories expanded by ¥1.3 billion, and goodwill increased ¥1.3 billion.

Meanwhile, total liabilities as of March 31, 2017, were ¥69.5 billion, down ¥11.5 billion from their level on March

31, 2016. Principal reasons were decreases of ¥4.0 billion in advance received, ¥3.8 billion in deferred tax liabilities, and ¥3.5 billion in income taxes payable.

Total equity came to ¥210.2 billion, up ¥27.4 billion from March 31, 2016. Among principal reasons, other components of equity decreased ¥3.4 billion, but retained earnings rose ¥29.1 billion. Equity attributable to owners of the parent to total assets as of March 31, 2017, was 74.8%, up 5.5 percentage points from the 69.3% recorded as of March 31, 2016.

Cash Flows

As of March 31, 2017, cash and cash equivalents amounted to ¥57.9 billion, up ¥1.4 billion from March 31, 2016. Cash flows from various activities during the fiscal year are described in more detail below.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥32.8 billion, ¥8.9 billion less than in the preceding fiscal year. As principal factors, profit before tax provided ¥48.9 billion (¥8.8 billion less than in the preceding fiscal year), an increase in inventories used ¥2.1 billion (down ¥4.6 billion), a decrease in trade payables used ¥2.4 billion (increased ¥4.1 billion in the preceding fiscal year), a decrease in advances received used ¥3.6 billion (increased ¥0.6 billion in the preceding fiscal year), and income taxes paid used ¥16.2 billion (down ¥3.3 billion).

Cash Flows from Investing Activities

Net cash used in investing activities was ¥19.4 billion (down ¥4.4 billion from the preceding year). Principal uses of cash included purchases of property, plant and equipment of ¥11.6 billion (down ¥2.0 billion), purchases of intangible assets of ¥7.4 billion (down ¥0.9 billion), acquisitions of subsidiaries or other businesses used ¥1.4 billion (up ¥1.0 billion), and a net decrease in short-term loans receivable, a category that was absent in the preceding year, used ¥1.9 billion.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥10.8 billion (up ¥2.1 billion). This was mainly due to dividends paid of ¥11.6 billion (up ¥2.0 billion).

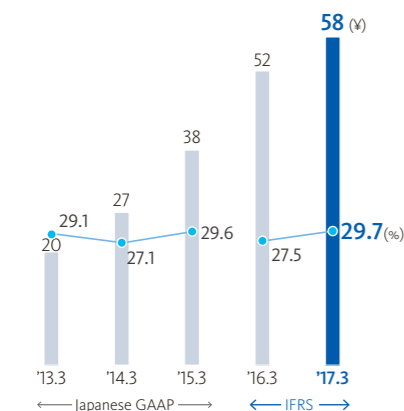
Capital Expenditure and Depreciation

Capital expenditure (investment in property, plant and equipment, including construction in progress) was down ¥1.2 billion year on year, or 9.2%, to ¥11.8 billion. Major capital expenditures included the expansion of reagent factories to increase reagent production capacity at overseas subsidiaries in line with business expansion in overseas markets, as well as for the acquisition of equipment leased to customers. Depreciation and amortization increased ¥0.2 billion, or 2.2%, to ¥12.3 billion.

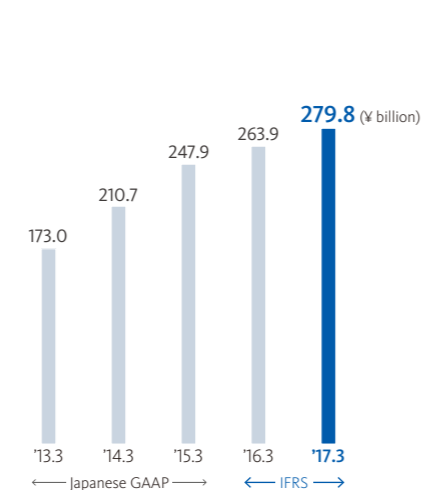
Cash Dividends Applicable to the Year

Dividend Ratio

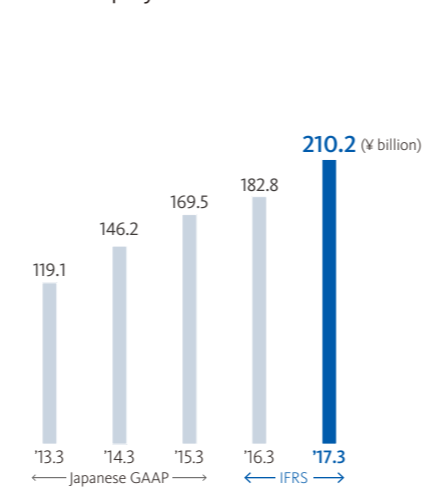
■ Cash Dividends Applicable to the Year
● Dividend Ratio



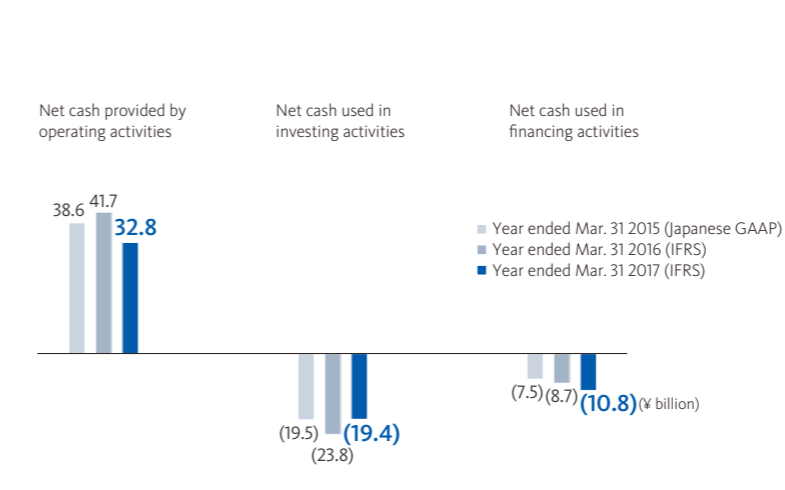
Total Assets



Total equity

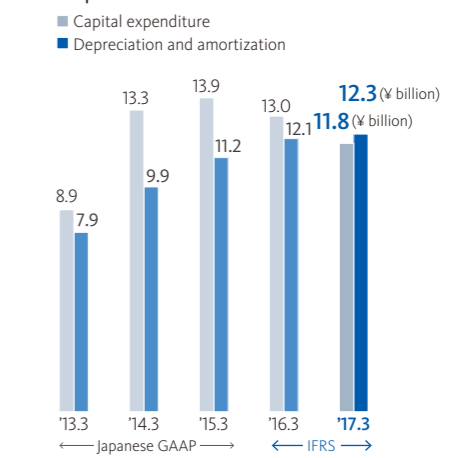


Cash Flows



Capital Expenditure

Depreciation and Amortization



Consolidated Statement of Financial Position

Sysmex Corporation and its Subsidiaries
As of March 31, 2017

	Millions of Yen			Thousands of U.S. Dollars
	March 31, 2017	March 31, 2016	Date of transition to IFRS	March 31, 2017
Assets				
Current assets				
Cash and cash equivalents	¥ 57,944	¥ 56,481	¥ 49,613	\$ 517,357
Trade and other receivables	63,084	57,652	53,662	563,250
Inventories	36,998	35,604	29,966	330,339
Other short-term financial assets	528	615	298	4,714
Income taxes receivable	457	453	223	4,080
Other current assets	7,303	7,450	6,484	65,205
Total current assets	166,318	158,258	140,248	1,484,982
Non-current assets				
Property, plant and equipment	60,144	59,282	56,835	537,000
Goodwill	8,308	6,921	7,192	74,179
Intangible assets	21,228	16,682	11,598	189,536
Investments accounted for using the equity method	552	2,089	1,937	4,929
Trade and other receivables	8,813	6,476	3,901	78,688
Other long-term financial assets	6,107	6,010	6,440	54,527
Asset for retirement benefits	666	582	960	5,946
Other non-current assets	2,095	1,928	1,717	18,705
Deferred tax assets	5,581	5,684	6,478	49,830
Total non-currents assets	113,499	105,659	97,062	1,013,384
Total assets	¥279,817	¥263,917	¥237,310	\$2,498,366

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112 to \$1, the approximate rate of exchange at March 31, 2017.

	Millions of Yen			Thousands of U.S. Dollars
	March 31, 2017	March 31, 2016	Date of transition to IFRS	March 31, 2017
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	¥ 24,376	¥ 26,824	¥ 22,776	\$ 217,643
Other short-term financial liabilities	956	788	1,001	8,536
Income taxes payable	2,915	6,511	9,418	26,027
Provisions	610	554	450	5,446
Advance received	6,418	10,431	10,357	57,304
Accrued expenses	8,330	6,864	8,137	74,375
Accrued bonuses	6,636	6,538	6,130	59,250
Other current liabilities	9,708	9,383	9,084	86,679
Total current liabilities	59,952	67,896	67,355	535,286
Non-current liabilities				
Long-term financial liabilities	549	734	342	4,902
Liability for retirement benefits	654	566	562	5,839
Provisions	2,318	2,341	2,312	20,696
Other non-current liabilities	3,527	3,192	3,094	31,491
Deferred tax liabilities	2,562	6,384	5,669	22,875
Total non-current liabilities	9,612	13,219	11,980	85,821
Total liabilities	69,564	81,116	79,336	621,107
Equity				
Equity attributable to owners of the parent				
Capital stock	11,611	11,016	10,483	103,670
Capital surplus	17,303	16,969	16,340	154,491
Retained earnings	188,506	159,375	130,183	1,683,089
Treasury stock	(289)	(285)	(280)	(2,580)
Other components of equity	(7,725)	(4,275)	1,246	(68,973)
Total equity attributable to owners of the parent	209,406	182,800	157,972	1,869,696
Non-controlling interests	845	0	0	7,545
Total equity	210,252	182,801	157,973	1,877,250
Total liabilities and equity	¥279,817	¥263,917	¥237,310	\$2,498,366

Consolidated Statement of Income

Sysmex Corporation and its Subsidiaries
For the Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Net sales	¥249,899	¥252,622	\$2,231,241
Cost of sales	108,122	101,932	965,375
Gross profit	141,777	150,689	1,265,866
Selling, general and administrative expenses	75,401	74,571	673,223
Research and development expenses	15,554	15,409	138,875
Other operating income	1,277	610	11,402
Other operating expenses	397	588	3,545
Operating profit	51,701	60,729	461,616
Financial income	514	382	4,589
Financial expenses	372	96	3,321
Share of loss on equity method	(677)	(465)	(6,045)
Foreign exchange loss	(2,218)	(2,741)	(19,804)
Profit before tax	48,946	57,809	437,018
Income tax expenses	8,493	18,530	75,830
Profit	¥ 40,453	¥ 39,278	\$ 361,188
Profit attributable to			
Owners of the parent	40,636	39,278	362,821
Non-controlling interests	(182)	(0)	(1,625)
Profit	¥ 40,453	¥ 39,278	\$ 361,188

Earnings per share	Yen		U.S. Dollars
	Basic	¥195.31	¥189.08
Diluted	194.74	188.30	1.74

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112 to \$1, the approximate rate of exchange at March 31, 2017.

Consolidated Statement of Comprehensive Income

Sysmex Corporation and its Subsidiaries
For the Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Profit	¥40,453	¥39,278	\$361,188
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Net gain (loss) on financial assets measured at fair value through other comprehensive income	158	(430)	1,411
Remeasurements of defined benefit plans	139	(536)	1,241
Total	298	(967)	2,661
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(3,606)	(5,091)	(32,196)
Share of other comprehensive income of investments accounted for using the equity method	(0)		(0)
Total	(3,607)	(5,091)	(32,205)
Total other comprehensive income (loss)	(3,309)	(6,059)	(29,545)
Comprehensive income	¥37,144	¥33,219	\$331,643
Comprehensive income attributable to			
Owners of the parent	¥37,327	¥33,219	\$333,277
Non-controlling interests	(182)	(0)	(1,625)
Comprehensive income	¥37,144	¥33,219	\$331,643

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112 to \$1, the approximate rate of exchange at March 31, 2017.

Consolidated Statement of Changes in Equity

Sysmex Corporation and its Subsidiaries
For the Year Ended March 31, 2017

	Millions of Yen							
	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of April 1, 2015	¥10,483	¥16,340	¥130,183	¥(280)	¥1,246	¥157,972	¥ 0	¥157,973
Profit			39,278			39,278	(0)	39,278
Other comprehensive income (loss)					(6,058)	(6,058)	(0)	(6,059)
Comprehensive income (loss)			39,278		(6,058)	33,219	(0)	33,219
Exercise of warrants	533	316				849		849
Share-based payment transaction		312				312		312
Cash dividends			(9,549)			(9,549)		(9,549)
Purchase of treasury stock				(4)		(4)		(4)
Transfer to retained earnings			(536)		536			
Changes from business combination								
Equity transactions with non-controlling interests								
Total transactions with the owners	533	628	(10,086)	(4)	536	(8,391)		(8,391)
As of March 31, 2016	11,016	16,969	159,375	(285)	(4,275)	182,800	0	182,801
Profit			40,636			40,636	(182)	40,453
Other comprehensive income (loss)					(3,309)	(3,309)	(0)	(3,309)
Comprehensive income (loss)			40,636		(3,309)	37,327	(182)	37,144
Exercise of warrants	594	333				928		928
Share-based payment transaction								
Cash dividends			(11,646)			(11,646)		(11,646)
Purchase of treasury stock				(3)		(3)		(3)
Transfer to retained earnings			141		(141)			
Changes from business combination							1,028	1,028
Equity transactions with non-controlling interests		0				0	(0)	
Total transactions with the owners	594	334	(11,505)	(3)	(141)	(10,721)	1,028	(9,692)
As of March 31, 2017	¥11,611	¥17,303	¥188,506	¥(289)	¥(7,725)	¥209,406	¥ 845	¥210,252

	Thousands of U.S. Dollars							
	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
As of March 31, 2016	\$ 98,357	\$151,509	\$1,422,991	\$(2,545)	\$(38,170)	\$1,632,143	\$ 0	\$1,632,152
Profit			362,821			362,821	(1,625)	361,188
Other comprehensive income (loss)					(29,545)	(29,545)	(0)	(29,545)
Comprehensive income (loss)			362,821		(29,545)	333,277	(1,625)	331,643
Exercise of warrants	5,304	2,973				8,286		8,286
Share-based payment transaction								
Cash dividends			(103,982)			(103,982)		(103,982)
Purchase of treasury stock				(27)		(27)		(27)
Transfer to retained earnings			1,259		(1,259)			
Changes from business combination							9,179	9,179
Equity transactions with non-controlling interests		0				0	(0)	
Total transactions with the owners	5,304	2,982	(102,723)	(27)	(1,259)	(95,723)	9,179	(86,536)
As of March 31, 2017	\$103,670	\$154,491	\$1,683,089	\$(2,580)	\$(68,973)	\$1,869,696	\$ 7,545	\$1,877,250

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112 to \$1, the approximate rate of exchange at March 31, 2017.

Consolidated Statement of Cash Flows

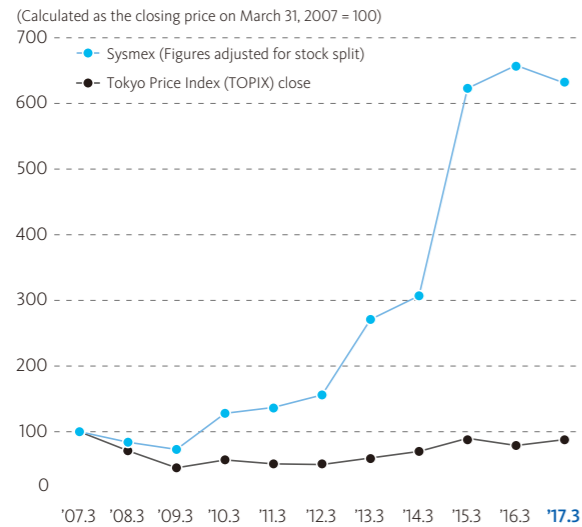
Sysmex Corporation and its Subsidiaries
For the Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Operating activities			
Profit before tax	¥ 48,946	¥57,809	\$ 437,018
Depreciation and amortization	12,381	12,110	110,545
Interest and dividend income	(425)	(335)	(3,795)
Interest expenses	104	46	929
Share of loss on equity method	677	465	6,045
Increase in trade receivables	(6,368)	(5,476)	(56,857)
Increase in inventories	(2,104)	(6,775)	(18,786)
(Decrease) increase in trade payables	(2,483)	4,145	(22,170)
Decrease/increase in consumption taxes receivable/payable	817	(903)	7,295
Decrease (increase) in asset for retirement benefits	117	(418)	1,045
(Decrease) increase in advance received	(3,635)	687	(32,455)
Increase in accrued bonuses	107	577	955
Other-net	634	(884)	5,661
Subtotal	48,770	61,047	435,446
Interest and dividend received	415	356	3,705
Interest paid	(85)	(31)	(759)
Income taxes paid	(16,268)	(19,578)	(145,250)
Net cash provided by operating activities	32,832	41,794	293,143
Investing activities			
Purchase of property, plant and equipment	(11,682)	(13,685)	(104,304)
Proceeds from sales of property, plant and equipment	200	107	1,786
Purchase of intangible assets	(7,424)	(8,399)	(66,286)
Purchase of investments in equity instruments	(632)	(633)	(5,643)
Acquisitions of subsidiaries or other businesses	(1,453)	(403)	(12,973)
Net decrease in short-term loans receivable	1,930		17,232
Other-net	(338)	(836)	(3,018)
Net cash used in investing activities	(19,400)	(23,850)	(173,214)
Financing activities			
Exercise of warrants	928	849	8,286
Dividends paid	(11,646)	(9,549)	(103,982)
Other-net	(148)	(55)	(1,321)
Net cash used in financing activities	(10,866)	(8,755)	(97,018)
Foreign currency translation adjustments on cash and cash equivalents	(1,102)	(2,320)	(9,839)
Net increase in cash and cash equivalents	1,462	6,868	13,054
Cash and cash equivalents, beginning of year	56,481	49,613	504,295
Cash and cash equivalents, end of year	¥ 57,944	¥56,481	\$ 517,357

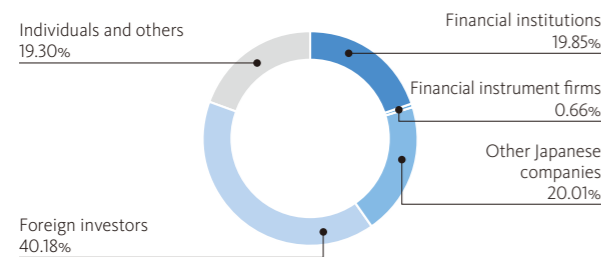
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Stock Information (As of March 31, 2017)

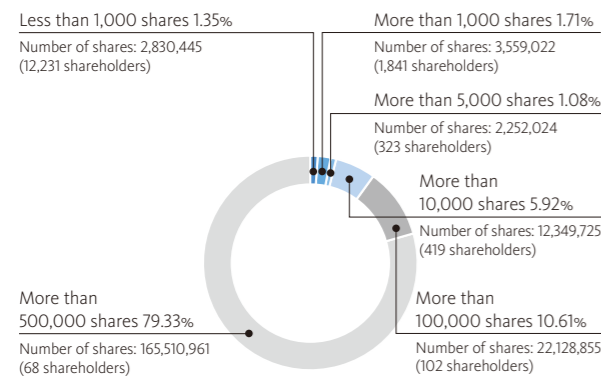
Stock Price Range



Composition of Shareholders



Distribution of Shares by Number of Shares Held

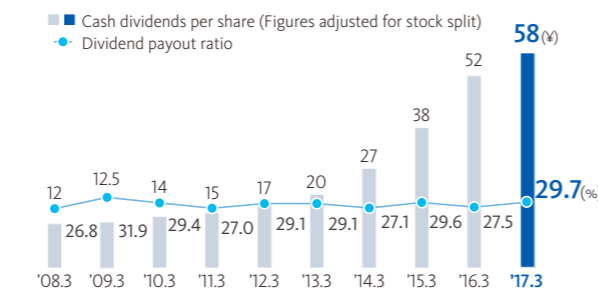


Principal Shareholders (Top 10)

Shareholders	Number of shares held (Thousands)	Percentage of shareholding (%)
Japan Trustee Services Bank, Ltd.	22,762	10.9
JPMorgan Chase Bank 380055	16,091	7.7
The Kobe Yamabuki Foundation	12,000	5.8
Nakatani Foundation for Advancement of Measuring Technologies in Biomedical Engineering	11,830	5.7
Nakatani Kosan, Ltd.	10,457	5.0
The Master Trust Bank of Japan, Ltd.	8,395	4.0
Kazuko Ietsugu	6,124	2.9
Taeko Wada	6,124	2.9
Kenji Itani	5,000	2.4
Rusoru, Ltd.	4,750	2.3

Note: Percentage of shareholding excludes treasury stock (444,556 shares).

Cash Dividends per Share and Dividend Ratio (Consolidated)



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

Corporate Overview (As of March 31, 2017)

Sysmex Corporation

Established	February 20, 1968
Head Office	1-5-1, Wakinoama-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	7,930 (consolidated basis) (including part-time employees and others)
Fiscal Year	April 1–March 31
Shareholders' Meeting	June
Number of Shares Authorized	598,688,000 shares
Number of Shares Issued	208,631,032 shares
Paid-in Capital	¥11,611.86 million
Stock Listings	Tokyo Stock Exchange, First Section
Ticker Code	6869
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Independent Auditor	Deloitte Touche Tohmatsu LLC
Rating	A+ (Rating and Investment Information, Inc. (R&I))
Major Indexes	Dow Jones Sustainability World Index Dow Jones Sustainability Asia Pacific Index Ethibel Pioneer & Excellence FTSE4Good Index FTSE Blossom Japan Index* JPX-Nikkei Index 400 MSCI Standard Index MSCI ESG Leaders Indexes MSCI SRI Indexes MSCI Japan ESG Select Leaders Index* MSCI Japan Empowering Women Index (WIN)* S&P Japan 500



* Included as of July 2017

