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Sysmex Corporation

Annual Report 2014

Annual Report 2014

For the year ended March 31, 2014

In its quest for further growth, Sysmex is anticipating challenges in its operating environment by moving forward at the forefront of change.

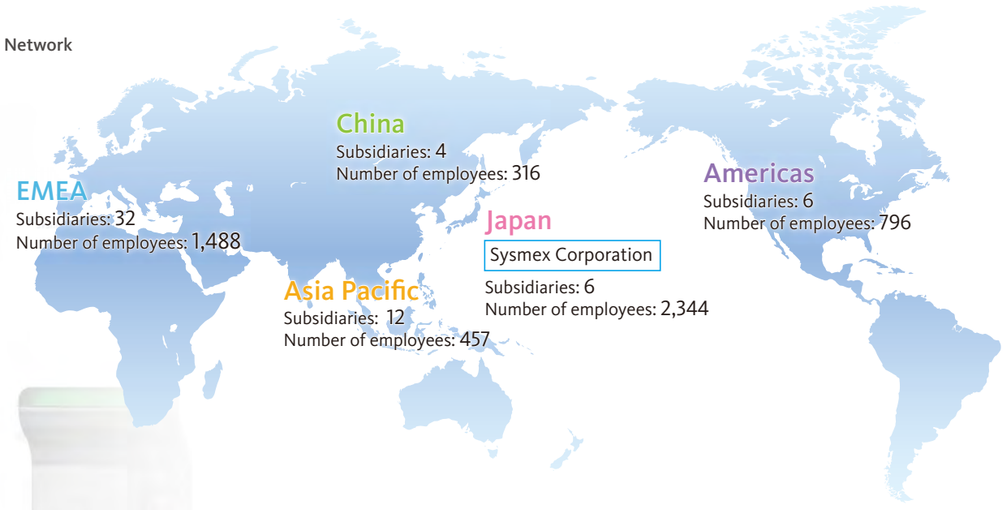
Sysmex **Corporation** ("the Company") is an integrated supplier of the instruments, reagents and software that are essential to testing processes performed during health checkups, treatment and ongoing disease management.

Since its establishment in 1968, Sysmex has concentrated on **the field of diagnostics**, where the Company has played an integral role in **the testing of blood and urine samples**. While reinforcing its research and development capabilities and enhancing its production, Sysmex has expanded into the fields of **urinalysis, immunochemistry, clinical chemistry and hemostasis**, and has extended its operations onto a global scale.

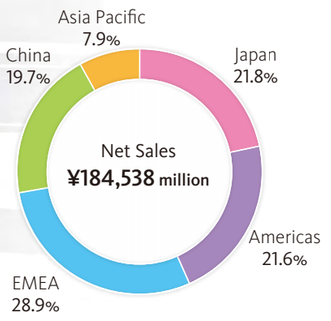
The Sysmex Group comprises **60 companies in 38 countries throughout the world**, operating in the advanced countries of Europe and the Americas. In addition, the Group is aggressively building its business in emerging markets, including China, India, Eastern Europe and Russia by creating global networks for its R&D, production, sales and support functions. **Sysmex products are used by medical institutions in more than 170 of the world's countries**. In the field of hematology, which involves the analysis of red and white blood cells, the **Group holds the top share of the global market**.

Sysmex's operating environment is growing ever more complex and uncertain, but in its quest for further growth, **the Company strives to move forward at the forefront of change and devise strategies** for responding swiftly to emerging challenges.

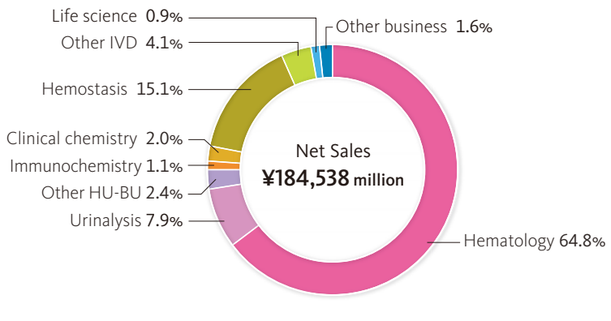
Global Network



Net Sales by Destination



Net Sales by Business



11-Year Growth and Highlights

For the years ended March 31,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 (Millions of yen)	2014 (Thousands of U.S. dollars)*1
For the year:												
Net sales	¥ 65,970	¥ 76,935	¥ 87,888	¥ 101,041	¥ 110,724	¥ 111,843	¥ 116,206	¥ 124,694	¥ 134,744	¥ 145,578	¥ 184,538	$ 1,791,631
Operating income	6,615	9,104	10,724	12,715	15,033	15,134	15,740	18,289	19,206	21,805	32,871	319,136
Net income	3,157	5,731	7,423	9,008	9,132	8,014	9,765	11,412	12,007	14,166	20,574	199,748
Net increase (decrease) in cash and cash equivalents	3,465	(3,261)	(499)	3,299	(3,044)	(269)	4,403	5,103	2,922	12,469	2,241	21,757
Cash and cash equivalents, end of year	13,718	10,458	9,416	12,715	9,679	9,410	13,813	18,916	21,838	34,307	36,548	354,835
Capital expenditure	2,451	2,729	5,638	4,546	8,244	9,340	4,540	5,840	7,909	8,945	13,366	129,767
Depreciation	3,203	3,296	3,592	3,959	3,924	7,189	7,067	6,871	7,031	7,945	9,961	96,709
R&D expenditure	5,549	6,509	8,184	9,026	9,221	10,771	11,238	12,380	11,904	12,119	13,260	128,738
At year-end:												
Total assets	71,983	77,660	87,447	101,225	109,027	118,522	120,702	130,060	142,285	173,011	210,759	2,046,204
Shareholders' equity	51,096	56,149	62,647	71,344	78,753	79,183	86,358	93,534	101,834	118,801	145,757	1,415,117
Interest-bearing liabilities	4,175	657	695	669	1,081	10,344	2,565	1,971	1,026	769	1,960	19,029
											(Yen)	(U.S. dollars)
Per share data:												
Shareholders' equity (yen)	¥ 2,042.7	¥ 2,244.9	¥ 1,251.8*2	¥ 1,411.0	¥ 1,541.0	¥ 1,548.2	¥ 1,684.9	¥ 910.7*2	¥ 990.5	¥ 1,151.4	¥ 703.8*2	6.83
Net income (basic) (yen)	132.9	225.1	145.5*2	179.6	178.9	156.7	190.8	111.2*2	116.9	137.6	99.5*2	0.97
Net income (diluted) (yen)	123.1	224.0	143.8*2	178.0	178.3	156.5	190.5	111.0*2	116.6	137.1	99.2*2	0.96
Cash dividends applicable to the year*3 (yen)	3.75	5.00	6.50*2	9.00	12.00	12.50	14.00	15.00*2	17.00	20.00	27.00*2	0.26
Dividend ratio (%)	22.6	17.8	17.9	20.0	26.8	31.9	29.4	27.0	29.1	29.1	27.1	
Other data:												
Shareholders' equity ratio (%)	71.0	72.3	71.6	70.5	72.2	66.8	71.5	71.9	71.6	68.7	69.2	
Return on equity (ROE) (%)	6.7	10.7	12.5	13.4	12.2	10.1	11.8	12.7	12.3	12.8	15.6	
Return on assets (ROA)*4 (%)	4.6	7.7	9.0	9.5	8.7	7.0	8.2	9.1	8.8	9.0	10.7	
Yen/U.S. dollar	116.0	108.2	113.3	117.0	114.3	100.5	92.9	85.7	79.1	83.1	100.2	
Yen/euro	131.0	134.5	137.9	150.1	161.5	143.5	131.2	113.1	109.0	107.2	134.4	
Number of employees	2,907	3,115	3,334	3,580	3,916	4,148	4,578	4,960	5,324	5,594	6,211	

Note: Including part-time employees

Notes:
*1. U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥103 = US$1, the approximate rate of exchange on March 31, 2014.
*2. Two-for-one stock split
*3. Dividend (actual) coverted to post-split basis.
*4. ROA = Net Income/Total Assets (Yearly Average)×100

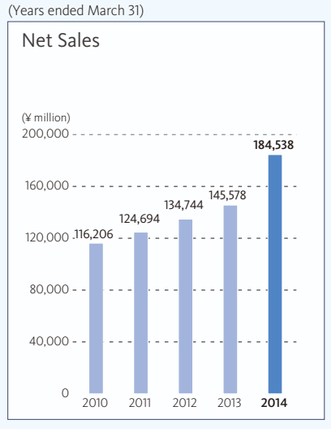
We aim to sustain high levels of growth and further increase our profitability by moving forward at the forefront of change.

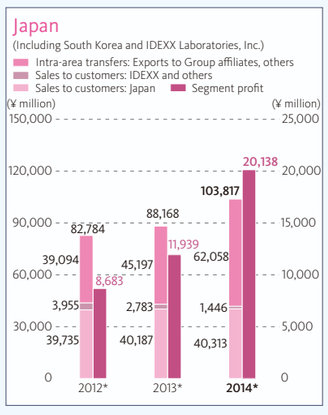
Sales and Earnings Forecast for the Fiscal Year Ending March 31, 2015

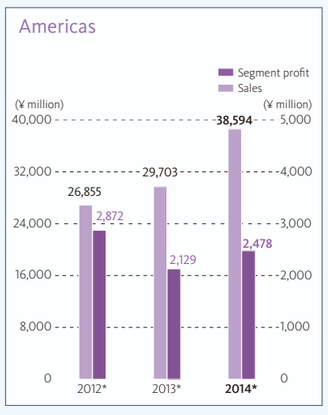
	2015
Net sales	¥210.0 billion
Operating income	¥36.0 billion
Net income	¥22.0 billion
Operating margin	17.1%
Net income margin	10.5%

Assumed exchange rates: US$1 = ¥100; €1 = ¥135
(Announced in May 2014)

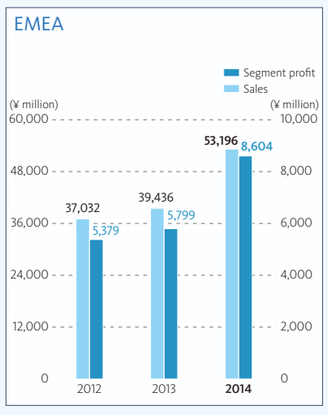
(Years ended March 31)

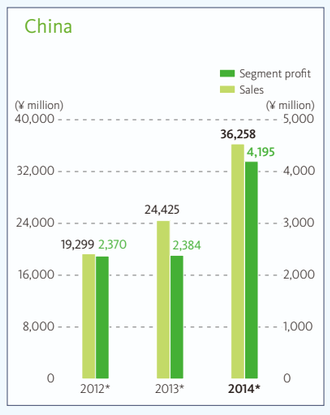


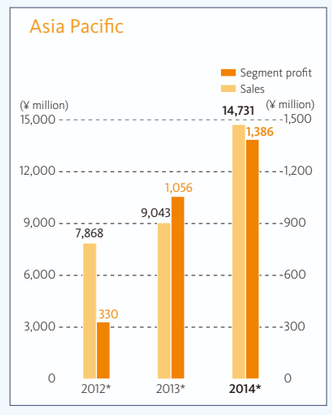




* Revision in intragroup transaction prices







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Forward-Looking Statements

Statements in this annual report, other than those of historical fact, are forward-looking statements about the future performance of Sysmex that are based on management's assumptions and beliefs in light of information currently available, and involve both known and unknown risks and uncertainties. Actual events and results may differ materially from those anticipated in these statements.

The environment in which Sysmex operates is undergoing fast-paced change, characterized by technological innovation occurring on a daily basis and shifting market circumstances, such as the rapid growth of emerging markets. Against this backdrop, Sysmex is developing its sales and support structures in emerging markets and making a full-fledged launch into personalized medicine, setting the stage for moving forward.

Message from the Chairman and CEO

During the fiscal year ended March 31, 2014, Sysmex recorded historically high levels of net sales and income. Net sales expanded for the 14th consecutive fiscal year, and operating income was up for the 13th year in a row. Sysmex aims to continue this growth moving forward.

During the fiscal year ended March 31, 2014, the Sysmex Group generated net sales of ¥184,538 million, rising 26.8% year on year and amounting to a new historic high. Major contributors to this growth were double-digit expansion centered on overseas operations, with sales and income increasing in all geographic areas. Performance also reached historically high levels across all financial income categories, benefiting from the effects of higher sales as well as an improved cost of sales ratio. Operating income surged 50.8% year on year, to ¥32,871 million, and net income amounted to ¥20,574 million, up 45.2% from the preceding fiscal year.

Although we had initially planned to award a dividend for the year of ¥42 per share, we decided to raise this amount by ¥12, to ¥54 (adjusted figure for stock split is ¥27) per share. This figure represents a ¥14 per share increase from the preceding fiscal year, a consolidated payout ratio of 27.1% and our 12th consecutive year of dividend increases.

Ongoing Growth in the Healthcare Market

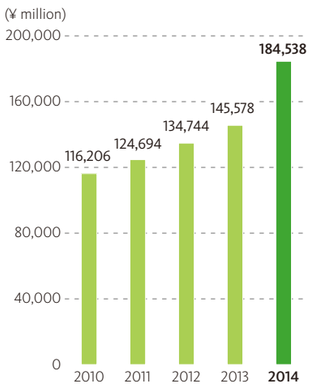
Looking at global economic conditions during the fiscal year ended March 31, 2014, in the United States the employment situation continued to improve and activity in the corporate sector maintained its recovery trend. In Europe, the debt crisis and the resulting austerity measures continued, but the region showed signs of recovery, albeit slight. The sense of decelerating growth in China's economy continued, as both internal demand and exports leveled off. The Japanese economy was in a recovery phase, as the government's economic policies caused manufacturing activity in the corporate sector to recover.

On the healthcare front, demand in advanced countries is increasing as populations age. Although medical technologies are growing more sophisticated in such areas as regenerative and personalized medicine, efforts to curtail healthcare spending are also underway, as are moves to reform healthcare systems. Emerging markets include countries such as China, Russia and Indonesia that are pushing forward with healthcare infrastructures in tandem with economic development, and other countries that depend on healthcare support from overseas development agencies and foundations.

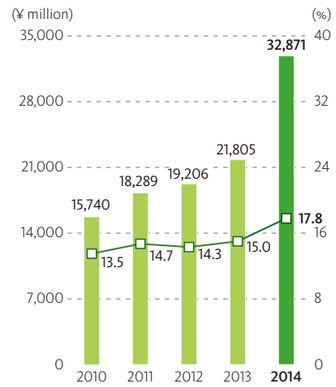
In the healthcare business as a whole, competition is expected to continue mounting due to the entry of companies from electronics and other industries, as well as companies from emerging markets.

Sysmex is addressing this environment with an initiatives targeting further growth. We are developing our sales and support structures in emerging markets where business is growing and making a full-fledged launch into the field of personalized medicine.

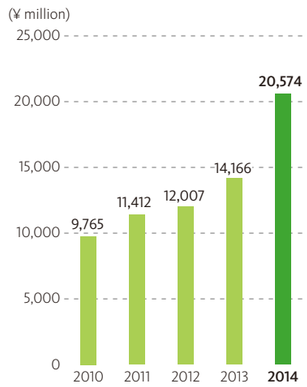
Net Sales



Operating Income
Operating Margin



Net Income



(Years ended March 31)

Operating Environment

External Environment

Economy

Global economy gradually recovering, Japanese economy also remains in recovery phase

- Global economy
  - Improvement in U.S. employment environment, gradual recovery in Europe
- Japanese economy
  - Gradual recovery due to government economic stimulus and Bank of Japan measures

Healthcare Market

Firm demand

- Advanced countries
  - Europe/U.S.: Healthcare system reforms, healthcare insurance system reforms
  - Japan: Developing healthcare industry as a pillar of growth
- Emerging markets
  - Building healthcare infrastructure in line with economic expansion and population growth

Competitive Environment

- Market entry by companies from other sectors
- Companies in emerging markets catching up rapidly

Technological Innovation

- Progress in regenerative medicine, diagnosis based on genetic and analysis technologies (Advancement of personalized medicine)
- Proactive adoption of telecommunications and robotics technologies

Healthcare and IVD markets expected to maintain high rates of growth

Active Development of Operational Bases and M&A Activity to Expand Business Further

The fiscal year ended March 31, 2014, was one of proactive initiatives: we expanded manufacturing bases, built up sales and support networks, and acquired companies as part of a full-scale launch into personalized medicine.

In anticipation of ongoing growth in demand for *in-vitro* diagnostic (IVD) instruments, we made progress on the construction of a new factory, i-Square, adjoining our Kakogawa instrument factory and simultaneously expanded affiliated companies' factories. These enhancements will gradually triple the Sysmex Group's total instrument production capacity. With regard to sales and support networks, in South Korea we converted our distributor to a subsidiary and expanded our business there. We also set up a subsidiary in Turkey, which is slated for future growth.

Under R&D activities, based on the results of a New Energy and Industrial Technology Development Organization (NEDO) project, collaborative development by Sysmex and the National Institute of Advanced Industrial Science and Technology resulted in the world's first practical application of an immunochemistry reagent employing a glycosylation marker*1 to test the degree of hepatic fibrosis by blood sampling. To promote the globalization of R&D, we established the R&D Center Americas in Chicago, at our regional headquarters for the Americas.

As part of our launch in the domain of personalized medicine, where advances are expected, we converted two companies to subsidiaries: Partec, which is a pioneer in flow cytometry technology*2; and Inostics, which possesses gene amplification technologies that can be used to detect cancer genes circulating in the blood. By combining these two companies' technologies with those of Sysmex, we expect to achieve advances in the hematology field and build technological foundations for personalized medicine. (For details, please see the Special Feature, on pages 13–18.)

With Kawasaki Heavy Industries, Ltd., we established Medicaroid Corporation, to perform product planning mainly in the area of medical robots—an area with the potential for global demand growth. The company will conduct market research with a view to future development, manufacturing and sales.

*1 Glycosylation marker: A glycosylation marker is a biomarker that targets structural changes in sugar changes present in glycoproteins. Sugar chains, the linked monosaccharides that link to the surface of a cell or a protein, are sometimes described as "cell and protein costumes." Their roles include the transmission of information specific to individual cells and intercellular communications.

*2 Flow cytometry technology: Method involving the flow dispersion of minute particles and the use of laser light to optically analyze the minute flows.

Core Strategies

Leading Hematology (Undisputed Global Leader in Hematology)

- Secure an undisputed leadership position
- As an industry frontrunner, provide products that offer new value and high levels of usability

Leading in Emerging Markets (Focus on Emerging Markets)

- Establish uniqueness as a comprehensive IVD supplier
- Introduce products and services that meet emerging market needs, reinforce sales and support networks, and lead the development of testing within these countries
- Strengthen the non-hematology business in Asia

Innovating Life Science

- Create unique testing technologies in the area of molecular diagnostics, centering on cancer
- Create new value through personalized medicine and by integrating therapy with diagnostics

Overview of Long-Term Management Targets

Long-Term Management Vision:

A Unique & Global Healthcare Testing Company

Long-Term Management Targets

Positioning

- Undisputed global leader in hematology
- Leading company in the Asian IVD market
- Leading company in molecular diagnostics "theranostics"

Financial target

Net sales:

¥500 billion

Achieving Further Forward Momentum Based on Our Corporate Philosophy, the "Sysmex Way"

The Sysmex Way is the corporate philosophy for the entire Sysmex Group, expressing the directions in which the Group is heading and the values we hold important (see page 46). In line with this philosophy, we are striving to make a leap forward and earn additional trust from society. Our mission, "Shaping the advancement of healthcare," is to take on new challenges and move forward by applying our expertise and technologies in the healthcare domain, thereby contributing to the creation of a healthy and bountiful society.

All members of the Sysmex Group make the Sysmex Way an integral part of their everyday activities, translating this philosophy into specific actions. Our core behaviors clarify the values that we provide—to our customers, our employees, our business partners, our shareholders and society. By respecting the viewpoints of our stakeholders and conducting business activities based on high ethical standards, we aim to earn further trust from society and make a significant leap forward as a company.

With the objectives of maintaining its high level of Group growth and further enhancing profitability, in May 2013 Sysmex announced the Group Mid-Term Management Plan, which concludes in the fiscal year ending March 31, 2016. We remain guided by the plan's three core strategies: Leading Hematology, Leading in Emerging Markets and Innovating Life Science.

Our management targets for the fiscal year ending March 31, 2015, announced in May 2014, are net sales of ¥210.0 billion, up 13.8% year on year, and operating income of ¥36.0 billion, up 9.5%. (Our assumed exchange rates are 1US$=¥100 and 1EUR=¥135.)

We intend to fulfill our corporate social responsibility by operating in accordance with our corporate philosophy, the Sysmex Way, and in line with our core behaviors targeting stakeholders. By doing so, we will enhance our corporate value and meet the expectations of our stakeholders.

We ask our stakeholders for their continued support and understanding of all our endeavors.

July 2014

Hisashi Ietsugu
Chairman and CEO

An Interview with the Chairman and CEO

We will proactively develop our operations in order to meet the expectations of our stakeholders.

Q The Mid-Term Management Plan introduces three core strategies. Please explain your initiatives related to Leading Hematology.

A Leading Hematology describes the objective of reinforcing our undisputed position of leadership in the field of hematology, which is the mainstay field of business for the Sysmex Group, constituting an important base of revenues and profits. Full-fledged sales of our flagship model in the hematology field, the XN-Series, boosted sales substantially in the fiscal year ended March 31, 2014.

The XN-Series offers new measurement parameters and benefits patients with conditions such as thrombocytopenia by significantly increasing measurement accuracy for low platelet counts. This enables high-clinical-value reporting, leading to enhanced laboratory value.

In addition to boosting functionality and performance, Sysmex employs a product design concept called Silent Design® aimed at increasing usability by reducing the burden on the people who use our instruments, the clinical laboratory technologists. For example, this design embraces a modular concept that allows multiple instruments to be combined freely, and we can offer clients proposals tailored to meet a variety of needs. Furthermore, we have introduced a concentrated reagent, which improves operating efficiency and requires less storage space. We have provided network service functionality that reduces downtime through preventive maintenance and failure prediction. We have earned high marks from our customers for supporting high levels of effectiveness and efficiency in laboratory operations.

Q What are some of your initiatives under the plan's core strategy of Leading in Emerging Markets?

A Sales in emerging markets accounted for 29.7% of the total in the fiscal year ended March 31, 2013. This figure rose to 33.6% in the fiscal year ended March 31, 2014, and we expect our presence in these markets to continue growing. Within emerging markets, in the hematology field demand for more sophisticated instruments is increasing, and we are seeing demand for instrument upgrades. Demand for system products is also rising as the number of samples to be tested grows and efficiency becomes a higher priority. We have begun targeting emerging markets with our compact model, the XP-Series, and we are cultivating new markets.

We have also continued to enhance our presence in non-hematology fields such as urinalysis, clinical chemistry and hemostasis, turning them into pillars of growth.

In terms of sales and support networks, in South Korea we converted a distributor to a subsidiary, and we established a subsidiary in Turkey, where we anticipate future growth. We will continue to set up sales and support networks in such emerging markets as Central and South America and India, thereby driving the development of testing in rapidly growing emerging markets.

Q And what about activities in relation to the third core strategy of Innovating Life Science?

A Aiming toward the practical realization of liquid biopsy technology, a driver of personalized medicine, in September 2013 Sysmex acquired Inostics and converted this company to a subsidiary. Inostics possesses gene amplification and other technologies that are used in measuring cancer genes circulating in the blood. Liquid biopsies allow for the testing of cancer and other diseases by sampling blood or other body fluids. This reduces the burden on patients and allows for repeated testing, if necessary, making treatment monitoring easier. (For details, please see the Special Feature on pages 13–18.)

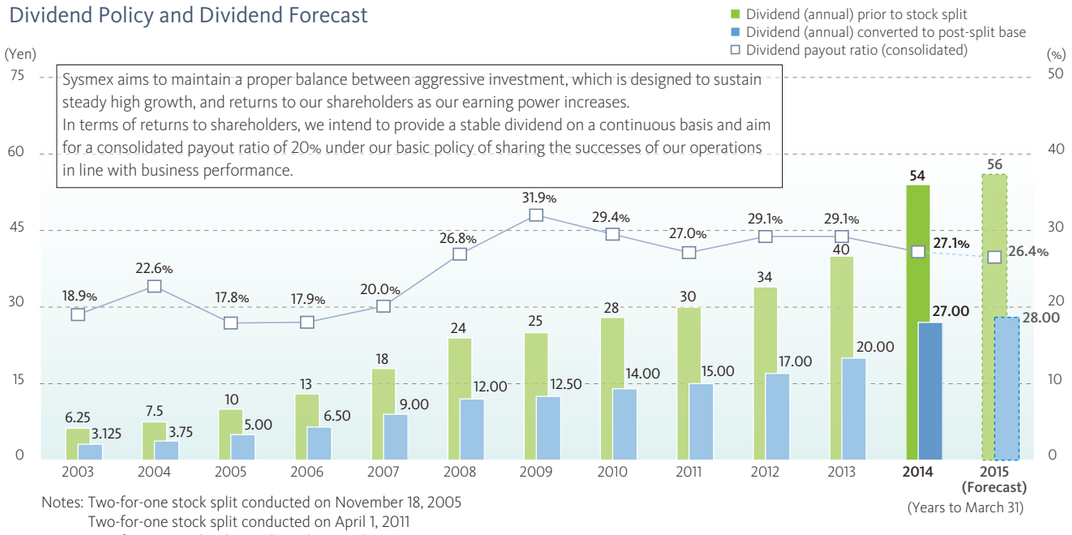
The RD-100*i*, which is on sale in Europe and Japan, tests for breast cancer lymph node metastasis—automatically, rapidly and to a high degree of precision. As the system can be used during surgery to determine the existence of lymph node metastasis, it helps to reduce the burden on the patient and therefore enhances their quality of life. In Japan, in addition to breast cancer, in December 2013 insurance coverage of our method commenced for the rapid detection of colon and stomach cancers. Also in December 2013, in Japan we began offering a new assay service (for research), Curebest™ 95GC Breast, involving analysis of genetic expression, providing research data to predict recurrence risk of breast cancer.

Q What closing message would you like to leave with stakeholders?

A 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 under our basic policy of sharing the successes of our operations in line with business performance. In accordance with this policy, for the fiscal year ended March 31, 2014, we increased dividends for the 12th consecutive fiscal year.

We will aim to remain true to our Group corporate philosophy, the "Sysmex Way," and our core behaviors toward stakeholders. As a result, we intend to meet our social responsibilities as a listed company and enhance corporate value. I ask for your ongoing support of Sysmex as we set the stage to take on new challenges over the medium to long term.

Dividend Policy and Dividend Forecast



Notes: Two-for-one stock split conducted on November 18, 2005
Two-for-one stock split conducted on April 1, 2011
Two-for-one stock split conducted on April 1, 2014

This section introduces Sysmex's proactive efforts in the area of personalized medicine by expanding its technology platforms through M&A activity and alliances, as well as its business expansion initiatives.

Moving Forward at the Forefront of Innovation

Sysmex's Initiatives in the Area of Personalized Medicine and Business Expansion Efforts

In keeping with its corporate mission of "Shaping the advancement of healthcare," Sysmex is moving aggressively forward with R&D aimed at realizing personalized medicine.

The healthcare industry is evolving swiftly in response to changes in the economic climate surrounding it, as well as to rapid advances in related technologies. In the past, the prevailing trend has been toward single treatments for multiple patients—treatments that "work for everyone"—but this approach has certain limitations. Having entered the postgenomic era, we now have the capability to analyze genes, cells and proteins to gain more detailed information about patient attributes. We can combine this information about a patient, representing his or her genetic background, with environmental factors when treating the patient. For instance, we are moving toward the realization of testing that diagnoses the risk of developing disease, determines the early onset of recurrence, and provides prognoses. Such information is also helpful during drug therapy, as efficacy and potential side effects of drugs can be predicted when selecting medication. Such testing allows healthcare to be optimized for individual patients, thereby reducing the physical impact on a patient and helping to control medical costs.

Amid rising demand for personalized medicine, particularly noteworthy is the growing importance of companion diagnostics*, which allows determination of the efficacy and safety of therapeutic drugs for individual patients prior to their administration. Pharmaceutical companies are meeting these treatment trends by simultaneously pursuing the development of therapeutic drugs and clinically tested drugs.

* Companion diagnostics: Clinical testing performed to predict the efficacy and side effects of drugs before using them for treatment, particularly testing that is performed at the same time as pharmaceutical development.

In keeping with our corporate philosophy, the Sysmex Way, of "Shaping the advancement of healthcare," we are moving aggressively forward with R&D into testing and diagnostic technologies that will lead to the realization of personalized medicine. For example, we are creating and commercializing new technologies for testing to support decisions on what treatments to incorporate among surgical procedures and medications. These include OSNA for the detection of cancer lymph node metastasis and Curebest™ 95GC Breast for research involving the recurrence of breast cancer.

To accelerate our progress in this direction and fuel corporate growth, in the fiscal year ended March 31, 2014, we were proactive in our M&A and alliance activities, acquiring Inostics GmbH and Partec GmbH and in-licensing from Merck Millipore. Sysmex has been promoting R&D into measurement technologies (technology platforms) targeting genes, proteins and cells. In addition to facilitating our entry into companion diagnostics and reinforcing our competitiveness, our recent acquisitions and in-licensing will accelerate the extension of technologies toward the realization of personalized medicine. We aim to generate synergies between Sysmex's own technologies and our newly acquired technologies to create unique new technologies.

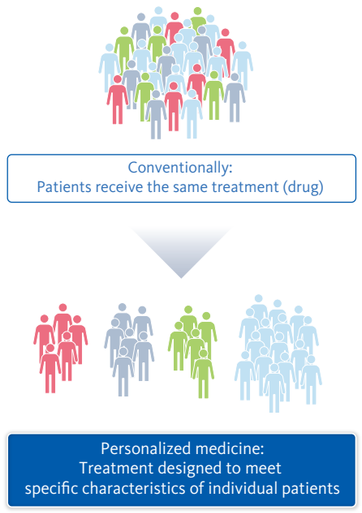
Sysmex's Initiatives to Realize Liquid Biopsy* Technologies to Drive Personalized Medicine

In recent years, it has become evident that a patient's blood and other bodily fluids contain certain genes, proteins and cells that are emitted from affected areas. As a result, whereas at the present, a biopsy of the affected specimen is required to test for disease, it may become possible to test blood and other bodily fluids instead. As this process, known as liquid biopsy, places less of a burden on the patient compared with physical sampling, it can be performed repeatedly for monitoring. Liquid biopsies are attracting a great deal of attention, but they also require more sensitive testing than was needed in the past, because the amount of patient-derived substances in the blood and other bodily fluids is extremely small. Sysmex is pursuing R&D, positioning the development of new measurement technology that will contribute to the realization of liquid biopsies in personalized medicine as a strategic pillar.

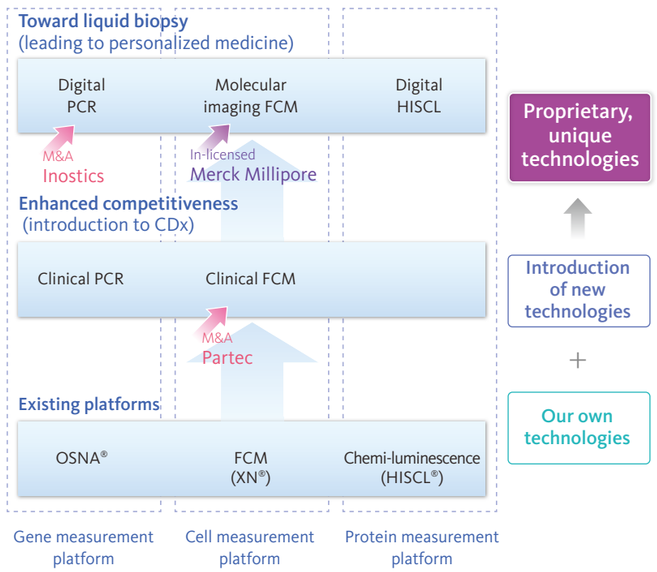
Turning liquid biopsies into reality requires measurement systems, or platforms, with the ability to detect genes, proteins and cells to a high degree of sensitivity.

First, to address the gene part of this equation, in September 2013 Sysmex acquired Inostics. This company possesses BEAMing technology, which allows identification and analysis of minute quantities of cancer genetic markers in the blood with ultrahigh sensitivity, and has developed a business centered on the OncoBEAM® lab assay service. Inostics also has a clinical testing laboratory at Johns Hopkins University, a global leader in the healthcare field, where it collaborates with some of the world's most preeminent cancer researchers to

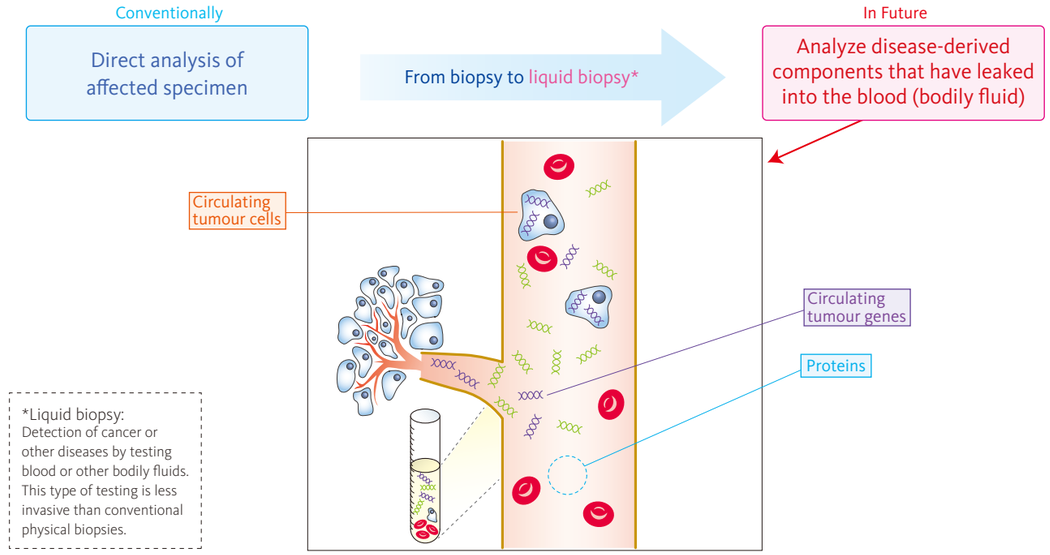
Healthcare Trends (Personalized medicine)



Enhancing Platforms for Personalized Medicine



Platforms Targeting Personalized Medicine



*Liquid biopsy:
Detection of cancer or other diseases by testing blood or other bodily fluids. This type of testing is less invasive than conventional physical biopsies.

promote R&D in leading-edge genetic testing for cancer.

BEAMing technology is a type of digital PCR technology that combines a tiny amount of single molecular gene with a magnetic bead inside a special oil bubble, and then amplifies and detects the specific genetic marker to an extremely high degree of precision. At the present, cancer genetic markers are detected by obtaining a tissue specimen during surgery or needle biopsy. However, BEAMing allows cancer genetic marker testing to be carried out using blood, to the same level of performance as traditional tissue testing. Although BEAMing technology currently is possible only through special facilities, Sysmex aims to develop automated testing instruments employing this technology, providing them as solutions and thereby generating new value.

Next, to address cell measurement for realizing liquid biopsy, in March 2014 we entered into a clinical research, joint development and licensing agreement with Merck Millipore involving imaging flow cytometry (FCM). Imaging FCM involves analyzing images of cells flowing at high speeds. Currently FCM measures large volumes of samples, analyzing cell conditions on the basis of statistical results. As imaging FCM also enables cell information to be determined in exhaustive detail, even cancer and other hard-to-find cells can be detected. In addition to cell shape, this approach allows information to be gleaned about proteins expressed on a cell's surface or within the cell, permitting the analysis of cell function. If this technology can be deployed in a clinical setting, it might be used in the diagnosis of leukemia and a host of other diseases.

Mounting an Entry into the Clinical FCM Market and Growing Our Business by Expanding Existing Platforms

In addition, in September 2013 Sysmex acquired Partec, a pioneer in FCM technology.

Sysmex uses FCM as a fundamental technology in its hematology and urinalysis products, which are used in screening tests to determine the presence of disease. If abnormalities are observed during these screening tests, additional and more detailed tests are needed to make a firm diagnosis and for subsequent treatment and monitoring.

FCM measurements are taken during detailed tests for thrombocytopenia and leukemia, which are closely related to hematology tests. At present, detailed tests that use FCM measurements require manual pretreatment. But if pretreatment can be simplified, application will become possible on a broader scale. This market, termed "clinical FCM," is expected to grow. By combining the technology that Sysmex has cultivated with the FCM technology that Partec possesses, we expect to make a full-fledged foray into the clinical FCM market.

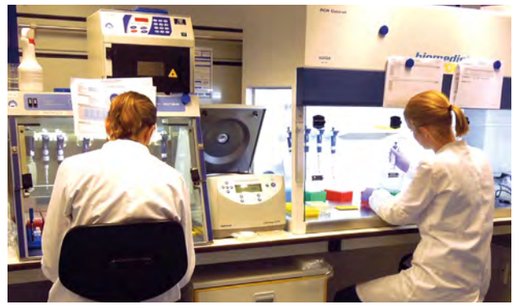
Also, in addition to the technology and expertise that Partec has accumulated in the area of FCM, it develops and markets unique products for emerging and developing countries. Partec's products for these countries are compact and portable, and can be used in environments in which medical treatment facilities are lacking. In particular, its instruments for HIV testing have been widely adopted by various countries and governments, nongovernmental organizations and international institutions, including the World Health Organization and the United Nations Children's Fund, and it has achieved a high market share in Africa.

Africa is the current focus of Partec's sales and service in this area, but going forward we will leverage Sysmex's global network to expand Partec's business throughout the world. By accelerating development in this manner, we aim to contribute to higher levels of healthcare.

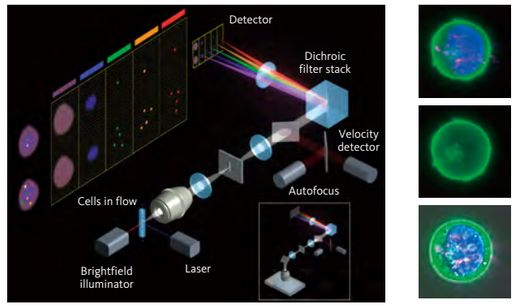
The Importance of Simultaneously Expanding Technology Platforms and Quickly Acquiring Biomarkers

Biomarkers refer to the use of quantitative indicators of substances contained in the blood or other bodily fluids to determine physical condition. Using each of our technology platforms to determine what parameters, or biomarkers, to measure is important to the realization of personalized medicine. Under its strategy of open innovation, in addition to pursuing research independently Sysmex is collaborating with research institutes, universities, venture companies

Imaging Flow Cytometry Technologies (Merck Millipore)



Sysmex Inostics



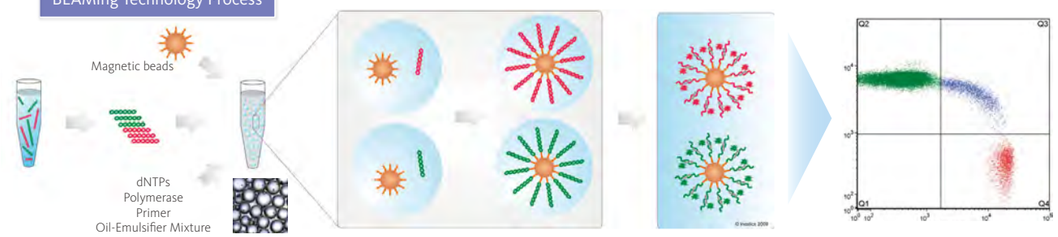
Fluorescent images of cultured cells

Sysmex Inostics Technologies

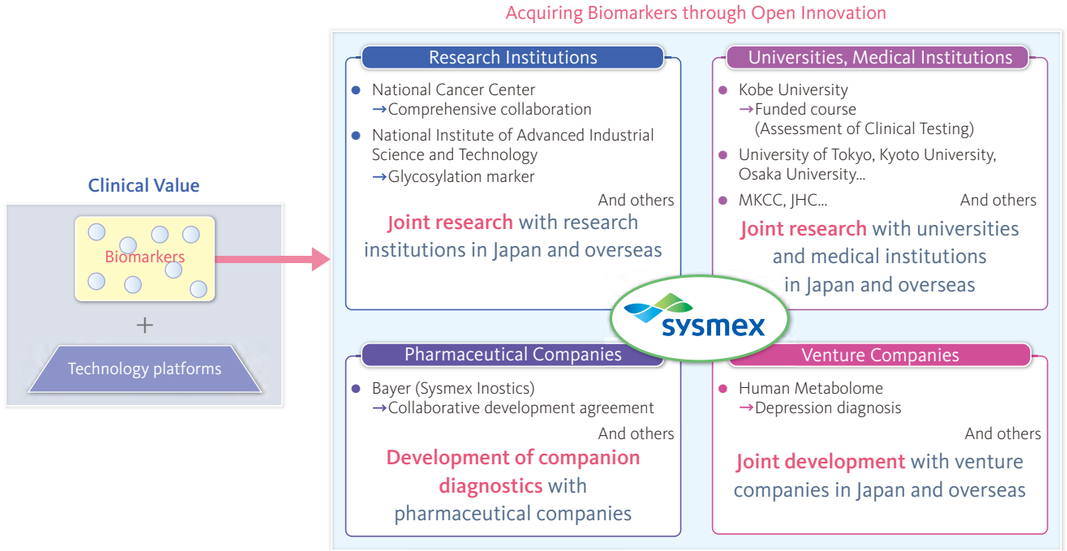
BEAMing Technology
One method of digital PCR

[Advantages] Sensitivity is high, relatively easy conversion to multiple parameters, abundant clinical data
[Issues] Processes are complex

BEAMing Technology Process



Acquiring Biomarkers through Open Innovation



and pharmaceutical manufacturers to quickly acquire useful biomarkers.

For example, in September 2013 we entered into a collaboration agreement with the National Cancer Center to develop cancer diagnostic reagents. Under this agreement, new biomarkers discovered at the National Cancer Center will be developed into new *in-vitro* diagnostic reagents for delivery to patients. As our first joint research project, we are currently working on new methods for the diagnosis of bone cancers that occur frequently in children. Being able to predict the effects of chemotherapy prior to treatment allows for the selection of more appropriate treatment methods. The National Cancer Center has become known as a key Japanese institution for cancer treatments and countermeasures.

The center is also a research institution that is active in the development of new cancer diagnostic reagents and drugs for treatment. While both parties so far have collaborated on the basis of independent programs, under the current agreement, Sysmex and the National Cancer Center are aiming to work together to rapidly develop and provide clinically valuable *in-vitro* diagnostic reagents for cancer patients, which is the fundamental objective for both parties.

Sysmex will continue promoting the creation of new testing technologies that lead to the realization of personalized medicine and contributing to the development and advancement of healthcare by meeting increasingly diverse and sophisticated testing needs.

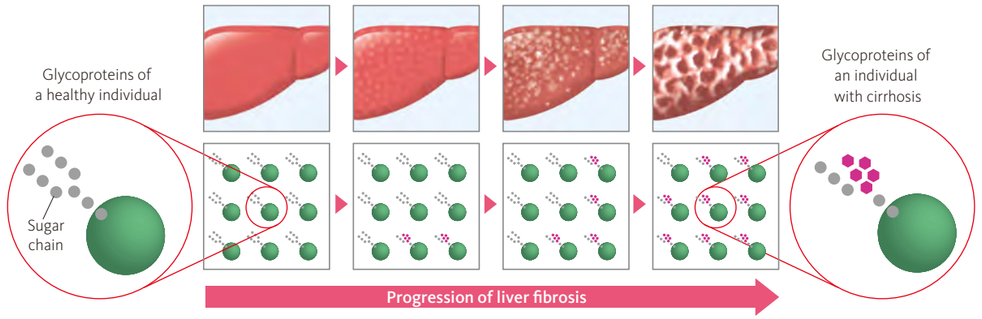
World's First Practical Application of Technology Employing a Glycosylation Marker to Test Hepatic Fibrosis

In addition to cancer-related technologies, Sysmex is also developing new testing technologies in the immunochemistry field.

In December 2013, based on the results of a New Energy and Industrial Technology Development Organization project, collaborative development by Sysmex and the National Institute of Advanced Industrial Science and Technology resulted in the world's first practical application of technology employing a glycosylation marker* to test the degree of chronic hepatic fibrosis by blood testing. This technology employs a glycosylation marker to determine progression from chronic hepatitis to cirrhosis of the liver by examining the degree of hepatic fibrosis. This approach differs from conventional biopsies in that it can be conducted on an outpatient basis simply through blood sampling, which should reduce the burden on patients.

* Glycosylation marker: A biomarker that allows disease condition to be determined by looking at changes in the physical structure of glycosylation that exists on glycoproteins.

Changes in the Structures of Glycosylation on the Glycoproteins as Fibrosis Progresses



Sysmex provides the instruments and reagents needed for hematology, hemostasis and other tests to customers around the world. In recent years, we have also been moving ahead with research to create new tests for cancer, diabetes and other illnesses.

Stepping Forward in Response to Market Needs

Milestones of Growth

Era of Dramatic Advances (2000s to the Present)

Mar. 2000
Promoted to the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.

Apr. 2002
Consolidated Sysmex International Reagents as a subsidiary.

Apr. 2005
Introduction of the executive officer system as a means of strengthening corporate governance.

Apr. 2007
Established a Group Corporate Philosophy, the "Sysmex Way."

Jun. 2007
Formed a global partnership with bioMérieux for urinary screening in microbiology.

Jan. 2008
Formed a commercial joint venture with bioMérieux for the Japanese *in-vitro* diagnostics market.

Oct. 2008
Renewed the new corporate logo on the occasion of the 40th anniversary of the Company's establishment.

Apr. 2010
Established Long-Term Environmental Objectives.

Jul. 2010
Launched joint business with IDEXX, leader in animal diagnostics.

Apr. 2011
Transfer from Katakura Industries Co., Ltd. of its Research Institute of Biological Science.

Aug. 2013
Established Medicaroid Corporation with Kawasaki Heavy Industries, Ltd., with a view to developing medical robots.

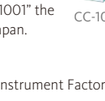
Sep. 2013
Converted Partec GmbH, a pioneer in FCM technology, to a subsidiary.

Oct. 2013
Converted Inostics GmbH, a molecular diagnostic technology, to a subsidiary.

Apr. 2014
Carried out a two-for-one stock split. (Also conducted stock splits in November 2005 and April 2011.)

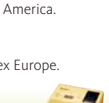
Jan. 2000
Founded a Shanghai subsidiary, Sysmex Shanghai.

Mar. 2000
Opened Central Research Laboratories in Kobe



Jun. 2003
Consolidation of two local subsidiaries in the US to establish Sysmex America. Rebuilding of the sales and support structure in the US.

May 2005
Establishment of the Solution Center in Kobe and concentration of the marketing planning, customer support and scientific support functions.



Aug. 2006
Released the industry's first coagulation analyzer with a multi-wavelength pre-analytical check, the CS-2000*i*.

CS-2000*i*

Oct. 2007
Released HISCL-2000*i*, a fully automated immunoassay analyzer.

HISCL-2000*i*

Oct. 2008
Established Technopark, Sysmex's core R&D base; double the size of previous facilities.

Nov. 2008
First insurance coverage in Japan for the Sysmex system for rapid detection of breast cancer lymph node metastasis.

RD-100*i*

May 2011
Launched the XN-series of flagship models in the hematology field.

XN-series

Jun. 2014
Sysmex's new instrument factory, i-Square, opened in the city of Kakogawa.

Rapid Growth Period (1990s)

Mar. 1995
Signed an agreement with Dade International, a US-based company (now Siemens) for collaboration in selling coagulation product lines.

Nov. 1995
Listed stock on the Second Section of the Osaka Securities Exchange.

Jul. 1996
Listed stock on the Second Section of the Tokyo Stock Exchange.

Oct. 1996
Hisashi Ietsugu becomes president, now Chaiman and CEO.

May 1998
Signed a basic agreement with F. Hoffmann-La Roche of Switzerland for global collaboration in marketing and joint R&D in hematology field.

Oct. 1998
Change of company name to Sysmex Corporation to mark the 30th anniversary of founding.

Aug. 1990
Launch of an integrated hematology system that fully automated the entire process from the counting of blood cells through preparation of smear samples.

Hemotology system

Feb. 1991
Established a reagent factory in Ono, Japan.

May 1991
Established the UK subsidiary, now Sysmex UK, commencing direct sales overseas.

Jul. 1993
Completed the Neumünster Factory, in Germany, the base for reagent production in Europe.

Dec. 1993
Established a US subsidiary, now Sysmex Reagents America.

Jun. 1995
Established a joint venture, operating reagent business, now Jinan Sysmex Medical Electronics, in China.

Nov. 1995
Launch of the world's first analyzer of tangible constituents of urine that fully automated inspections of urinary sediments.

UF-100

Feb. 1998
Established a Singaporean subsidiary, operating reagent business including manufacturing, now Sysmex Asia Pacific.

Feb. 1999
Released XE-2100, an automatic multi-item blood cell analyzer developed as a product of the 21st century.

XE-2100

The Early Years (1960s to 1980s)

Feb. 1968
TOA Medical Electronics was established for the purpose of marketing medical electronics devices, now Sysmex.

Feb. 1978
Launch of the Sysmex brand to mark the 10th anniversary of founding.

Dec. 1963
TOA Electric successfully developed and commercialized Automated Hematology Analyzer "CC-1001" the first blood cell counter in Japan.

CC-1001

May 1973
Established the Kakogawa instrument Factory in Japan.

Oct. 1979
Established a US subsidiary, now Sysmex America.

Oct. 1980
Established a European subsidiary, Sysmex Europe.

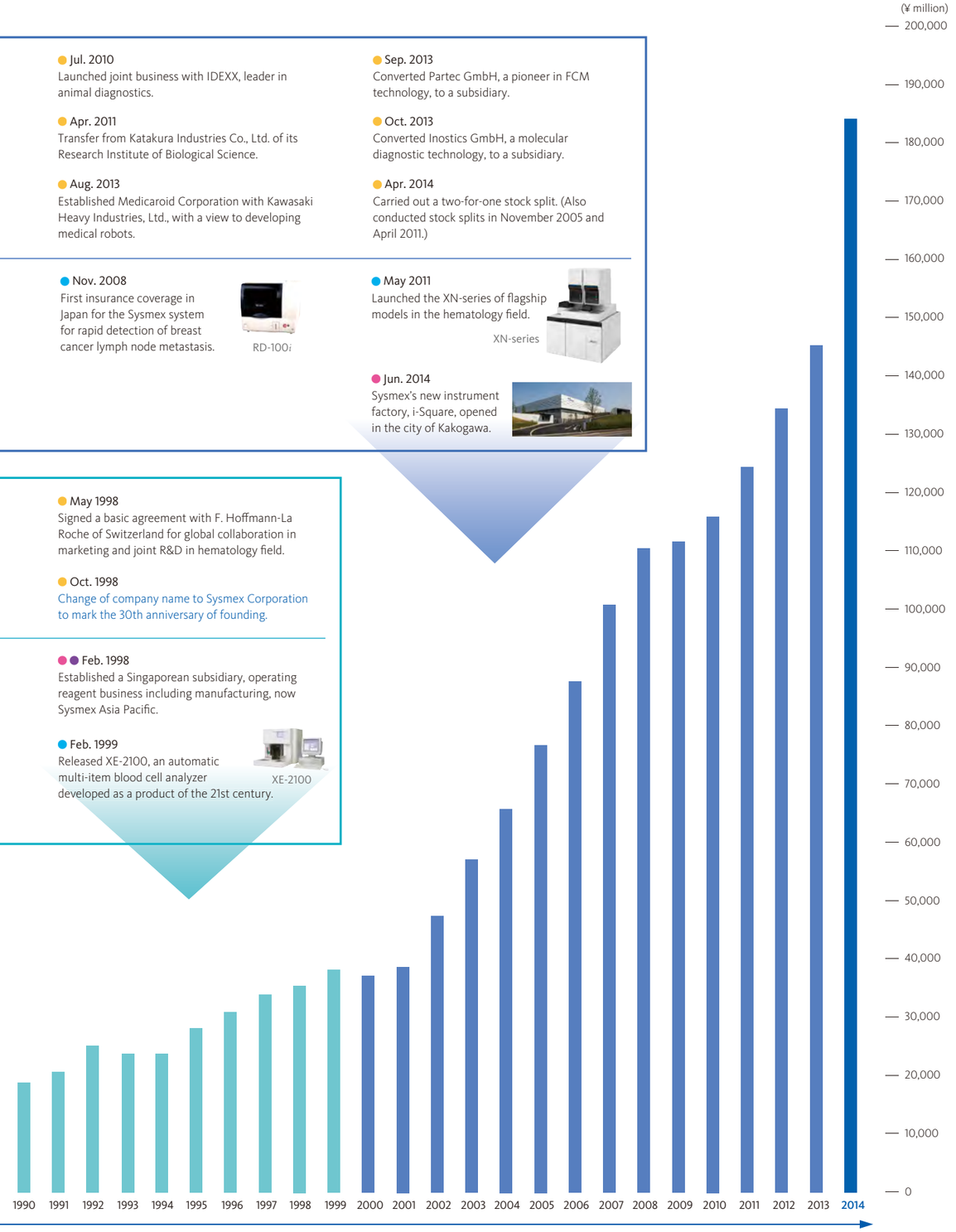
Oct. 1984
Launch of the automated coagulation analyzer marks entry into the hemostasis segment.

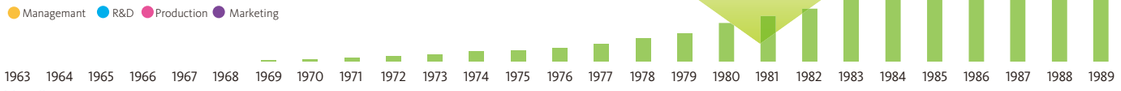
CA-100

Apr. 1986
Opened R&D base in the city of Kobe, now Technopark.

Mar. 1987
Launch of the immunochemistry analyzer, which utilized an original immunoassay method, marks entry into the immunochemistry segment.

PAMIA-10





Note: 1 Sales from 1963 to 1968 are not counted as Sysmex sales.
2 Figures from 1969 to1994 are on a non-consolidated basis, and on a consolidated basis from 1995.

Sysmex at a Glance

Business Segments

Sysmex derives approximately 97.5% of its revenues from the diagnostics field in the business of testing samples of human bodily fluids, such as blood and urine, with hospital and commercial laboratories as its principal customers. More specifically, our main field of business is hematology, which involves measuring the number and type of red, white and other blood cells. This business accounts for around 65% of net sales.

Hematology uses specific reagents, and the sale of hematology instruments leads to an automatic and sustainable source of revenue through the sales of reagents and provision of maintenance services. Furthermore, in addition to our mainstay field of hematology and IVD* operations in such fields as urinalysis, immunochemistry, clinical chemistry and hemostasis, we are reinforcing our commercialization of the life science field.

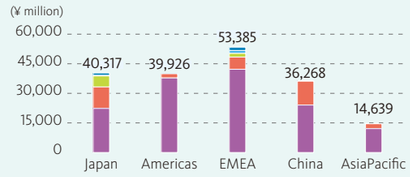
Sysmex also operates in the IT field, providing testing information systems and proposing solutions to meet demand for network systems to manage medical data.

* Acronym for *in-vitro* diagnostics.

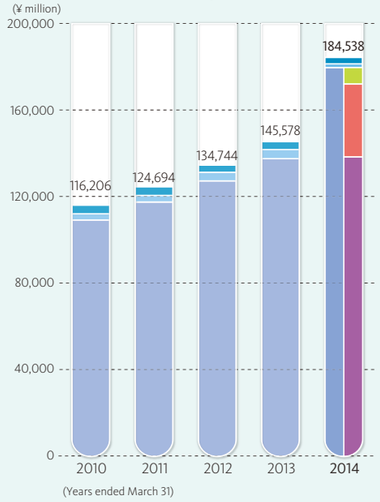
Net Sales by Destination and Business

(¥ million)

(Year ended March 31, 2014)	Japan	Americas	EMEA	China	Asia Pacific
IVD	38,819	39,926	50,267	36,264	14,610
HU-BU	22,349	37,792	42,213	24,064	12,099
Hematology	17,041	35,397	38,518	18,223	10,413
Urinalysis	2,190	2,192	3,066	5,841	1,198
Other HU-BU	3,117	202	628	—	486
ICH-BU	10,877	2,134	6,162	12,083	2,462
Immunochemistry	2,094	—	13	5	2
Clinical chemistry	2,210	—	241	1,075	176
Hemostasis	6,572	2,134	5,907	11,002	2,282
Other IVD	5,592	—	1,890	115	48
LS-BU	257	—	1,439	—	29
Other business	1,240	—	1,679	4	—



Sales Composition by Business



IVD	97.5%
HU-BU	75.1%
Hematology	64.8%
Urinalysis	7.9%
Other HU-BU	2.4%
ICH-BU	18.3%
Immunochemistry	1.1%
Clinical chemistry	2.0%
Hemostasis	15.1%
Other IVD	4.1%
LS-BU	0.9%
Other business	1.6%

(¥ million)

(Years ended March 31)	2010	2011	2012	2013	2014
IVD	112,223	120,754	131,360	141,947	**179,887**
HU-BU	83,676	91,799	100,122	108,579	**138,519**
Hematology	72,966	79,569	85,897	93,832	119,593
Urinalysis	8,233	9,490	10,864	10,937	14,489
Other HU-BU	2,476	2,738	3,359	3,809	4,435
ICH-BU	21,890	21,933	23,189	26,364	**33,720**
Immunochemistry	3,917	2,704	2,047	2,072	2,116
Clinical chemistry	3,374	3,242	3,498	3,080	3,703
Hemostasis	14,599	15,987	17,643	21,211	27,899
Other IVD	6,656	7,021	8,049	7,004	**7,647**
LS-BU	906	1,204	850	1,060	**1,726**
Other business	3,045	2,735	2,532	2,569	**2,924**

HU-BU: Hematology and urinalysis business unit
ICH-BU:Immunochemistry, clinical chemistry and hemostasis business unit
LS-BU: Life science business unit

Product Segments

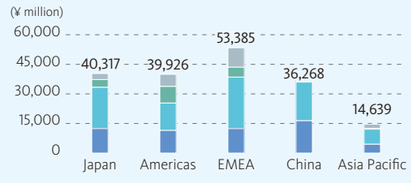
Sysmex enjoys a unique business model. On one hand, we conduct a stock type of business in which we sell the instruments needed for IVD, offer the specific reagents needed for long-term testing and provide support and maintenance services. Reagents are more conducive to economies of scale than instruments, and deliver higher gross profit margins. At the same time, instrument sales drive increased reagent usage. Therefore, this segment should generate stable earnings growth and higher profitability.

Sales of reagents and the provision of maintenance and other services currently account for approximately 69% of net sales. Industrywide, sales are trending upward, with instrument sales focused on the second and fourth quarters of the fiscal year.

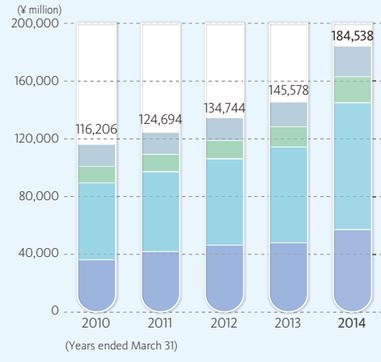
Net Sales by Destination and Product

(¥ million)

(Year ended March 31, 2014)	Japan	Americas	EMEA	China	Asia Pacific
Instruments	12,413	11,462	12,401	16,367	4,444
Reagents	20,918	13,897	26,103	19,596	7,647
Maintenance services	3,926	8,408	5,008	260	473
Others	3,058	6,158	9,872	44	2,073



Sales Composition by Product



(¥ million)

(Years ended March 31)	2010	2011	2012	2013	2014
Instruments	35,971	41,749	46,142	47,867	**57,089**
Reagents	53,472	55,291	59,906	66,505	**88,163**
Maintenance services	11,500	12,140	12,823	14,130	**18,079**
Others	15,262	15,514	15,873	17,076	**21,207**

Instruments	30.9%
Reagents	47.8%
Maintenance services	9.8%
Others	11.5%

Regional Segments by Destination

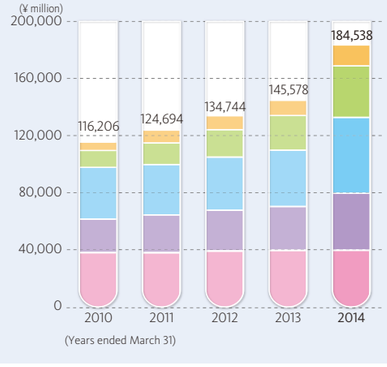
Sysmex supplies products and services to customers in more than 170 countries. Sales in three key regions—Japan, EMEA and the Americas—account for approximately 72% of net sales*1. We are also accelerating business development in China, which is experiencing remarkably strong economic growth, and the Asia Pacific region. We are steadily increasing our presence in emerging markets*2, which currently account for around 34% of net sales.

*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 Emerging markets: China, Southeast Asia, South Asia, Latin America, East Europe, Russia, Middle East, Africa
Advanced countries: Other than those above

Sales Composition by Destination

(¥ million)

(Years ended March 31)	2010	2011	2012	2013	2014
Japan	38,626	38,541	39,735	40,190	**40,317**
Americas	23,444	26,535	28,607	30,765	**39,927**
EMEA	36,446	35,414	37,370	39,587	**53,386**
China	11,843	15,093	19,299	24,430	**36,269**
Asia Pacific	5,847	9,111	9,733	10,606	**14,639**

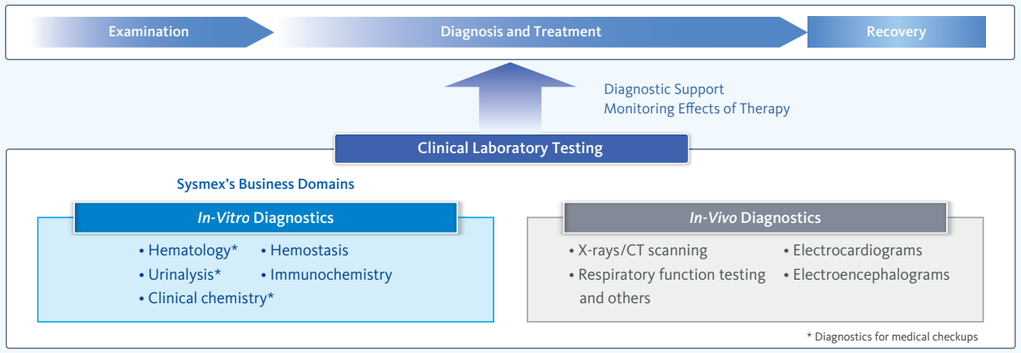


Japan	21.8%
Americas	21.6%
EMEA	28.9%
China	19.7%
Asia Pacific	7.9%

Market Overview and Sysmex's Position

Clinical testing, used in medical diagnosis and treatment or in monitoring the effects of drug administration, is essential to the realization of a healthy society. 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* tests that involve direct examination using X-rays, electrocardiograms (ECGs) or brain waves. Sysmex's primary business is in the IVD domain.

Clinical Laboratory Testing Categories



Sysmex's business in the IVD domain involves the provision of instruments, reagents and laboratory systems around the globe in such fields as hematology, urinalysis, immunochemistry, clinical chemistry and hemostasis. At present, Sysmex is among the top 10 IVD companies in the world, and the only leader that hails from Asia.

Leveraging the strength of this geographical advantage, we were an early proponent of a strategic focus on Asia. The Group is developing its business as an integrated supplier in various fields in Japan, China and the Asia Pacific region.

In the Americas and EMEA, however, we maximize our management resources by strategically concentrating our sales efforts on fields of particular expertise: hematology, urinalysis and hemostasis.

Fields of Expansion by Region

(As of March 31, 2014)

	Japan	China	AP	Americas	EMEA
Hematology	Yes	Yes	Yes	Yes	Yes
Urinalysis (Urine sediment)	Yes	Yes	Yes	Yes	Yes
Immunochemistry	Yes		Yes		
Clinical chemistry	Yes	Yes	Yes		
Hemostasis	Yes	Yes	Yes	Yes	Yes

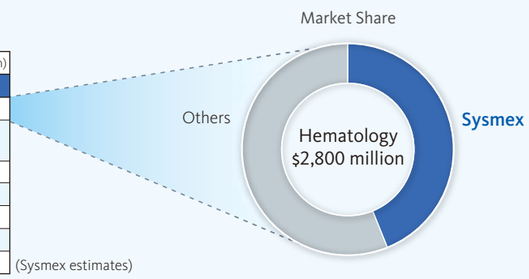
Sysmex currently ranks within the global top 10 in the IVD market. In hematology, we are the world leader in terms of market share.

However, competition is growing ever more intense, with developed countries' demographics changing due to graying populations and falling rates of childbirth, business becoming increasingly global, and companies from other fields of business are entering the market.

Sysmex is responding to these challenges by reinforcing its own sales network and aggressively leveraging the benefits of alliances with other companies. By strengthening our sales channels and rounding out our product portfolio, we are steadily enhancing our global presence.

Diagnostics Market

Segment	Market size ($ million)
IVD total	**46,100**
Hematology	2,800
Urinalysis	700 (Urine sediment 290)
Immunochemistry	14,700
Clinical chemistry	6,000
Hemostasis	1,600
POC (excluding SMBG*)	6,000
Others	14,300



(Sysmex estimates)

* Self monitoring of blood glucose

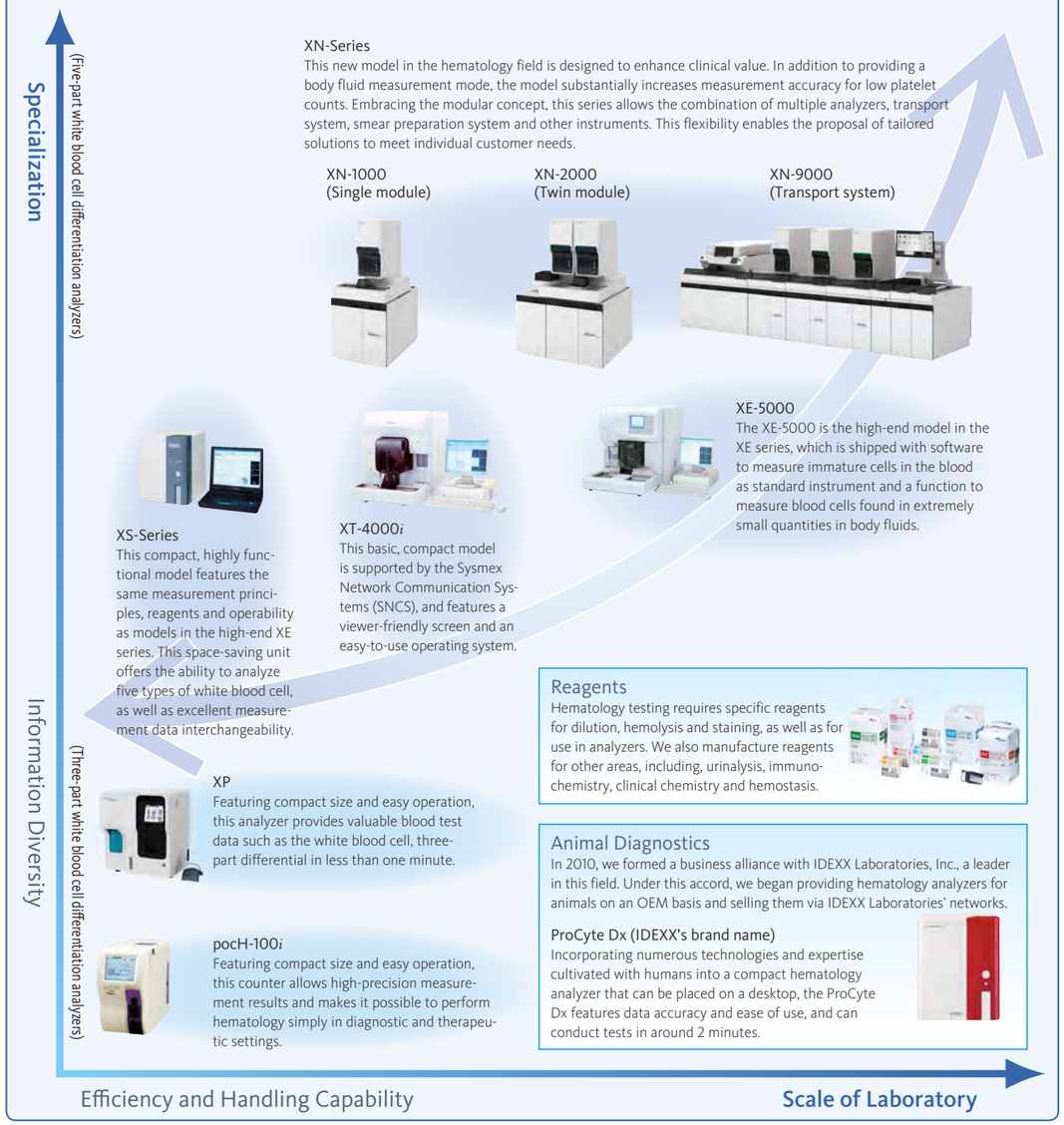
Product Strategies

HU Business Unit

Hematology

Hematology tests are 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, which constitutes an ongoing demand. Sysmex estimates that the global hematology market accounts for annual sales of $2,800 million. Furthermore, the market is dominated by only three major suppliers: Sysmex, Beckman Coulter (Danaher) and Abbott. Nevertheless, we became the global leader in the field of hematology in 2007, and we are steadily expanding our share of the market.

Hematology analyzers typically are identified by the number of white blood cell types they distinguish: three or five. Three-part white blood cell differentiation analyzers employ relatively simple testing principles and have the advantage of being compact and having low running costs, as they require few reagents. Five-part white blood cell differentiation analyzers, on the other hand, have a higher clinical significance, as they offer the more accurate and precise measurement of five types of white blood cell, enabling various complaints and blood disorders to be analyzed in more detail. In addition, analysis systems (five-part white blood cell differentiation instrument transport systems) mainly at large-scale facilities are realizing efficiency gains through the use of robotics.



Product Strategies

HU Business Unit

Urinalysis

Urinalysis entails testing for the presence of sugar, protein or blood in urine and can be broadly divided into two types: qualitative urinalysis and quantitative urinalysis. The first type involves dipping a test paper into urine to determine whether the abovementioned solids are present. In the second, the quantities of these substances are analyzed. Sysmex estimates that the global urinalysis market accounts for sales of $700 million, with urinalysis sediment making up $290 million. We introduced the world's first urine formed sediment analysis system—the UF series—that uses the flow cytometry method. This series enjoys an excellent reputation with customers and has the leading share of the global market for urine sediment analysis. Sysmex, in cooperation with ARKRAY, Inc., developed the world's first fully automated integrated urine analyzer, the UX-2000, which performs both qualitative and quantitative urinalysis. This analyzer is being launched into markets throughout the world.

UX-2000
In addition to having a significantly smaller footprint than previous transport systems, the UX-2000 improves operability. The system is capable of fully automated analysis of 100–200 samples per hour.

Other HU-BU

Advances in information technology have generated demand in the healthcare industry for IT-driven medical information networks. Such networks contribute to effective diagnoses by collecting and analyzing test data and consolidating this information into a convenient database. Sysmex plans to accelerate its IT deployment to expand business with hospitals, clinics and remote medical care capabilities.

La-vietal LS
La-vietal is a clinical testing instrument system that links clinical testing instruments and other systems to provide an efficient operating environment.

ICH Business Unit

Immunochemistry

Immunochemistry tests are performed on blood serum, the supernatant fluid isolated after blood separation. Antigen-antibody reactions are used to test for the presence of HIV and hepatitis and to look for cancer markers.

Manufacturers of analyzers apply their own measurement principles, and specific reagents depend on the principles used. Sysmex estimates annual sales in the global immunochemistry market at $14,700 million—making it the largest category in the IVD field, and the market is expected to expand.

We aim to concentrate on developing sales in Japan of the HISCL Series of fully automated immunoassay analyzers that enable highly sensitive, high-speed assays. Going forward, we intend to augment our lineup of related reagents as we make a full-fledged entry into the China and AP regions, as well.

HISCL-2000*i*
This model applies the chemiluminescence enzyme immunoassay (CLEIA) methodology to produce a highly sensitive, rapid immunochemistry test system that can be used with reduced specimen quantities. Designed for use by medium-sized hospitals, the model can be used to test for diagnostic markers for hepatitis, infectious diseases, HIV, lung and other cancers and cardiac insufficiency, among other conditions.

HISCL-5000
Capable of measurement using minute samples, highly sensitive and providing rapid measurement results in only 17 minutes, the HISCL-5000 simultaneously measures up to 24 parameters and connects flexibly to transport systems. By meeting laboratories' needs in a flexible manner, this instrument contributes to more efficient testing operations. Furthermore, the functionality for connecting with Sysmex's unique SNCS support service is provided as standard, allowing product operating status to be monitored on line.

Clinical Chemistry

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

Like hematology, clinical chemistry is commonly performed around the world not only at times of illness, but also during routine health checkups. Accordingly, the total number of examinations is extremely high.

Sysmex estimates that the global clinical chemistry market accounts for sales of $6,000 million, making it the next-largest market in the IVD domain, after immunochemistry and approximately the same size as POC, excluding SMBG. Among other contributors to demand growth is that as standards of living improve, emerging economies are likely to experience increases in such diseases as diabetes.

Sysmex has signed agreements with JEOL Ltd. and Furuno Electric Co., Ltd., involving automated clinical chemistry analyzers and is leveraging its sales network in China as well as Japan to boost sales. We will also gradually develop sales in the AP region.

Reagents

ICH Business Unit

Hemostasis

Hemostasis involves testing for two blood functions: coagulation, or clotting; and fibrinolysis, the process by which blood clots are broken down. By testing specimens of blood plasma, it is possible to diagnose hemophilia and thrombosis and to monitor their treatment. Furthermore, testing blood beforehand enables healthcare professionals to determine whether blood is likely to coagulate properly during surgery.

As a rule, hemostasis tests can be performed using general-purpose reagents, rather than specific reagents.

Sysmex estimates that the global hemostasis segment generates annual sales of $1,600 million. In 1995, we concluded a distribution agreement with Siemens (previously, Dade Behring Inc.), forging a synergistic relationship that reinforced our respective strengths in the hematology segment. As a result, this shared business now accounts for the leading share of the global market for coagulation analyzers.

CA-600 Series
In addition to providing the functions that are needed for hemostasis, these analyzers are some of world's most compact. Operation is simple, making these analyzers ideal for emergency laboratories and for use at small and mid-size institutions that test infrequently.

CS-2000*i*
The CS-2000*i* analyzer employs a fourth method, agglutination, in addition to the three fundamental measurement methods—the coagulation, chromogenic substrate and turbidimetric immunoassay methods. Integrating all these testing methods into a single station raises processing performance.

CS-5100
The top of the CS series product line, the CS-5100 is capable of high-speed handling of tests such as those that include D-Dimer, a parameter for determining thrombotic tendency.

LS Business Unit

In 2006, the Sysmex-developed system for rapid detection of breast cancer lymph node metastasis based on the OSNA method was launched in EMEA. This system was covered by the Japanese national health insurance program two years later, in 2008, and we are steadily introducing this system to markets in EMEA and Japan. In 2013, insurance coverage expanded to include the rapid detection of lymph node metastasis of colon and stomach cancer, as well as breast cancer.

In addition, in December 2013 we commenced sales (for research) in Japan of a gene expression analysis assay service (Curebest™ 95GC Breast), that provides research data that can be used to predict the recurrence of breast cancer.

RD-100*i*

LYNOAMP BC

Other Business

Peripheral artery monitoring devices that can measure estimated values for hemoglobin levels without blood sampling are being introduced and used in various locations as advisory tools for monitoring athletic condition and dietary habits.

In 2011, Sysmex accepted the transfer from Katakura Industries Co., Ltd., of the protein production services that until then had been contracted to the company. Based on these operations, we launched the ProCube business, providing numerous pharmaceutical companies with proteins used in drug development and testing.

ASTRIM FIT
This non-invasive blood vessel monitor measures hemoglobin concentrations and blood-vessel width through near-infrared spectroscopic images simply by placing a finger on the detector. There is no need for blood sampling.

Sysmex's State-of-the-Art Technologies

Depending on blood cell type, anywhere from several thousand to several million blood cells exist per microliter (0.001 milliter) of blood. Hematology tests are essential for determining the number of blood cells that are responsible for oxygen transport, or hemostasis. Sysmex employs two basic technologies—flow cytometry and sheath flow DC detection—to achieve precise measurements at the microliter level.

Flow Cytometry: One of Sysmex's Core Technologies

Blood cells can be broadly divided into three categories: red blood cells, white blood cells and platelets. Platelets are the smallest in diameter, at around 2 micrometers, while white blood cells are the largest, at around 15 micrometers.

Hematology testing requires the separation of blood cells by type according to size and cell information, and their numbers must be measured accurately.

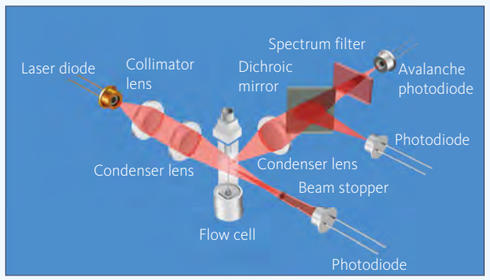
In its mainstay field of hematology, Sysmex employs flow cytometry to measure the number of white blood cells and platelets.

Flow Cytometry Method

With flow cytometry, the target cells are stained with a special reagent and then irradiated using a laser diode to capture information on cell size and internal structure. This method detects the five different types* of white blood cell, as well as of any abnormal cells. Flow cytometry provides clinically distinct information depending on the numbers of each of the five types of white blood cells and differs according to the presence of inflammation, viruses or allergies. Although in the past sheath flow DC detection was the only method used in counting platelets, flow cytometry substantially increases the level of precision at low values, as it can be used to measure low platelet counts. This approach allows preventive platelet transfusions to be reduced, thereby reducing the side effects of transfusions and raising patient QOL. In the field of urinalysis, flow cytometry is used in fully automated urine cell analyzers. In the life sciences field, which we are currently developing, the method is also under consideration for use in cervical cancer screening tests. In this way, Sysmex flow cytometry is becoming a core technology that has a wide range of potential applications.

In 2013 Sysmex acquired Partec GmbH, a pioneer in FCM technology. By combining the technologies that Sysmex has cultivated to date with those that Partec possesses, we expect to generate synergies and create new value.

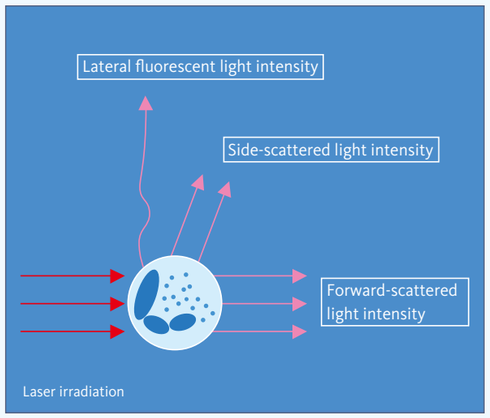
* Each of the five types of white blood cell—neutrophil, lymphocyte, monocyte, eosinophil and basophil—has a different shape and function.



Flow Cytometry Method Acquisition Parameters

- Shrinkage of red blood cells and platelets by means of a surface-acting agent
- Nucleic acid staining of the white blood cells to be classified and analysis and classification of forward-scattered light, lateral-scattered light, and lateral fluorescent light signals using a semiconductor laser

Lateral fluorescent light intensity	Information on RNA and DNA amounts
Side-scattered light intensity	Information concerning the internal structure of cells (nucleus shape, presence of cell granules, etc.)
Forward-scattered light intensity	Information on cell size

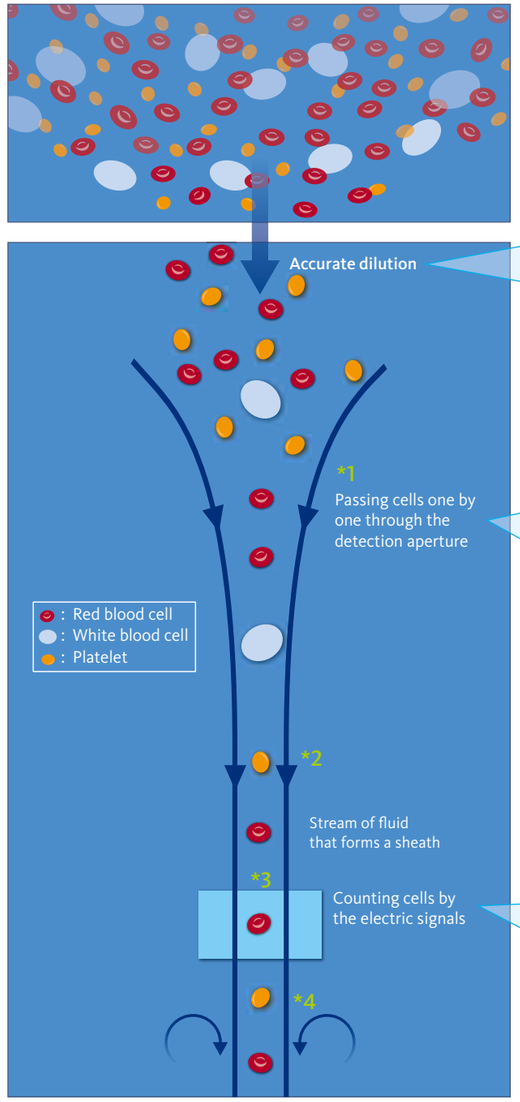


Basic Principles Underpinning Sysmex's Hematology: Sheath Flow DC Detection

Red blood cells, which are produced by stem cells located in the bone marrow of bones such as the sternum, femur and tibia, are a major constituent of the blood. These cells transport oxygen to tissue cells throughout the body and move carbon dioxide out.

A lower red blood cell count means that oxygen flow is reduced, resulting in anemia. Conversely, an excess of red blood cells (polyscythemia) can impair blood flow and clog blood vessels. The sheath flow electrical resistance method distinguishes red blood cells from other types of cells in the blood and is the basic principal used for determining red blood cell counts.

Three Processes in Counting Red Blood Cells



Accurate Dilution

Blood must first be diluted a certain amount to allow accurate measurement of the number and size of cells. This process reduces the number of cells per volume of blood and minimizes errors caused by blood cells piling up on top of each other. Accurate dilution requires meticulous measurement of the quantity of blood and of the solution, or reagent. This process requires micro-level precision in the design of the measuring chamber and uses an apparatus that minimizes degradation and abrasion.

Individual Passage through the Detection Aperture

Regardless of how accurately it has been diluted, a measured sample (the diluted blood solution) will contain a large number of cells. Lining up the cells in a row beforehand simplifies the process of counting them, so a stream of fluid*1 that forms a sheath around the flowing blood cells is generated to align the cells. The cells flow along the stream*2 toward the detection aperture, where cells are counted, and pass through its center.*3 Unidirectional flow prevents the stream*4 of blood cells from flowing backward through the aperture once they have passed through it.

Counting Cells by Electric Signal

Blood cells do not transmit electric current easily, so cells in the test sample cause resistance in a current applied across the detection aperture through which they must pass. Therefore, blood cells can be counted by measuring the number of times an electric resistance is generated. Larger blood cells produce greater resistances, allowing the system to distinguish cells by type.

Sysmex's State-of-the-Art Technologies

In the life sciences domain, our mainstay system for rapid detection of lymph node metastasis based on the one-step nucleic acid amplification (OSNA) method is used routinely for diagnosis of breast, colon and stomach cancer lymph node diagnosis in hospitals and other facilities in more than 270 locations throughout the world.

Minimizing the extent of dissection in breast cancer treatment is generally considered desirable in terms of the patient's quality of life (QOL). At present, pathology labs offer a provisional diagnosis of the sentinel lymph node, where metastasized cancer cells first reach, and conduct confirmatory studies to determine the extent of resection, as well as the post-surgical therapeutic principle. Sysmex's gene amplification detector, the RD-100*i*, enables the rapid and highly precise detection of breast cancer metastases in the sentinel lymph node. Having confirmed its efficacy, we are now introducing the system at about 80 hospitals in Japan and about 190 in major European countries, particularly Spain. Going forward, we plan to introduce the system in emerging markets where growth is expected.

In addition to breast cancer, on October 1, 2013, insurance coverage commenced in Japan for use of the OSNA method to test for the lymph node metastasis of stomach and colon cancer. Sysmex's OSNA method enables testing of the entire lymph node for metastasis, with quick delivery of results. This leads to increased precision in testing for cancer metastasis in the lymph node and contributes to the determination of appropriate treatment methods. For example, each year throughout the world approximately 1 million people are said to be affected by stomach cancer. Japan accounts for approximately 110,000 of these patients, and the rate of death from this type of cancer is second only to lung cancer, for men and women alike. During treatment for stomach cancer, the existence of lymph node metastasis is one determinant of the cancer's progression. In addition to whether this metastasis occurs, knowing the number of metastases and their locations can help a physician decide on treatment methods, such as whether to excise a portion of the stomach or to use anti-cancer agents.

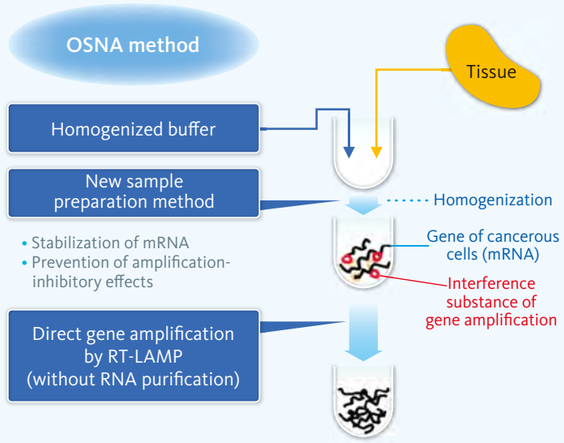
In the future, we will expand the sales area for products employing this method and push forward with research designed to extend its applicability to other types of cancer.

The OSNA Method

The OSNA method is a rapid gene amplification technique that does not require the purification of genes (mRNA) that have been taken from a living organism. This method enables the number of cancer cells to be determined during the limited time available during surgery to a high degree of sensitivity.

RD-100*i* (analyzer)

LYNOAMP BC (proprietary reagent)



Customer Feedback

The Tohoku University Hospital, which has 1,262 beds, is a representative Japanese hospital. With a philosophy of being "A hospital aiming for a harmony of patient-friendly care and advanced medicine," based on a holistic healthcare approach that respects the patient's humanity the Tohoku University Hospital undertakes the development, application and evaluation of leading-edge medical technology. Sysmex asked the hospital to discuss the background for its introduction of the CS-5100, a fully automated blood coagulation analyzer, and its impressions upon using the instrument.

Mr. Osamu Seki,
Chief Medical Technologist,
Clinical Laboratory, Tohoku University Hospital

Q ***What were some of the instrument selection criteria you used when deciding to introduce the CS-5100?***

A Our clinical laboratory tests many specimens, so one of the most important points for us was the CS-5100's high processing capacity, of up to 400 tests per hour (for simultaneous measurement of PT/APTT). Next in importance was the fact that the instrument was equipped with a cap-piercing function. Not having to remove the caps from the blood collection tubes meant that we could anticipate improved work efficiency, as well as reduced biohazard risk. We considered this an important function because it would reduce the potential for blood collection tubes containing important specimens to be overturned and lost. We also compared instrument candidates from the standpoint of operability, opting for the one that was best. In addition, our hospital experienced the Great East Japan Earthquake in March 2011. From that, we learned that in addition to an instrument's specifications, its seismic isolation mounting was important, too. After taking all of these factors into consideration, we decided to introduce the CS-5100.

Q ***Around how many tests do you run each day?***

A On average, we run 300 hemostasis tests per day, and this number can increase to more than 400 on a Monday after a holiday. We test four or five parameters for each specimen. In recent years, we have seen an increase in the number of D-dimer* tests, growing at a rate of about 10% per year, so we need to be able to process diverse combinations at high speed.

Q ***How would you evaluate the CS-5100 since it went into use on a routine basis?***

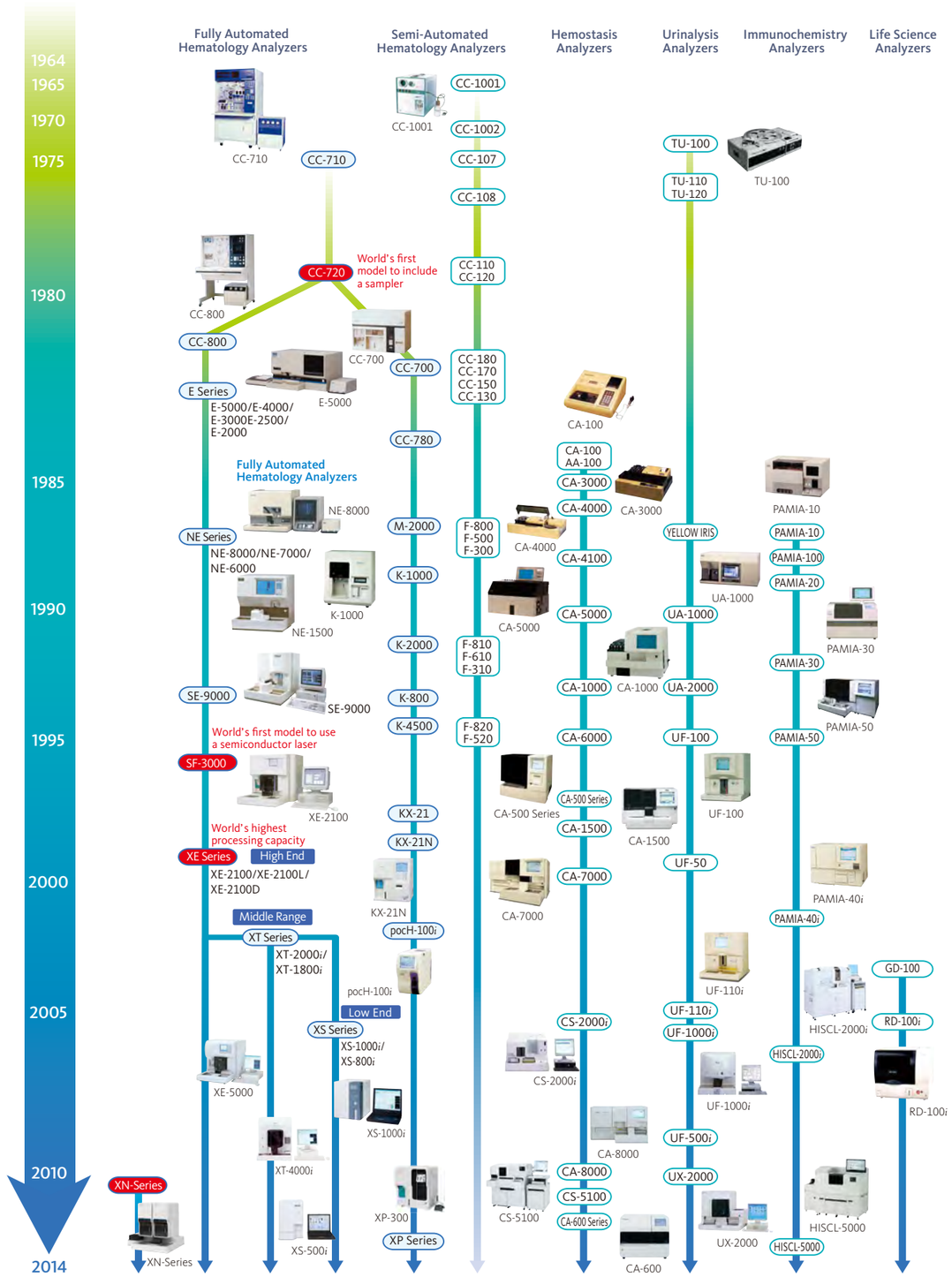
A From the standpoint of functionality, it definitely delivers fast processing speed. In the past, our turnaround time from receipt of a specimen to results reporting averaged 31 minutes. Since introducing the CS-5100, this figure has fallen to 17 minutes. Setting specimens in place has also become extremely simple.

Q ***What do you think of the support network?***

A We are satisfied with the support network; when we encounter any sort of issue, someone at the Sysmex Customer Support Center responds to our phone call. Several times we have asked for assistance when we encountered aberrant data, and in those cases a support person confirmed the data and explained the reason for the abnormality. Sysmex also provided us with some academic materials.

* D-dimer: A parameter for determining thrombotic tendency

Development of Instruments



Functional Structure

As a comprehensive diagnostics supplier, Sysmex has built an integrated business encompassing R&D, production, sales and after-sales support to provide products and services to healthcare facilities around the world.

Extending Forward Our Global Value Chain

Perspective

Throughout its R&D, production, sales and after-sales support processes, Sysmex works to build customer satisfaction and instill confidence and trust.

Our products are the primary source of our strength as a company. We develop in-house the instruments, reagents and software that are needed for *in-vitro* diagnostics, and have built all operations—from production to sales and after-sales support—ourselves. Furthermore, delivering customer feedback to our R&D divisions quickly enables us to continuously augment product performance, operability and functionality, and develop high-value-added products rapidly and efficiently.

Our delivery network also is extensive. With operations at 60 locations in 38 countries, Sysmex provides products and services to customers in some 170 countries. One of our greatest strengths is our globally integrated structure spanning the R&D, production, sales and support functions.

We currently hold the leading share of the hematology markets in four of the regions in which we operate: Japan, EMEA, China and Asia. We are number two in the United States, and boast the top overall share of the global market.

Global Supply Chain

Research and Development

Japan
- ■ Technopark

Overseas
- ● R&D Center Europe
- ● R&D Center Americas
- ● Diagnostic Reagent Development Center in China

and others

Sysmex maintains extensive R&D operations, centered in Japan and with facilities globally, and the Company actively collaborates with universities and research institutions throughout the world. Technopark, our core R&D facility, is also a symbol of the "Creation of 'knowledge' and its inheritance" concept. Technopark serves as a springboard for R&D to cultivate new diagnostic technologies and high-value-added products.

Production (Instruments)

Japan
- ■ i-Square
- ■ Kakogawa Factory
- ● Sysmex Medica
- ● Sysmex RA

In response to growing global demand for IVD instruments, we commenced operations at i-Square, the Group's core factory. Through a four-factory structure centered on i-Square, we provide a stable supply of high-quality products worldwide. Sysmex products enjoy an excellent reputation with customers. We have introduced quality and process management systems to ensure quality in all processes from the testing and assembly of components to product testing and shipment.

Production (Reagents)

Japan
- ● Sysmex International Reagents (two factories)

Overseas
- ● Sysmex Reagents America (US)
- ● Sysmex do Brasil Industria e Comercio (Brazil)
- ● Sysmex Europe (Germany)
- ● Jinan Sysmex Medical Electronics (China)
- ● Sysmex Wuxi (China)
- ● Sysmex Asia Pacific (Singapore)
- ● Sysmex India (India)

Sysmex emphasizes local raw material procurement and product manufacturing, as this approach allows stable product supply and competitive pricing. In 2012, we built a new production wing at our Ono Factory in Japan and expanded our reagent plant in Jinan, China, to capitalize on rapid market growth there. We are following suit by expanding reagent production factories in Singapore in 2014 and Germany in 2015.

Sales and After-Sales Support

Japan
- ■ Solution Center
- ■ Seven branches, 12 sales offices
- ■ Metropolitan Area Service Center
- ● Sysmex TMC
- ● Sysmex bioMérieux

Americas
- ● Sysmex America (US)
- ● Sysmex Canada (Canada)
- ● Sysmex do Brasil Industria e Comercio (Brazil)

and others

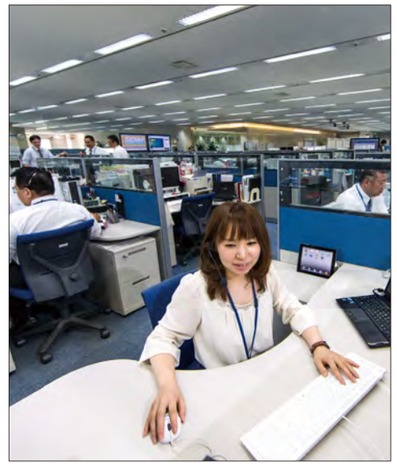
Europe
- ● Sysmex Europe (Germany)
- ● Sysmex France (France)
- ● Sysmex RUS (Russia)
- ● Sysmex Middle East (U.A.E.)
- ● Sysmex South Africa (South Africa)

and others

China
- ● Sysmex Shanghai (Shanghai)
- ● Sysmex Hong Kong (Hong Kong)

Asia Pacific
- ● Sysmex Asia Pacific (Singapore)
- ● Sysmex Indonesia (Indonesia)
- ● Sysmex India (India)

and others



In addition to a direct sales and support network, the use of alliances has enabled Sysmex to build a global sales and support system tailored to meet local characteristics. In 2013, we converted our distributor in South Korea to a subsidiary and transitioned to a direct sales and support organization, and we established a subsidiary in Turkey in the aim of enhancing business in growth markets. In 2014, we stepped up our direct sales and service systems in Central and South America. We also have sales and service agreements in place with Roche and Siemens in areas where we operate through distributors.

Direct sales

Customer needs

Indirect sales (Distributors)

Worldwide customers

■ : Sysmex Corporation
● : Subsidiaries

Research and Development

Through its focus on improving test quality, Sysmex has established core technologies, developed a range of "industry-first" laboratory test technologies, created advanced and highly valuable diagnostic technologies and is actively engaged in life science R&D.

Sysmex's inimitable R&D activities began in 1963 when it became the first company in Japan to commercialize hematology analyzers. Since then, the Company has worked to improve diagnostic test quality at the microscopic level of blood cells by establishing core technologies for particle measurement or bioassays and developing a range of "industry-first" laboratory test technologies.

Sysmex is leveraging the abundant expertise it has cultivated in the development of products to bring efficiency to the increasingly complicated diagnostic testing environment. Another goal is to contribute to increased efficiency and lower costs not only in the testing laboratory, but also by leveraging networks throughout the entire hospital for customers ranging from small clinics to large medical institutions.

Sysmex considers R&D to be a key source of Company growth, and each year, we invest approximately 10% of net sales in R&D.

Sysmex has extended its business domains beyond hematology to cover such laboratory test fields as urinalysis, immunochemistry, clinical chemistry, hemostasis and others. We are now working to broaden our R&D activities even further to create new diagnostic technologies for disease management including hematology, immune diseases, infectious diseases, cancer and diabetes.

Technopark, the core R&D center for the Sysmex Group, integrates the different technologies employed in our instruments, reagents and software, coupled with joint R&D initiatives, enabling us to constantly incorporate customer feedback into our product offerings. This congregation of researchers and engineers in a host of fields—electrical, mechanical, biological, chemical and IT, among others—encourages interaction and drives the creative fusion that generates new technologies. Sysmex is also working toward the establishment of a global R&D structure. Centered at Technopark in Japan, we are building a global R&D structure linked with other facilities in Japan and overseas, including the R&D Center Europe, R&D Center Americas and the Diagnostic Reagent Development Center in China.

As part of our aggressive M&A and alliance activities to expand our technology platforms for personalized medicine, during the fiscal year ended March 31, 2014, we converted to subsidiaries two German companies, Inostics GmbH and Partec GmbH. We are also stepping up collaboration with outside research institutions to promote innovative technological developments that will create new market opportunities.

In our organizational structure, in April 2012 we established the ICH Business Unit to reinforce our base and promote growth in the key nonhematology fields of immunochemistry, clinical chemistry and hemostasis. In April 2013, we also established the HU Business Unit to oversee the fields of hematology and urinalysis, and the LS Business Unit, to handle business in the life sciences field. Each business unit is a specialized organization that handles the overall management of its testing fields, including strategic planning, product planning, product development, reagent production and global product introductions. Through this approach, in each testing field we aim to bolster the level of specialization, as well as to increase the speed of decision-making and execution.

Management System Designed for Business Optimization

Business Strategy Division

We promote optimal business strategies for the entire Group, formulate and promote strategies across fields, and search for businesses and business development opportunities, including through M&A. In IVD domains in advanced countries, we promote strategic planning and alliances, as well as in emerging markets where growth is anticipated. Also in the life sciences domain, in addition to existing products and existing businesses such as lab assay, this division handles overall planning and promotion for new businesses.

R&D Strategic Planning Division

The division's strategic R&D planning function involves the creation of technology strategies, the allocation of management resources based on these strategies, and the development of a global R&D structure.

This division handles a broad range of activities spanning research and development: providing planning and support for acquiring new technology; supporting product development and managing related technological information; engaging in invention identification, filing and operational maintenance; negotiating agreements and resolving disputes related to intellectual property; and conducting public relations to build networks with related institutions in Japan and overseas.

Research Division

We aim to acquire technologies that deliver an overwhelming competitive advantage and innovate in new business domains. By searching for leading-edge technologies in cell analysis, protein analysis, genetic analysis and biological analysis, we aim to acquire new diagnostic concepts and new technological platforms.

Technology Development Division

This division creates systems for carrying forward and extending the application of key technologies used in previous reagents, ICT, mechatronics and other products, as well as formulating the elemental technologies needed in future product development. It also conducts clinical performance trials and other activities aimed at creating new clinical value.

HU Business Unit

This business unit was established in April 2013 as a specialized organization for the hematology and urinalysis fields. In addition to our mainstay hematology field, this unit performs integrated management of the urinalysis field, where urine sediment analysis is our forte, handling strategic planning, product planning, product development, reagent production and global product introductions.

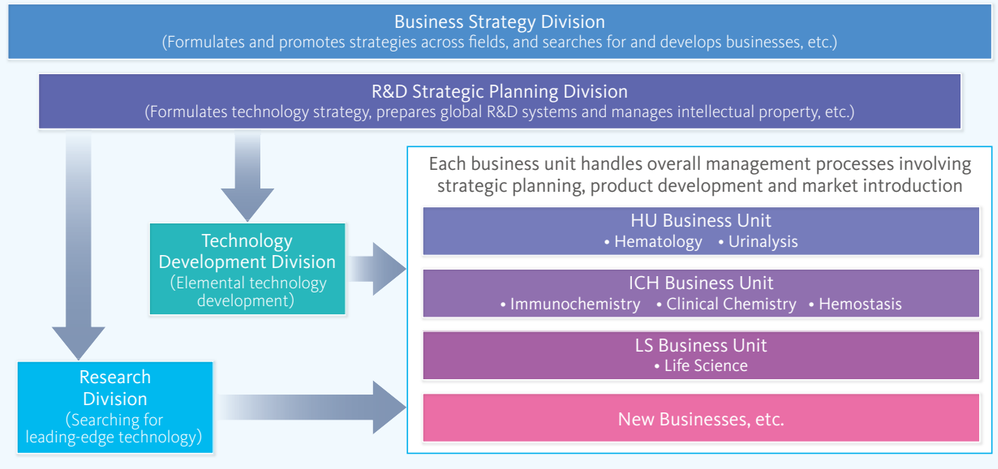
ICH Business Unit

We established this business unit in April 2012 to specialize in the key nonhematology fields of immunochemistry, clinical chemistry and hemostasis (ICH). The ICH Business Unit is designed to handle the overall management of activities in these three fields, including strategic planning, product planning, product development, reagent production and data assurance, and to strengthen our specialized value chain. The unit also aims to boost business profitability by managing profitability in the categories of immunochemistry, clinical chemistry and hemostasis.

LS Business Unit

This business unit was established in April 2013 to oversee operations in the life sciences field. Supervising strategic planning, product planning, product development, reagent production and global product introductions in the life sciences field, the unit works toward the creation of new technologies and products that will aid in the early detection of cancer and diabetes, among other diseases, and help to prevent recurrence or worsening, ensuring that patients receive the best care possible.

New Management System



R&D Facilities

Sysmex creates high-value-added diagnostic technologies and develops instruments and reagents mainly at the core Technopark facility. By enhancing links with research and development centers in Japan and overseas, Sysmex works to develop innovative technologies that will create new markets.

Technopark (Japan)

Based on the concept of the "Creation of 'Knowledge' and Its Inheritance," Technopark was established as the center of R&D activities for the Sysmex Group in 2008, the 40th year of establishment. In addition to having more than half of its area dedicated to green space, laboratory and office space is located on the same floor, providing an optimal R&D environment.

BMA Laboratory (Japan)

The BMA Laboratory is located within the Business Support Center for Biomedical Research Activities (BMA), a core facility in the Kobe Medical Industry Development Project.

Protein Development Center (Japan)

Our Protein Development Center employs technology for producing proteins using silkworms to develop ingredients for diagnostic reagents. The center also carries out research and development with the aim of improving the quality of proteins and leading to their stable production.

Sysmex New Zealand (New Zealand)

Sysmex New Zealand is a Sysmex Group company that specializes in information technology. Mainly in Asian markets, the company develops laboratory information systems in local languages and tailored to other regional requirements.

R&D Center Americas (the United States)

Sysmex established this center in August 2013 to promote joint research with U.S. healthcare institutions in personalized and preventive medicine, as well as to strategically evaluate technologies possessed by local companies in order to quickly acquire useful new technologies.

R&D Center Europe (Germany)

The R&D Center Europe was opened in 2006 in Germany as the Company's first overseas research facility. This center cooperates with research and other institutions in the development of new testing technologies targeting diseases and other problems that are uncommon in Japan.

Partec GmbH Görlitz (Germany)

We converted this company to a subsidiary in 2013. A pioneer in FCM technology, Partec has accumulated leading-edge expertise in the development of FCM products. The company also has a strong presence in emerging markets and developing countries in the area of testing for infectious diseases.

Sysmex Inostics Gmbh (Germany)

This subsidiary possesses highly sensitive PCR technologies for measuring cancer genes circulating in the blood, as well as other advanced molecular diagnostic technologies. We converted this company to a subsidiary in 2013.

Diagnostic Reagent Development Center in China (China)

In 2009, Sysmex opened this center, located within Sysmex Wuxi Co., Ltd., in preparation for our entry in the immunochemistry field.

Purchasing, Production and Logistics

Rigorous quality control and global supply chain management systems allow Sysmex to swiftly provide a stable supply of products of consistently high quality to customers in more than 170 countries.

A consistent supply of top-quality diagnostic and medical-treatment test products is essential to medical care support. Sysmex stably procures the components and raw materials of a quality appropriate to the development of a company in healthcare field and conducts its procurement activities in a manner that allows customers throughout the world to use its products with confidence. In 2013, we revised our Procurement Policies, which serve as a basis for cooperation with suppliers on enhancing levels of quality, cost competitiveness and technology, as well as for establishing a stable procurement system and advancing CSR initiatives. We also confirm quality and procurement aspects from the R&D stage, and select suppliers that are highly cost-competitive. We also aim to quickly launch new products into mass production, transforming the engineering chain, including raw materials purchasing and through concurrent engineering.

Instruments Offering High "Made in Japan" Quality

For the manufacture of instruments, we have introduced leading-edge production and quality control technologies to provide products that are of high quality and offer high added value. For this reason, we manufacture our instruments in Japan. We produce internally those parts that use proprietary technologies or for which stable sourcing is problematic. This reduces the risk of technology outflows and lessens procurement risk, while allowing us to maintain stable quality. For other parts, however, we maintain cooperative relationships with parts makers who can meet our stringent quality requirements, thereby ensuring a stable supply. "Made in Japan" and the Sysmex brand have become bywords for quality, and our products are recognized worldwide for their reliability.

We are significantly boosting our manufacturing capacity to meet growing global demand for IVD instruments. To this end, we commenced operations at i-Square, our new instrument factory, in June 2014. This move, combined with the expansion of two factories operated by domestic subsidiaries, enable us to gradually increase the Group's instrument production capacity to three times its former level.

As some 80% of the instruments we produce are destined for overseas markets, we are erecting a quality control system to ensure compliance with the legal frameworks in individual countries.

Manufacturing Goes Digital, Reducing Work Time

The Kakogawa Factory uses Smart Pro, a production support system that Sysmex developed in-house, to support factory associates, manage processes and assist quality management. We began using 3D CAD design data created at the development stage to make work processes more visual, helping to shorten the time employees require to commit these processes to memory and contributing greatly to their ability to absorb multiple skills. Monitors located alongside workbenches depict assembly and other processes in 3D, with an audio explanation accompanying each process. This arrangement makes work processes easier for new associates to understand, and helps to maintain quality and boost productivity.

We also use our information technologies to configure networks linking manufacturing facilities to the products themselves. This configuration automates the final product adjustment and testing processes, which cuts down significantly on time to shipment.

Global Reagent Manufacturing to Ensure Stable Product Supplies

In its reagent production, Sysmex employs thorough quality management and makes every effort to provide reagents consistently and stably. Our core production facilities in Japan are the Ono Factory and the Seishin Factory of Sysmex International Reagents, a subsidiary. The Ono Factory handles the mass production of reagents using labor-saving facilities. In 2012, we began operating a new automated production line at the plant that makes reagent packages (paper containers and reagent cartridges), including the concentrated reagent used in our flagship XN-Series, which should significantly increase productivity. Meanwhile, our Seishin Factory handles the production of reagents requiring advanced, specialized knowledge that are used in non-hematology fields, such as immunochemistry, clinical chemistry and hemostasis. Sysmex is also expanding its overseas production bases to meet growing overseas demand and improve its ability to compete. The Company currently has nine production facilities in seven countries. By introducing at overseas facilities the expertise in manufacturing technologies that we have cultivated and the quality assurance systems that are in place at our Ono and Seishin factories, we are working to achieve a high-quality, efficient production system on a global basis.

Improving Our Global Supply Chain Management Systems by Reorganizing Logistics Locations and Reconfiguring Supply flow

With regard to the physical function of delivering products to customers, we are reviewing logistics bases and reconfiguring the flow of supplies at individual overseas locations to ensure the stable provision of products to customers around the world. While maintaining appropriate inventories of instruments made in Japan at each location in which we operate, we will also utilize a warehouse facility within i-Square—our new instrument plant—to deliver products efficiently around the world. For reagents, we have in place a distribution system whereby we manufacture products in individual countries for timely delivery.

Furthermore, we are revising our package designs. As well as improvements to make packaging stronger, we are adopting environmentally friendly reusable packaging and recyclable steel packaging. We are also reviewing packing sizes and improving external descriptions to increase storage and shipping efficiency.

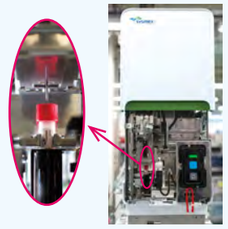
In addition to fulfilling our responsibility for providing products, we will continue forging ahead with efforts to create a logistics structure that contributes to low costs and high quality.

Japan's Manufacturing Prowess

Our medical instruments involve numerous parts, each requiring extremely high levels of precision and quality. Sourcing these products is possible thanks to the technological prowess of Japan's small and medium-sized parts manufacturers.

Many of Japan's small and medium-sized companies are world technology leaders, and we have forged partnerships with many of these companies, building up a network that delivers win–win results.

The XN-Series, for example, is a product of collaboration with business partners who have strong technological capabilities and with whom we have relationships going back many years. Such cooperation resulted in the development of a piercer that can accurately aspirate blood samples measuring only a few microliters. A special titanium alloy improves robustness and rigidity, and the elaborate and smooth processing of its interior surface at a diameter of less than 1 mm enables more precise testing results.



Purchasing Production and Logistics Facilities

Instrument Production

i-Square (Japan)

The Group's core instrument facility, which commenced operations in June 2014, uses quality control systems to produce highly reliable instruments based on international and industrywide quality control standards, and the laws and regulations of destination countries. This plant and the Kakogawa Factory together provide the capacity to supply some 500 products to markets around the world and employs flexible production systems.

Reagent Production Facilities in Japan

Ono Factory
(Sysmex International Reagents)

The Ono Factory in Japan is dedicated to the production of about 1,300 reagents, centered on high-volume products for the hematology and urinalysis segments. In 2012, we built a new production wing at the factory, adding equipment and raising reagent production capacity to 1.5 times the previous level. The production lines are divided into some types according to capacity, and the factory seeks to simultaneously increase quality, reduce costs and mass produce by optimizing automated and manual operations.

Seishin Factory
(Sysmex International Reagents)

The Seishin Factory is mainly responsible for the production of reagents and draws on wide-ranging production technologies to produce a line of around 800 products ranging from clinical chemistry to immunochemistry reagents, hemostasis reagents and reagents for use as quality control materials. The factory has also constructed a flexible production system to meet requirements for highly diverse, low-volume manufacturing.

Overseas Reagent Production Facilities

In order to ensure a timely and stable supply of reagents throughout the global market, Sysmex operates reagent factories in Germany, the United States, Brazil, China, Singapore and India.

Americas

Sysmex operates two reagent factories in the Americas, which represent the world's largest market. Establishing a factory in Chicago in 1993, the Company doubled its capacity in 2007 to meet growing demand and enhance cost competitiveness. Another reagent plant went on line in Brazil in 2000 in anticipation of future growth in the region.

EMEA

In Europe, the location of Sysmex's first venture overseas, we established a regent factory in Neumunster, Germany, in 1993. To meet rising demand for regents, we increased the plant's capacity in 2007 and plan to do so again in 2014.

China

The first of these was established in Jinan in 1995, followed by a plant in Wuxi in 2003. We have expanded the Jinan Factory, which in 2012 increased its production capacity to five times its level in 2010. The Wuxi Factory was the first operated by a non-Chinese company to receive local pharmaceutical manufacturing approval.

Asia Pacific

To meet anticipated future demand growth, in 2014 we will expand the Singapore Factory, which opened in 1998, enabling us to gradually triple output compared with current levels. This factory, in combination with the reagent factory in India we established in 2007, allows us to provide a stable supply of high-quality reagents broadly throughout the Asia Pacific region.

Sales and After-Sales Support

Sysmex does more than just sell products; we provide maintenance and other technical support, as well as scientific support to deliver consistently accurate test results and instill confidence. We offer high added value as a provider of IVD solutions.

When testing is interrupted, whatever the reason, physicians become unable to diagnose their patients. We address this situation by providing after-sale services and scientific support, which inspire the trust and confidence of customers throughout the world. Confirming this satisfaction, survey results demonstrate that Sysmex has earned a solid reputation with its customers for meeting their expectations for instrument performance, as well as for overall service performance.

In line with ongoing medical advances, healthcare is growing more sophisticated, and treatment regiments are changing and becoming more diverse. Customers in developed countries are demanding ever more advanced and highly specialized testing, more efficient testing and even higher healthcare service levels.

Instead of simply aiming to reduce the time from the start of testing to the delivery of results, we strive to shorten the lead time between a patient's arrival at the reception desk and the delivery of test results. To this end, to ensure that the lab technologist can conduct testing efficiently we do not merely engage in the sales of diagnostic instruments and reagents, but provide total solutions that employ information technology to network the entire laboratory. This improves healthcare services in a number of ways, such as reducing patient waiting time and providing information on test results to the doctor. At present, we take this overarching approach mainly in our proposals to customers in developed countries. In contrast, in emerging markets where healthcare demand is rising rapidly in line with economic growth, in addition to providing high-quality products without defects, products that have such specifications as high processing capacity and swift after-sales services are needed. In addition to providing products that meet regional demands such as these, we operate flexibly by combining proprietary and distributor sales networks. In these ways, Sysmex concentrates on meeting the needs of individual countries, building confidence and instilling confidence among its customers.

Customer Assessment in the United States (by IMV ServiceTrak™)

• Survey of Customer Satisfaction

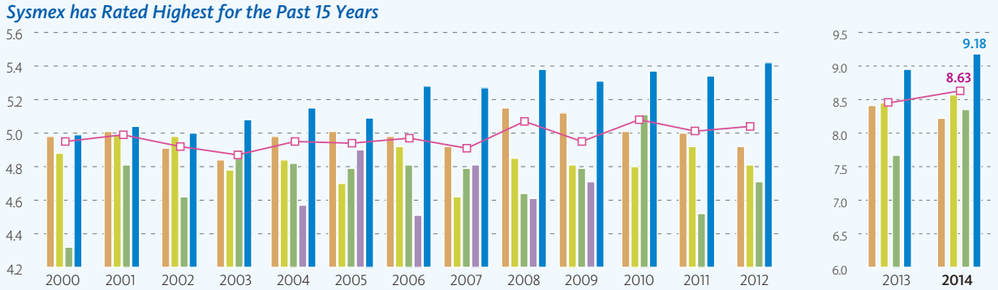
A survey of customer satisfaction published in 2014 has shown that Sysmex is ranked No. 1 in the United States for instrument performance meeting expectations.

Instrument Performance Meets Expectations

■ Sysmex ■ Competitor 1 ■ Competitor 2 ■ Competitor 3 ■ Competitor 4 ◆ Industry Avg.

A six-point scale was used for the years from 2000 to 2012. This was revised to a 10-point scale in 2013 to 2014.
2000–2012: 1=Very Poor 2=Poor 3=Fair 4=Good 5=Very Good 6=Excellent
2013–2014: 1-3=Very Poor 4-6=Poor/Fair 7-8= Good 9= Very Good 10=Excellent

Sysmex has Rated Highest for the Past 15 Years



Founded in 1977, IMV continues to be a leading supplier of comprehensive clinical diagnostic and medical imaging market research reports and site-specific databases for the healthcare industry.

Delivering Specialized, High-Value-Added Solutions Cultivated in Japan throughout the World

Sysmex maintains seven branches and 12 sales offices in Japan, constituting a top-class sales and support network in the domain of *in-vitro* diagnostics. We are in the process of extending to the rest of the world the value-added proposal-making skills and highly specialized support services we have cultivated in Japan, as we strive to build sales and support service networks that are carefully matched to the needs of individual markets.

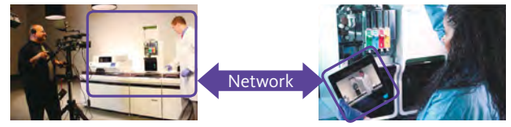
In Japan, the Customer Support Center responds to inquiries around the clock, 365 days a year.* Knowledgeable specialists answer questions not only about instruments and reagents, but also about scientific matters. Sysmex has established a system for rapidly dispatching service engineers by stepping up cooperation between the Customer Support Center and Sysmex offices and sales offices across Japan.

Sysmex operates call centers in Japan, the United States, China, Germany and Singapore, and dispatches service engineers to customer premises as necessary. In the United States, where customer support functions must cover extensive areas, close collaboration between call centers and service engineers allows Sysmex to respond rapidly to customer requests. In addition, the Company is rolling out on a global scale the Sysmex Network Communication Systems (SNCS), a support service that connects the Customer Support Center and customers' products via the web for the online provision of remote instrument maintenance and quality control. The SNCS is used by many customers and has earned a strong reputation. The Company has launched the SNCS in Japan, the United States, European and other advanced countries, as well as in Asian and other emerging markets and is steadily expanding the installed base.

In 2012, we relocated Sysmex America, Inc., our regional headquarters for the Americas, in order to expand its operations. The expansion includes a new multipurpose building that houses the company's virtual training studio. The virtual training initiative provides customers with convenient, on line, instructor-led education on the use of Sysmex products to better meet the needs of North American customers, who are spread over an extensive area.

* Service for customers who have specific contracts

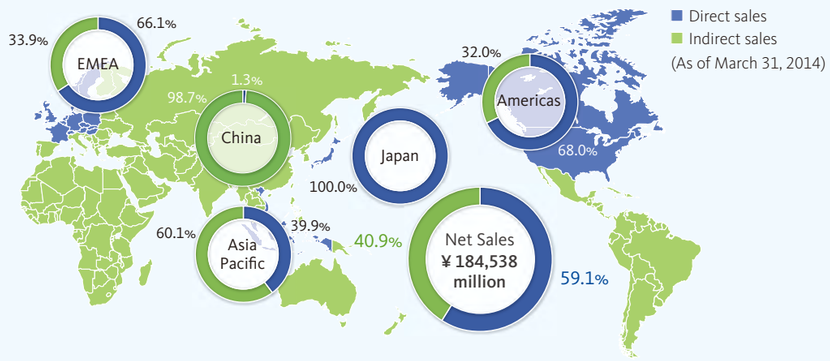
Sysmex America, Inc.,



Virtual training studio Customers

Sales Strategies

Sysmex employs sales strategies tailored to the characteristics of the regions and countries where it operates. In Japan, North America and parts of Europe and the Asia Pacific, we conduct direct sales, with Sysmex salespeople maintaining close relationships with customers. In other parts of the world—particularly in emerging market areas—we have found indirect sales, which leverages the long experience and expertise of local distributors, to be an effective approach. In China, for example, we employ more than 100 local distributors. In Latin America and Russia, among other regions, we have alliances in place to take advantage of the sales networks operated by leading global pharmaceutical manufacturers.



Sales and After-Sales Support

Sponsoring Scientific Seminars for Advancement of Healthcare

To promote higher levels of healthcare service, Sysmex provides an ISO support service for healthcare institutions that are creating ISO management systems. Leveraging the expertise we have gained through ISO 9001 and ISO 14001 certification, as well as our experience as a manufacturer of medical instruments, we consult with organizations on earning certification under ISO 9001 and ISO 15189, as well as other standards. Our services have been instrumental in helping a number of customers gain ISO certification.

Sysmex sponsors hematology seminars around the world to provide physicians and laboratory technologists with information on the latest trends in hematology. The Company began conducting annual seminars in Japan in 1978 and expanded this program to China in 1998. In 2013, we held the Sysmex 16th Scientific Seminar in China in Chengdu, which was attended by approximately 400 people. At the seminar, we provided up-to-date information related to healthcare and clinical testing to doctors, nurses, laboratory technologist and other participants in China. Sysmex now conducts seminars and other activities periodically in Thailand, Indonesia, India and other Asian countries and holds symposiums in EMEA and the Americas.

Sysmex Network Communication Systems

SNCS puts the Customer Support Center on line, enabling Sysmex to manage the precision of customer equipment in real time, automatically monitor equipment and provide information over the web.

●Online Quality Control

Precision management data is transmitted automatically over the Internet on a daily basis. The system conducts sample surveys to determine precision. Customers can browse up-to-the-moment survey results.

●Online Support

Analyzers retain a host of data, such as error logs, number of operations and set values. This information is transmitted automatically to our server, allowing us to understand the status of customer equipment and, if conditions warrant, offer advice to minimize potential damage.

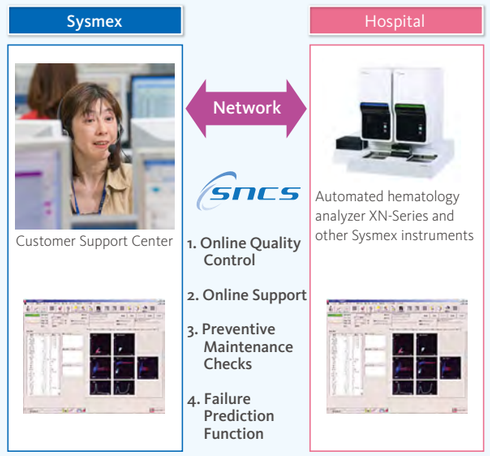
●Preventive Maintenance Checks

When an instrument shuts down, information on the number of operations is automatically sent to Sysmex, so that we can determine replacement intervals based on the rated number of operations.

●Failure Prediction Function

Linking the failure prediction function with field support enables us to remotely monitor the status of the analyzer components of each instrument. We provide preemptive maintenance at the first sign an instrument is behaving in an abnormal fashion.

Sysmex Network Communication Systems



Note: Such services may not be available on some products and in certain regions.

Corporate Governance

Sysmex considers reinforcing corporate governance one of its most important management topics. We aim to maximize the overall corporate value of the Group through management robustness, improved management speed and efficiency.

Thinking Forward to More Robust Governance

Corporate Philosophy and Core Behaviors

Our corporate philosophy, the "Sysmex Way," consists of three parts: the Mission, which defines our social *raison d'être* and states how we hope to contribute to society; the Value, which describes the values and management style that we must abide by; and the Mind, which expresses the mindset and code of conduct that every employees within the Sysmex Group must observe.

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.

Corporate Governance

Management Organization

Sysmex has adopted the corporate auditor system. The current management organization consists of nine members of the Managing Board (one of whom is an outside member of the Managing Board), four corporate auditors (including two outside auditors), and 18 executive officers (seven of whom are also members of the Managing Board), and the Company has adopted the executive officer system to increase the speed of decision making in the conduct of business and respond quickly to changes in the business environment. In addition, by appointing outside members of the Managing Board, we have reinforced the Managing Board supervisory function, and we have strengthened the auditor supervisory function by appointing external auditors.

Matters Concerning Business Execution, Auditing, Appointments, Supervision and Other Functions

The Managing Board consists of seven members. The board meets regularly once a month to deliberate on important management issues and convenes extraordinary meetings as necessary.

The Global Strategic Committee consists of the chairman and CEO and executive officers. As a rule, this committee meets once a month to deliberate on the Group's management direction and important strategic issues.

The Steering Committee consists of the chairman and CEO and executive officers. The committee meets once a month, in principle, serving as a consultative body to the chairman and CEO to deliberate on important matters concerning the Group's business.

The Group Management Reporting Committee consists of the chairman and CEO and executive officers, directors of overseas regional headquarters, people in charge of domestic affiliated companies and division managers. The committee meets once a quarter, in principle, reporting important matters concerning the Group's operations.

The Operating Committee consists of managers of divisions. The Committee meets once a month to find solutions to cross-functional problems.

In the fiscal year ended March 31, 2014, the Managing Board met 18 times, the Global Strategic Committee 16 times, the Steering Committee 19 times, the Group Management Reporting Committee four times and the Operating Committee 12 times to address matters relating to management strategy and important issues facing the Group.

The Board of Auditors consists of four corporate auditors, two of whom are outside auditors. The corporate auditors attend the Managing Board and Steering Committee meetings and maintain systems for appropriately supervising the conduct of business on the part of the members of the Managing Board. The corporate auditors also maintain close communications with the Internal Audit Office, exchanging information and opinions as necessary, and confirm and evaluate the appropriateness of business execution. The Board of Auditors will continue to enhance management soundness by engaging in appropriate supervision of the execution of business as stipulated by law. The Board of Auditors works closely with the accounting auditors on the audit plans report (annual) and the audit results reports (annual), exchanging information and opinions as necessary, such as when conducting internal control audits related to financial reporting.

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

Internal Control Systems

▸ Systems for Ensuring That the Execution of Duties by Members of the Managing Board and Employees Is Compliant with the Law and the Articles of Incorporation

Sysmex defines compliance as "the conduct of open and aboveboard business activities on the basis of observance of laws and regulations and high ethical standards" and maintains a system to ensure compliance as described below.

The Company is promoting and enhancing Group compliance, as it believes compliance countermeasures are the first and most important way to maintain society's trust and counter risk. The Company implements and strengthens compliance in the corporate group under the control of a compliance officer and compliance committee. The Company rigorously ensures compliance through education and training for members of the Managing Board and employees, promotes the rapid detection and correction of violations of the law or the Articles of Incorporation by means of an internal compliance related reporting system, and conducts audits of the compliance structure by means of the Internal Audit Office.

Systems for the Retention and Management of Information Relating to the Execution of Duties by Members of the Managing Board

The Company appropriately retains and manages information relating to the execution of duties by members of the Managing Board in accordance with document management regulations and maintain the information in a state available for inspection as necessary.

Regulations Concerning the Management of Risk and Other Systems

To maintain a structure concerning risk management, the entire Group complies with risk management regulations established by the Risk Management Committee for the integrated management of risk throughout the Company. The Company endeavors to discover foreseeable risks, select the most important of these risks, clarify the sections responsible for coping with risks, establish countermeasures and engage in measures to mitigate risks.

Systems to Ensure That Members of the Managing Board Execute Their Duties Efficiently

The Company has positioned the Managing Board as the institution to make important management decisions and supervise the execution of the Company's business affairs. The Company has introduced the executive officer system to be capable of making swifter operating decisions and respond quickly to changes in the business environment.

With respect to the management of business, the Company ensures the efficient execution of business in accordance with the organization regulations, scope of authority regulations, and approval procedure. The Company establishes mid-term plans and annual management plans, periodically confirms the progress made with those plans, and takes any necessary measures.

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

The Company ensures compliance in accordance with the compliance code applied to all the members of the Managing Board and employees of companies in the Group. In conformance with regulations established with respect to risk management, the Company maintains groupwide risk management systems based on those regulations. The Internal Audit Office conducts groupwide internal audits.

With regard to the management of subsidiaries, the Company respects the autonomy of the management of subsidiaries and ensures the appropriateness of business activities throughout the corporate group by such means as periodic reporting on the details of the business of subsidiaries and advance discussion concerning important matters.

Assignment and Independence of Employees to Assist Corporate Auditors

Although the Company does not assign full-time staff to assist corporate auditors in the performance of their duties, employees of the Internal Audit Office cooperate with the corporate auditors to conduct efficient audits at important places of business.

At the request of the corporate auditors, the Company provides full-time staff to assist the Board of Auditors. In such case, the members of the Managing Board discuss with the corporate auditors in advance matters such as the transfer of such support staff.

Systems for Reporting to the Corporate Auditors and Systems for Ensuring Effective and Efficient Auditing by the Corporate Auditors

If a member of the Managing Board discovers a violation of the law or the Articles of Incorporation or a material fact that poses risk of causing significant damage to the Company, the member of the Managing Board is responsible for promptly reporting that fact to the Board of Auditors.

The corporate auditors attend Managing Board and other important meetings, read important documents such as approval requests, and request explanations from members of the Managing Board and employees as necessary.

Compliance

Based on our Corporate philosophy, the "Sysmex Way," we define our view of compliance as "respecting laws and regulations and going about our business boldly with a strong sense of ethics." In accordance with this definition, we have established a Global Compliance Code, in which particularly important conformance rules for all executives and employees to abide by are compiled. We conduct training programs to ensure the thorough permeation of the code within the organization. The code also applies to overseas Group companies, constructing an integrated compliance structure for the entire Group. We established the Compliance Committee in 2013. In addition, we are encouraging compliance in a manner that reinforces the relationship between people responsible for Group compliance and the people responsible for compliance at affiliated companies. In 2014, we revised our global compliance code, adding text to describe our thoughts on ethics in relation to research and development, prevention of bribery, adherence to international guidelines such as the Universal Declaration on Human Rights, as well as research and development. We also set forth a bylaw for revising this code once every two years, in principle, to respond to changes in our internal and external environments.

To promote and supervise compliance activities, as an internal reporting system Sysmex has established "Campanula Lines" as points of contact for all Group employees in Japan for advice or questions on any compliance issues. Employees can contact these two lines—internal and external—for advice or to make are report via telephone, post or e-mail. All information received is handled anonymously to protect the personal information of those providing the information and ensure against any disadvantageous treatment. We have also set up internal reporting lines at Group companies overseas.

Sysmex strives to reinforce its security export control system based on the Security Export Control Regulations, thoroughly verifying the destinations and purposes of its exports. In the fiscal year ended March 31, 2014, we conducted a companywide e-learning program on security export control and export administration regulations in the United States to ensure thorough awareness of controls. We also worked to raise the consciousness of managers and people responsible for departments that conduct audits. Furthermore, to strengthen the security export control system for the Group as a whole, we are introducing management systems that link with enterprise resource planning (ERP) systems at regional headquarters overseas in an effort to ensure management thoroughness and increase efficiency.

The ultimate goal in the Company's pursuit of compliance is for every Sysmex employee to be aware of compliance as an ongoing factor and to be able to apply this understanding in their work. Sysmex will continue to ensure thorough compliance to remain a Company that stakeholders consider highly trustworthy.

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. The Risk Management Committee identifies major risks having the potential to significantly impact the Group's business and consistently observes the results of risk response and monitoring by individual divisions and affiliated companies.

We have constructed a system to ensure compliance with laws and regulations around the world with regard to quality, and we act accordingly. Sysmex is pursuing ISO certification, moving toward the establishment of a groupwide quality management system (QMS). The Company has introduced quality training to promote an understanding of QMS, build individual employee awareness of these systems and ultimately raise quality control levels. In addition to quality policy training for all employees groupwide, we also conduct specialized quality training for specific departments and job types. Furthermore, to share quality-related information throughout the Group and reinforce our systems, each year we hold a conference attended by Sysmex headquarters, each regional headquarters and people from quality-related divisions at affiliated companies.

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

Sysmex will reinforce its risk and quality management procedures to ensure the ongoing trust of a wide range of stakeholders.

Members of the Managing Board

Front row, from left: Masayoshi Hayashi, Hisashi Ietsugu, Yukio Nakajima
Back row, from left: Kenji Tachibana, Mitsuru Watanabe, Koji Tamura, Kazuya Obe, Kaoru Asano, Susumu Nishiura

Hisashi Ietsugu
Chairman, President 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
Apr. 1996 Member of the Managing Board and Senior Executive Officer
Senior Managing Director (Representative Director)
Jun. 1996 President and CEO
Apr. 2013 Chairman, President and CEO (current)

Masayoshi Hayashi
Member of the Managing Board and Senior Executive Officer
Senior Managing Director

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

Yukio Nakajima
Member of the Managing Board and Senior Executive officer
Senior Managing Director
Corporate Business Planning, Human Resources & General Affairs
Corporate Executive Office

Apr. 1973 Joined the Company
Jun. 1999 Member of the Managing Board
Executive Vice President of Corporate Business Planning
Apr. 2001 Member of the Managing Board
Executive Vice President of Corporate Business Planning
Vice President of Corporate Communication
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)

Koji Tamura
Member of the Managing Board and Senior Executive Officer
Managing Director
LS business Unit, New Business Development

Sep. 1990 Joined the Company
Apr. 1993 President of TOA Medical Electronics(Europe) GMBH
(present Sysmex Europe GMBH)
Jun. 2001 Member of the Managing Board
Executive Vice President of International Business Management
Apr. 2003 Member of the Managing Board
Executive Vice President of International Business Management
Vice President of IT Business Strategy Development
Apr. 2005 Member of Managing Board and Executive Officer
Apr. 2009 Member of the Managing Board and Senior Executive Officer
Managing Director (current)

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

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

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

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

Kaoru Asano
Member of the Managing Board and Senior Executive Officer
R&D Strategic Planning
Manager of Central Research Laboratories

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

Kenji Tachibana
Member of the Managing Board and Senior Executive officer
Business Strategy Development
Executive Vice President of Business Strategy Development

Mar.1980 Joined the Company
Apr. 1998 President of Sysmex Singapore PTE Ltd
(present Sysmex Asia pacific Pte Ltd.)
Apr. 2011 Executive Officer
Executive Vice President of IVD Business Development
Apr. 2013 Senior Executive Officer
Executive Vice President of Business Strategy Development
Jun. 2014 Member of the Managing Board and Senior Executive Officer
Executive Vice President of Business Strategy Development (current)

Susumu Nishiura
Member of the Managing Board (Outside)

Apr. 1969 Joined TOA Electric Co., Ltd. (presently TOA Corporation)
Jun. 1998 Member of the Managing Board
Jun. 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)

(As of June 20, 2014)

Corporate Auditors

From left: Kuniaki Maenaka, Katsuo Uhara, Masami Kitagawa, Koichi Onishi

Katsuo Uhara
Standing Corporate Auditor

Mar.1981 Joined the Company
Apr. 1993 President & CEO of TOA Medical Electronics (USA), Inc. (present Sysmex America, Inc.)
Apr. 2005 Executive Officer, Executive Vice President of SCM
Apr. 2006 Executive Officer, Executive Vice President of SCM
Apr. 2008 Executive Officer, Executive Vice President of SCM
Apr. 2011 President and CEO of Sysmex TMC Co., Ltd.
Jun. 2012 Standing Corporate Auditor of Sysmex Corporation (current)

Masami Kitagawa
Standing Corporate Auditor

Apr. 1975 Joined the Company
Apr. 2005 Executive Officer
Executive Vice President of Sales & Marketing Development
Apr. 2009 Executive Officer
Executive Vice President of Business Management (Japan)
Apr. 2010 Executive Officer
Apr. 2011 President and CEO of Sysmex International Reagents Co., Ltd.
Jun. 2012 Standing Corporate Auditor of the Company (current)

Kuniaki Maenaka
Corporate Auditor (Outside)

Apr. 1975 Joined Price Waterhouse (present Japan Assurance Arata)
Sep. 1977 Joined Tohmatsu Awoki & Co. (present Deloitte Touche Tohmatsu LLC), Osaka Office
Jun. 1989 Partner
Sep. 2010 Retired from Deloitte Touche Tohmatsu LLC
Jun. 2012 Joined the Company, Corporate Auditor (current)

Koichi Onishi
Corporate Auditor (Outside)

Jul. 1971 Joined Kobe Steel Ltd.
Jun. 2002 Officer
Apr. 2004 Senior Officer
Apr. 2007 Executive Officer
Jun. 2010 Retired from Executive Officer of Kobe Steel Ltd.
Jun. 2010 President of Nippon Koushuha Steel Co., Ltd.
Jun. 2013 Executive Corporate Adviser
Jun. 2014 Joined the Company, Corporate Auditor (current)

(As of June 20, 2014)

Executive Officers

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

Michiaki Ishida
Senior Executive Officer
ICH Business Unit

Takashi Goda
Senior Executive Officer
Business Management (Japan)
Sales & Marketing

Junzo Yamamoto
Executive Officer
Instrument Production
SCM

Yukio Hamaguchi
Executive Officer

Iwane Matsui
Executive Officer
Executive Vice President of International Business Management

Keiji Fujimoto
Executive Officer
Regulatory Affairs & Quality Assurance
Scientific Affairs
Customer Support

Ikuo Otani
Executive Officer
Executive Vice President of Human Resources & General Affairs

Yukitoshi Kamao
Executive Officer
Executive Vice President of Corporate Business Administration

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

Hiroshi Nagao
Executive Officer
Executive Vice President of SCM

John Kershaw
Executive Officer
President and CEO of Sysmex America, Inc.

(As of June 20, 2014)

Operating Risks

Overseas Sales

Sysmex sells to overseas customers through its overseas affiliates and distributors. For this reason, Sysmex hedges against the risk of currency fluctuations through exchange contracts and other means. Nevertheless, the Company's operating results and financial position are affected by foreign exchange fluctuations. The proportion of consolidated net sales contributed by overseas sales is rising each year, from 70.5% in the fiscal year ended March 31, 2012, to 72.4% in the fiscal year ended March 31, 2013, and 78.2% in the fiscal year ended March 31, 2014.

As of its May 2014 announcement, the Company assumes forex rates of US$1 = ¥100 and €1 = ¥135.

The Impact of Healthcare System Reform

Against a backdrop of a sharp decline in the birthrate and rapid aging of the Japanese population, advances in medical technology, increased demand from patients for a better quality of life (QOL), and other changes in the healthcare environment, Japanese healthcare system reform continues. Such reforms are designed to optimize healthcare costs and efficiently provide high-quality healthcare services. The Company's earnings and financial position could be affected* by such healthcare system reforms.

Amid ongoing healthcare cost optimization measures and demands for greater efficiency in hospital management, more advanced medical care and new clinical testing procedures, Sysmex will boost its investment in the life science field, including definitive diagnostic tests for cancer. We will also strive to meticulously respond to diversifying needs by providing total solutions that combine instruments and reagents, information technology and after-sales support.

* The Japanese medical fee system is amended every other year. The impact on Sysmex of the most recent revisions, in 2014, was slight. Diagnostic tests are covered by a fee for the provision of the test, unlike the fixed reimbursement prices set for pharmaceuticals. Therefore, any changes made to test fees by amendments to the medical fee system should not have a direct effect on Company earnings.

Product Quality

The instruments and reagents that Sysmex supplies must be extremely reliable, so the Company has introduced a comprehensive quality management system. However, earnings could be affected if problems with product quality were to arise nevertheless.

To avoid this situation, Sysmex works to maintain product quality in accordance with international standards, such as ISO 13485, and local laws and ordinances, such as the Pharmaceutical Affairs Law. Sysmex reviews on a daily basis product information from Japanese and overseas markets, as well as from within the Company; collates technical information that may improve design quality; and implements rigorous quality checks at the start of mass production and prior to product launch.

Stable Product Supply

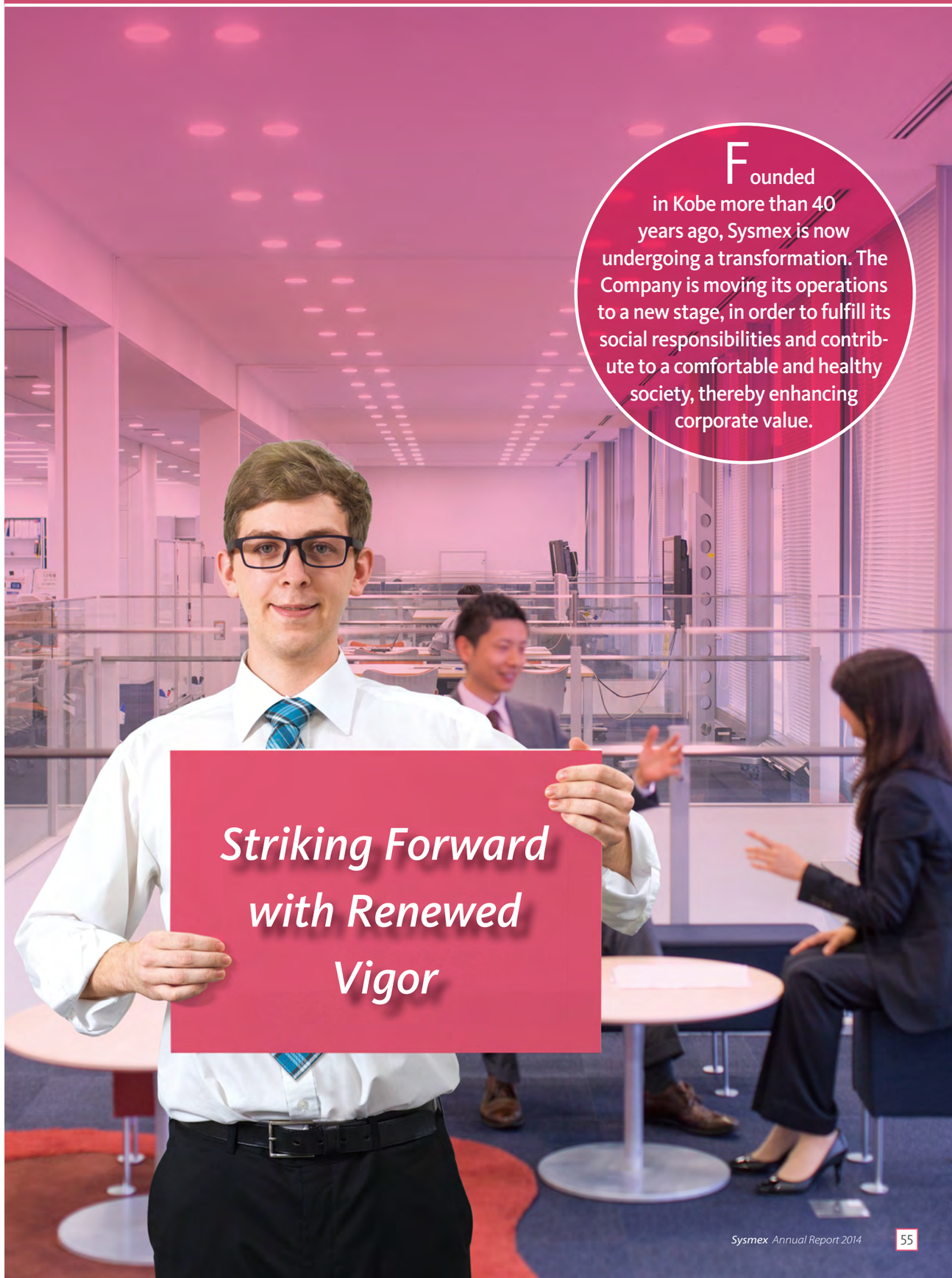
Sysmex markets its products to customers in more than 170 countries and works to ensure the stable supply of these products to customers. The Company might experience difficulties with procurement if, for example, business operations were suspended at suppliers or the supply of raw materials was interrupted. If production facilities sustained damage due to large-scale natural disasters, fires or other major calamities, our ability to supply products to the market could be impaired.

For these reasons, Sysmex hedges this risk by sourcing raw materials from multiple companies. We are also enhancing initiatives to prevent damage to production bases and to restore facilities in the event damage is incurred.

Measures to Counter Risks Associated with the Use of Information Systems

Sysmex employs information technology in its decision-making procedures, such as transmitting information, supporting core businesses and completing approval documents via the Company's internal network.

The Company has therefore introduced countermeasures to minimize the potential operational impacts of network or information system disruption, computer viruses or unauthorized external access to information systems. Sysmex has in place secondary, alternate network routes; implements daily system administration procedures; runs security measures including virus gateways; and works to reinforce its internal controls, for example by controlling access through strict user management procedures and fingerprint authorization.



Brand Equity

The Sysmex brand is a symbol of our efforts to advance the Company to the next stage.
The brand also signifies a promise to all stakeholders of our efforts to fulfill their expectations.

The Sysmex corporate logo expresses our deep commitment to pioneering efforts as a frontrunner in healthcare as we continue to develop innovative testing and diagnostic technologies to raise the level of human health and instill greater confidence. The shape reminds us of the infinity symbol, "∞," and illustrates the unlimited possibilities of Sysmex. The motif evokes the evolution of life from the ocean to the land as well as the landscape of Kobe, the birthplace of Sysmex.

Sysmex products and services are used by healthcare institutions in more than 170 countries. We also have a diverse range of stakeholders, including the business partners with which we have alliances in place and conduct joint research, and the shareholders and regional communities that support our activities. The Sysmex brand conveys our determination to enhance our corporate value to contribute to society and meet the expectations of stakeholders throughout the world.

Intellectual Property Activities

- Sysmex seeks to boost brand equity through careful attention to its trademarks, patents and other intellectual property rights.

In line with its expanding business domains and global development, Sysmex has established basic principles to share with employees its fundamental thoughts on intellectual property activities and do its utmost to strengthen the Group through these activities.

In accordance with these basic principles, the Company's liaises with R&D divisions, globally uncovers latent intellectual property opportunities and surveys the intellectual property rights of third parties. We also define clearly the basic policy on handling intellectual property for the Sysmex Group and strive to increase the efficiency with which we manage these assets in order to maximize their value.

In addition to reinforcing the liaison function (supporting idea generation, converting intellectual property into rights and leveraging these assets), Sysmex takes a proactive stance on intellectual property education activities, which are part of our effort to quickly convert research successes into valuable intellectual property rights. We also have in place incentive schemes for inventors to reward them for their patents' contributions to business, including bonuses for patent awards and based on patent performance.

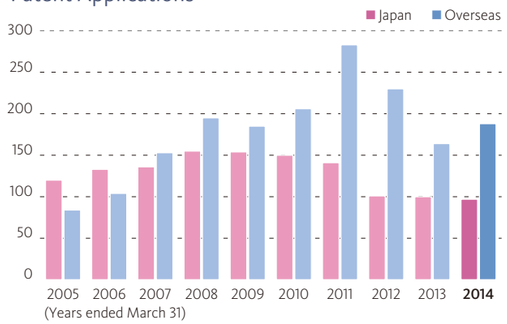
Sysmex holds 1,801 patents worldwide, concentrated in Japan, the United States and EMEA. We are striving to ensure worldwide flexibility in R&D and operational development by also acquiring patent rights in the rapidly developing China and Asia Pacific regions.

In recent years, counterfeit Sysmex reagents have been discovered in China, Indonesia, Malaysia and other countries. The use of such counterfeit reagents cannot guarantee the reliability of testing results and, in some cases, can be harmful to patients' health. Sysmex continuously monitors markets for counterfeit reagents. When they are discovered, we respond thoroughly. We seek cooperation from local governments and, when necessary, we bring cases to court.

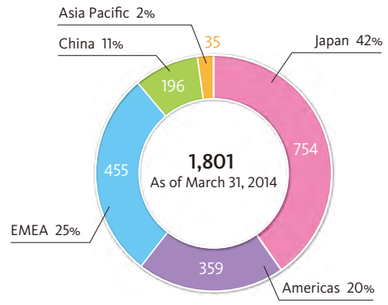
As our business has grown globally and our presence has increased, cases have arisen of other companies imitating our company name and logo. In such cases, we take a firm stand to prevent deterioration of our brand value.

As a research-driven company, Sysmex is reinforcing its intellectual property management and supporting the knowledge-building efforts of its employees. We believe that persevering in these areas will help us sustain our global competitiveness.

Patent Applications



Patents Held, by Region



Socially Responsible Activities

We aim to instill confidence in stakeholders throughout the world. In accordance with beliefs firmly held since our founding, as a healthcare specialist we work toward a healthy and prosperous society.

We believe that our corporate responsibility involves delivering products that are consistent with the Sysmex brand and conducting business activities that contribute to a healthy and prosperous society. To this end, Sysmex fosters a corporate culture where each employee can feel a sense of fulfillment in their work and emphasizes excellent communications with all stakeholders as it conducts its corporate activities.

Developing Human Resources

- Sysmex fosters a corporate culture where employees can feel a sense of fulfillment in their work, based on mutual agreement and common understanding.

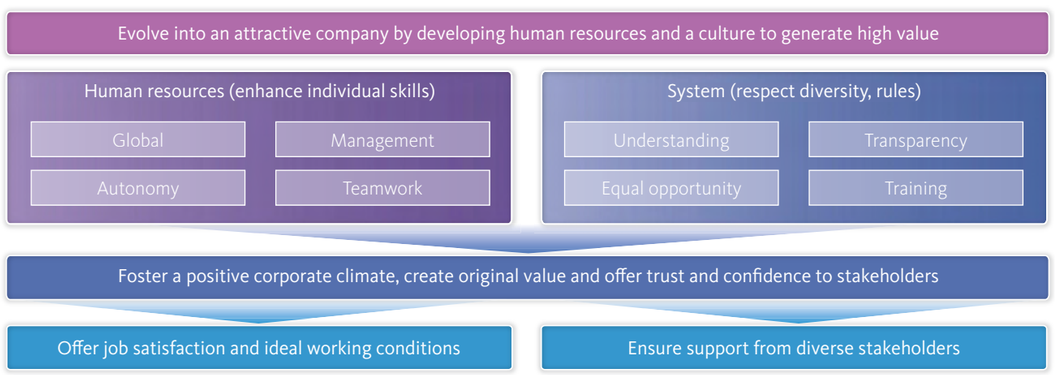
At present, around 50% of Sysmex Group employees are stationed at overseas companies. As it becomes more global, the Company will attract an even greater range of personnel from an increased diversity of countries and cultures. Sysmex has codified particularly important rules and action guidelines for compliance that it expects executives and employees to adhere to in the Global Compliance Code. This code defines prohibitions on various types of discrimination and proscribes unjust working conditions. We strive to adhere thoroughly to these principles and work to ensure fair working conditions and treatment. Sysmex aims to provide a working environment that is amenable to a wide variety of human resources, recruiting and stationing them regardless of nationality, gender or physical disability.

Sysmex believes that recruiting, retaining and developing human resources is among the most fundamental of management tasks. The Company strives to create an environment that encourages individual employees to develop their strengths. In addition, Sysmex supports individual diversity and accordingly works to build an atmosphere that encourages autonomy and a spirit of challenge, as well as a system that rewards employees for their successes. To this end, we believe it is management's responsibility to nurture individual strengths and maximize them through incorporation into the overall organization. Against this backdrop, in 2013 Sysmex Corporation introduced a new human resource development system that links "assignment and transfer," "evaluation and feedback," "cultivation and education" to cultivate human resources in a systematic and effective manner. The education and training program comprises three types of training—selective, rank-based and elective—designed to nurture personnel in a planned and gradual manner. Since 2012, we have promoted exchanges of Japanese and overseas personnel by instituting the Global Personnel Exchange Program for strengthening ties through deeper mutual understanding.

As part of its efforts to develop a positive working environment, Sysmex has also introduced flex-time systems to enable employees to adjust their work hours for childcare and long-term nursing care responsibilities in Japan. In this way, the Company is working to improve its systems in support of a better work-life balance. In 2009, we opened Sysmex Kids' Park, an internal childcare facility where parents can go about their work assured that their children are being nurtured in an appropriate care-giving environment.

These initiatives are being adopted at overseas locations, as well. Sysmex Europe and Sysmex Germany are particularly proactive in supporting child-rearing and health promotion measures. Sysmex America aims to provide an excellent workplace for its employees. Evincing the strong ties between the company and its employees, in the fiscal year ended March 31, 2014, Sysmex America was selected in the Chicago Tribune Top Workplaces 2013 survey of regional organizations, sponsored by the *Chicago Tribune*.

Evolve as an Attractive Company



Social Contributions

- Sysmex is involved in healthcare, with its headquarters in Kobe but conducting operations and making social contributions on a global scale.

Sysmex contributes to the advancement of medical care and supports activities related to science, culture and the environment in a manner befitting a global healthcare company.

Since 1984, Sysmex has provided assistance for research into electronic measuring technology through the Nakatani Foundation for Advancement of Measuring Technologies in Biomedical Engineering. The foundation's goal is to contribute to the development of Japan's economy and society and to improve the quality of life (QOL) of the Japanese people. The late Taro Nakatani, the Company's founder and first president, established the Nakatani Foundation using funds contributed by himself, Sysmex and others. This year, the foundation celebrated its 30th anniversary of establishment by increasing its research promotion. Since its inception, the foundation has provided support for around 320 research projects.

Sysmex provides funds to the Kobe University School of Medicine for an endowed course in laboratory medicine. The purpose of the course is to contribute to the advancement of diagnosis and medical care by developing evaluation methods for new clinical testing in advanced medical fields.

Sysmex officially registered as a member of the United Nations Global Compact in 2011, thereby demonstrating our increased emphasis on activities pertaining to corporate social responsibility (CSR). The Global Compact was first announced by then Secretary-General Kofi Anan in an address to The World Economic Forum in January 1999, and was officially launched at UN Headquarters in New York in July 2000. By joining the Global Compact, business and non-business entities commit to upholding 10 principles in the areas of human rights, labor, the environment and anticorruption.

Sysmex is also a proactive participant in a variety of charitable initiatives. For example, employees in the United States voluntarily take part in a fund-raising campaign organized by the Leukemia & Lymphoma Society (LLS), a large-scale NPO. Their efforts to attract donors through unique event- and web-based efforts have contributed substantially to the organization's fund-raising efforts. In recognition of these efforts, in March 2014 our U.S. subsidiary was ranked for the sixth consecutive year on the Companies That Care Award, which is sponsored by Companies That Care, a U.S. NPO. This annual award honors companies with the characteristics of a "company that cares," including social contributions and sustaining a good work environment.

Aiming to Popularize a Simple Test for HIV/AIDS

Partec, which joined the Sysmex Group in September 2013, is a pioneer in flow cytometry technology. The products that Partec provides are compact and portable, suiting them for use even in emerging and developing countries where medical treatment facilities may be lacking. Partec has acquired a particularly high share of the market for testing for HIV/AIDS in Africa. Going forward, we look forward to contributing to improved healthcare environments in emerging and developing countries.

Customer: Mr. Royal Orr (Organization: Highlands Hope)

"We serve more than 2,000 HIV+ patients in Tanzania. Partec's instruments' promise of portability and ability to facilitate a large volume of patient service between calibrations was perfect for helping us to bring care closer to our patients, especially mothers and young children in the villages. We are very satisfied to date with both the lab-bench and portable versions of Partec CD4 and CD4% counters (which are used in diagnosing and monitoring HIV/AIDS). Our successful piloting of a Partec instrument has garnered great interest from health officials in Njombe, as well as in the region of Tanga. For the future, we would like to explore a number of possibilities with Sysmex."

Sysmex has been selected for inclusion in the Asia Pacific Index of the Dow Jones Sustainability Indexes (DJSI), a leading global index of socially responsible investment for the two years since 2012. DJSI is an index developed through collaboration between Dow Jones Indexes of the United States and RobecoSAM, a Swiss research specialist in the area of socially responsible investment. The index evaluates companies from three perspectives: the economy, the environment and society. Companies evaluated as having superior sustainability are selected for inclusion in the index.

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Members of the Asia Pacific Index include excellent companies selected from among leading corporations in the Asia Pacific region. In the fiscal year ended March 31, 2014, this index included 152 companies, 67 of which were Japanese. Encouraged by these results, Sysmex will continue moving forward with its efforts to enhance corporate value through corporate contribution activities.

Sysmex was also selected as one of the 2012 Global 100's Most Sustainable Companies in the World, a ranking based on joint research by Canadian publisher Corporate Knights, Bloomberg and other organizations. The Global 100 are selected from among 3,500 companies around the world on the basis of corporate value characteristics including environmental, social and corporate governance aspects. Sysmex ranked 77th overall and sixth in the Health Care sector.

Indicating the importance it places on relations with local communities, each year Sysmex holds events aimed at strengthening communications. In May 2013, we opened the garden at Technopark, our R&D center and had about 700 visitors. Sysmex America and Sysmex Brazil also hold company tours for children and students.

In 2005, the Company established the Sysmex Women's Track & Field Team, welcoming Athens Olympic Games gold medalist Mizuki Noguchi. The team supports the training of young athletes who aim to become world-class competitors. Sysmex has been a special sponsor of the Kobe Marathon since its inauguration three years ago. The 2013 Kobe Marathon, which took place in November 2013, again attracted around 20,000 entrants. In addition to providing the runners' bibs, we exhibited at a booth in the Kobe Marathon EXPO, which was held to coincide with the marathon. Sysmex employees volunteered their time to support these activities in a number of ways. A portion of the proceeds from this event were donated to assist victims of the Great East Japan Earthquake and spur recovery in the affected region.

Kobe Marathon 2013

Environmental Conservation

We are putting in place a global environmental management system to fulfill our social responsibilities with regard to environmental preservation.

Sysmex considers its social responsibility toward environmental conservation a management priority. In our efforts to achieve harmony with the global environment, we work to reduce the environmental impact of each stage of our operations—from product design, development, procurement and production to sales, support and product usage.

In the Sysmex Group Environmental Action Plan (Sysmex Eco-Vision 2020), we have set forth our long-term environmental objectives, including environmental consciousness in product life cycle processes and environmental consciousness at business offices. We have also established mid-term environmental objectives for the term concluding in the fiscal year ending March 31, 2015, we are working to achieve these goals.

Sysmex also has acquired certification under the international ISO 14001 standard for environmental management systems at principal business sites. In addition, we are formulating a groupwide system to promote environmental activities, including an annual environmental audit.

Sysmex Group Environmental Action Plan (Sysmex Eco-Vision 2020)/ Mid-term Environmental Objectives

	Sysmex Eco-Vision 2020 Long-Term Environmental Objectives (Fiscal Year Ending March 31, 2021) (Revised Edition)	Mid-term Environmental Objectives (Fiscal Years to March 31, 2014–2016)	Activities/Achievements in Fiscal Year Ended March 31, 2014
Environment consciousness in product life cycle process	Promote eco-friendly products and service models	Promote eco-friendly products and service models	• Promoted efforts toward RoHS directive compliance • Promoted product development for reduced power consumption • Promoted a switchover of protein raw materials used in reagents from animal derivatives to artificially synthesized protein • Promoted reduction in materials used in product containers and packaging • Promoted expansion of remote service in Asian regions for CO_2 emissions reduction through improved service efficiency
	Reduce carbon dioxide emissions for logistics by 50% (per unit of freight ton-km: Japan domestic and inter-regional transportation)*1 Base year: Fiscal year ended March 31, 2011	Reduce carbon dioxide emissions for logistics by 30% (per unit of freight ton-km: Japan domestic and inter-regional transportation)*1 Base year: Fiscal year ended March 31, 2011	• For exports, promoted shift from air to ocean transport Result in fiscal year ended March 31, 2014: 0.15 Base year (fiscal year ended March 31, 2011): 0.14 Up 3% against base year
Environment consciousness at business offices	Reduce greenhouse gas emissions at business offices by 50% (per unit of consolidated sales)*2 Base year: Fiscal year ended March 31, 2009	Reduce greenhouse gas emissions at business offices by 25% (per unit of consolidated sales)*2 Base year: Fiscal year ended March 31, 2009	• Installed equipment (including thorough air conditioning controls, installation of energy efficient fluorescent lighting, placement of occupancy sensors to activate stairwell lighting) as measures against global warming (each business office) • Purchased electricity from power companies using renewables (Sysmex Europe) • Reduced CO_2 emissions by using solar power (Sysmex Europe Neumunster Factory) Result in fiscal year ended March 31, 2014: 8.19 Base year (fiscal year ended March 31, 2009): 10.07 Down 20% against base year
	Achieve a recycle rate of 93% or higher at all business offices*3	Achieve a recycle rate of 90% or higher at all business offices*3	• Conducted review of waste disposal companies (Technopark) • Reuse of packaged on outsourced items (Sysmex, Wuxi) Result in fiscal year ended March 31, 2014: 88.9%
	Reduce water usage at reagent factories by 10% (per unit of amount of production)*4 Base year: Fiscal year ended March 31, 2009	Reduce water usage at reagent factories by 3% (per unit of amount of production)*4 Base year: Fiscal year ended March 31, 2009	• Installed water purifying equipment (Jinan Sysmex) • Reused industrial waste water after treatment (Sysmex India) Result in fiscal year ended March 31, 2014: 22.0 Base year (fiscal year ended March 31, 2009): 21.5 Up 3% against base year

*1 Sysmex Corporation

*2 Business offices: All factories and major business sites
Twelve domestic and overseas Group factories (five in Japan; one each in Germany, the United States and Brazil; two in China; one each in India and Singapore)
Eight domestic and overseas Group offices (four in Japan; one each in Germany, the United States, China and Singapore)

*3 Business offices: All factories and major business sites that product and/or chemical substances are handled
Twelve domestic and overseas Group factories (five in Japan; one each in Germany, the United States and Brazil; two in China; one each in India and Singapore)
Six domestic and overseas Group offices (two in Japan; one each in Germany, the United States, China and Singapore)

*4 Reagent factories (nine sites)

Environmental Impact of Business Activities

INPUT

For the year ended March 31,	2013	2014
Electricity use (thousands kWh)*1	28,154	34,519
City gas (thousands m^3)*1	1,044	1,185
LPG (m^3)*1	5,337	5,671
LNG (m^3)*1	0	0
Heavy oil (kL)*1	0	0
Kerosene (kL)*1	62	68
Diesel (kL)	19	19
Gasoline for domestic fleet (kL)*4	748	795
Diesel for domestic fleet (kL)*4	3.3	11.7
Water use (thousands m^3)*3	332	346
Office paper (t)*5	53	50
PRTR (t)*4	7.2	7.9

Sysmex's business activities
Design ▸ Production ▸ Transportation ▸ Use ▸ Disposal

OUTPUT

For the year ended March 31,	2013	2014
Greenhouse gas emissions from business offices (t-CO_2)*1	15,988	20,194
CO_2 emissions from domestic company cars (t-CO_2)*4	1,746	1,830
Total waste emissions (t)*2	1,164	1,274
Recycling rate (%)*2	89.2	89.1
Wastewater volume (thousands m^3)*3	144	144
PRTR (t)*4	0.7	4.8

*1 All Sysmex Corporation business offices, subsidiaries in Japan, factories headquarters and regional headquarters
*2 All Sysmex Corporation business offices (excluding branches and sales offices in recycling rate) and factories
*3 Sysmex Corporation business offices and factories handling products and chemical substances
*4 All Sysmex Corporation business offices and factories in Japan
*5 Sysmex Corporation and Sysmex International Reagents offices that have acquired ISO 14001 certification

Note: As the scope of calculation for *5 has changed in accordance with the integration of ISO 14001 certification in Japan, the amount of office paper used has been revised to the figure indicated in the Sysmex Sustainability Report, which was published for the fiscal year ended March 31, 2014. Also, the amount of city gas used was adjusted to correct for a mistaken calculation for one overseas regional headquarters.

The year 2008 marked the opening of Technopark, our R&D facility that is designed to fit in with the environment and the surrounding community. In addition to eco-friendly materials and an energy-saving design, the greenery, lakes and other natural spaces that make up more than half its surrounds add to its harmony with neighboring areas. Such environmental considerations have earned Technopark the highest level for the environmental performance of buildings under a Japanese standard named CASBEE, for the Comprehensive Assessment System for Built Environment Efficiency.

In a bid to reduce emissions and use resources effectively, we have launched zero-emissions initiatives at our factories. We also promote emissions separation and recovery and other recycling efforts. For its flagship model in the hematology field, the XN-Series, Sysmex has switched the packaging on some of its reagents from conventional polyethylene to paper packaging, and introduced concentrated reagents. These moves substantially reduce the changing frequency, thereby reducing waste, making our products more environmentally considerate.

Investor Relations Activities

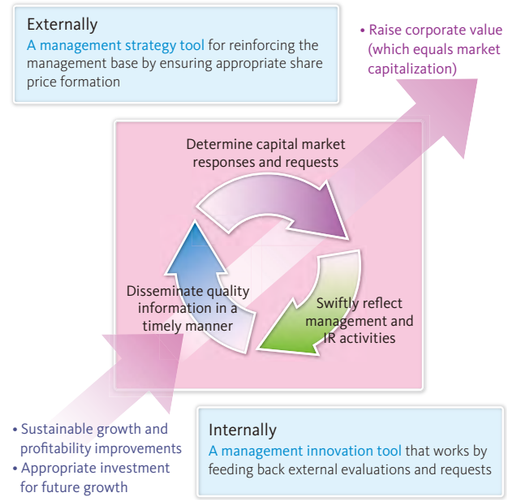
▸ We strive to sustain growth and increase corporate value. Our investor relations activities aim to proactively disclose information to enhance management soundness and transparency, communicate our corporate directions to shareholders and promote a management style that is both steady and innovative.

Sysmex recognizes investor relations as an important facet of corporate management and is active in its investor relations efforts, in line with its investor relations policy. The investor relations department is located within the corporate business planning division, which reports directly to the chairman and CEO. The department is charged with disclosing appropriate information in a timely manner, communicating directly with shareholders and other investors, and promptly providing feedback to management regarding the Company's external assessment.

One focus of the Company's communications with shareholders and other investors is to explain a complex business in a straightforward manner. In addition to briefing analysts and institutional investors about operating results, the investor relations department provides technical briefings on areas such as the life sciences and hosts tours to research and manufacturing facilities. Overseas, the department holds investor relations meetings, attends conferences held by securities firms and seeks opportunities to foster an understanding of the Company's strengths by providing individual explanations at industry exhibitions or tours of local factories. For individual investors and other shareholders, the department holds business results briefings in Tokyo and Kobe, prepares shareholder reports, as well as extensive video content on its website, all with the aim of introducing the Company's business in an easily understandable way.

The Company earned the Japan Investor Relations Association (JIRA)'s "Best IR Award" the second time in fiscal 2011, following an award for fiscal 2006. For the second year in a row, following on from fiscal 2012, in the 2013 Awards for Excellence in Corporate Disclosure, sponsored by the Securities Analysts Association of Japan, Sysmex was selected for excellence in disclosure to individual investors. We were given high marks for our chairman and CEO's explanations in his own words to individual investors at the Company's briefing meetings, and the clear and simple explanations of our business model, as well as of the Company's strengths.

Position of Sysmex IR Activities



Investor Relations Policy

1. IR Goals and Basic Policy

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

2. Basis of Information Disclosure

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

3. Methods of Information Disclosure

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

4. IR Quiet Period

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

Socially Responsible Activities

We were rated highly for arranging our materials in a manner that encourages understanding of the Company, as well as video distribution via our website. Other positive comments included the use of video to introduce our R&D and manufacturing bases in the "Sysmex Virtual Tour" corner. Our FAQ earned extremely high marks for the broad range of coverage and the polite and thoughtful responses. We also received positive feedback on our shareholder newsletter, which was judged easy to read and extensive in its content. Sysmex's annual report also earned awards for 2013 in the world's largest annual report competition—a Gold in the Health Care (Equipment & Supplies) segment of the Vision Awards (sponsored by the League of American Communications Professionals LLC of the United States)

To raise the level of the Company's investor relations activities further, in addition to proactive external information disclosure Sysmex will concentrate on responding to feedback to ensure the results of its investor relations activities are reflected in its capital policies and management.

Ceremony in which we received an award for excellence in disclosure to individual investors

Promoting Direct Dialogue with Various Stakeholders

Sysmex values opportunities for direct dialogue with stakeholders. We incorporate opinions and requests received into our business activities.

Major Dialogue Achievements in Fiscal Year Ended March 31, 2014

Customers

- Conducted survey on degree of customer satisfaction in each region (Sysmex Corporation and overseas Group companies in each region)
- Held scientific seminars in each region (Sysmex Corporation and overseas Group companies in each region)
- Ongoing customer training program incorporating customer feedback in each region (Sysmex Corporation and overseas Group companies in each region)

Employees

- Investigated desire concerning career design, including interest in working overseas or changing jobs through a voluntary report given to all employees, with results made use of in HR rotation (Sysmex Corporation)
- Conducted collective bargaining with the labor union and held labor–management meetings on topics such as workplace environment improvement (Sysmex Corporation)

Business Partners

- Held the 45th Anniversary Sysmex Suppliers Conference, communicating our appreciation to suppliers for their assistance over the past 45 years, and took this as an opportunity to share our thoughts on business continuity plans (BCPs) (Sysmex Corporation)

Shareholders and Investors

- Conducted IR tours in France and Russia targeting institutional investors and analysts from Japan (Sysmex Corporation)
- Held the 11th Technology Presentation for institutional investors and analysts (Sysmex Corporation)
- Held informational meetings for individual investors (Sysmex Corporation)
- Conducted tour for shareholders (Sysmex Corporation)

Communities

- Held event for local community interaction at R&D core Technopark (Sysmex Corporation)
- Participated in math and science education-focused "6th Science Fair in Hyogo" event for high school students (Sysmex Corporation)
- Participated in the "Aim High Urban Mentoring Initiative" conducted by a U.S. NPO and advised local high school students (Sysmex America)

Contents

11-Year Consolidated Financial Data

For the years ended March 31,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	(Millions of yen) 2014	(Thousands of U.S. dollars)*1 2014
For the year:												
Net sales	¥ 65,970	¥ 76,935	¥ 87,888	¥ 101,041	¥ 110,724	¥ 111,843	¥ 116,206	¥ 124,694	¥ 134,744	¥ 145,578	¥ 184,538	$ 1,791,631
Operating income	6,615	9,104	10,724	12,715	15,033	15,134	15,740	18,289	19,206	21,805	32,871	319,136
Net income	3,157	5,731	7,423	9,008	9,132	8,014	9,765	11,412	12,007	14,166	20,574	199,748
Net increase (decrease) in cash and cash equivalents	3,465	(3,261)	(499)	3,299	(3,044)	(269)	4,403	5,103	2,922	12,469	2,241	21,757
Cash and cash equivalents, end of year	13,718	10,458	9,416	12,715	9,679	9,410	13,813	18,916	21,838	34,307	36,548	354,835
Capital expenditure	2,451	2,729	5,638	4,546	8,244	9,340	4,540	5,840	7,909	8,945	13,366	129,767
Depreciation	3,203	3,296	3,592	3,959	3,924	7,189	7,067	6,871	7,031	7,945	9,961	96,709
R&D expenditure	5,549	6,509	8,184	9,026	9,221	10,771	11,238	12,380	11,904	12,119	13,260	128,738
Net cash provided by (used in) operating activities	9,302	6,692	8,275	10,085	11,635	13,194	21,230	18,135	17,059	25,806	36,564	354,990
Net cash provided by (used in) investing activities	(3,212)	(5,631)	(7,859)	(6,630)	(12,883)	(13,545)	(6,603)	(8,916)	(10,372)	(12,524)	(33,940)	(329,514)
Net cash provided by (used in) financing activities	(2,428)	(4,377)	(1,191)	(458)	(1,316)	723	(10,091)	(3,475)	(3,814)	(3,117)	(2,898)	(28,136)
At year-end:												
Total assets	71,983	77,660	87,447	101,225	109,027	118,522	120,702	130,060	142,285	173,011	210,759	2,046,204
Shareholders' equity	51,096	56,149	62,647	71,344	78,753	79,183	86,358	93,534	101,834	118,801	145,757	1,415,117
Interest-bearing liabilities	4,175	657	695	669	1,081	10,344	2,565	1,971	1,026	769	1,960	19,029
											(Yen)	(U.S. dollars)
Per share data:												
Shareholders' equity (yen)	¥ 2,042.7	¥ 2,244.9	¥ 1,251.8*2	¥ 1,411.0	¥ 1,541.0	¥ 1,548.2	¥ 1,684.9	¥ 910.7*2	¥ 990.5	¥ 1,151.4	¥ 703.8*2	$ 6.83
Net income (basic) (yen)	132.9	225.1	145.5*2	179.6	178.9	156.7	190.8	111.2*2	116.9	137.6	99.5*2	0.97
Net income (diluted) (yen)	123.1	224.0	143.8*2	178.0	178.3	156.5	190.5	111.0*2	116.6	137.1	99.2*2	0.96
Cash dividends applicable to the year*3 (yen)	3.75	5.00	6.50*2	9.00	12.00	12.50	14.00	15.00*2	17.00	20.00	27.00*2	0.26
Dividend ratio (%)	22.6	17.8	17.9	20.0	26.8	31.9	29.4	27.0	29.1	29.1	27.1	
Other data:												
Shareholders' equity ratio (%)	71.0	72.3	71.6	70.5	72.2	66.8	71.5	71.9	71.6	68.7	69.2	
Return on equity (ROE) (%)	6.7	10.7	12.5	13.4	12.2	10.1	11.8	12.7	12.3	12.8	15.6	
Return on assets (ROA)*4 (%)	4.6	7.7	9.0	9.5	8.7	7.0	8.2	9.1	8.8	9.0	10.7	
Price-earnings ratio (PER) (times)	20.3	27.2	35.3	23.8	20.1	20.0	28.7	26.5	28.6	42.1	33.1	
Price-book value ratio (PBR) (times)	1.3	2.7	4.1	3.0	2.3	2.0	3.3	3.2	3.4	5.0	4.7	
Number of employees Note: Including part-time employees	2,907	3,115	3,334	3,580	3,916	4,148	4,587	4,960	5,324	5,594	6,211	

Notes:
*1. U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥103 = US$1, the approximate rate of exchange on March 31, 2014.
*2. Two-for-one stock split
*3. Dividend (actual) coverted to post-split basis.
*4. ROA = Net Income/Total Assets (Yearly Average)×100

Financial Policy

Sysmex regards increasing its market capitalization to maximize corporate value as an important management objective and pays careful attention to stable cash flow generation. We consider it important to share this goal with all stakeholders, including shareholders, customers, business partners, local communities and employees, while sustaining medium- to long-term growth. To that end, Sysmex has in place measures to communicate with stakeholders on the Company's current situation and the direction it should pursue. These measures include enhancing timely disclosure, the website, shareholder newsletters, financial data, periodic briefings on business results, visits to institutional investors and briefings for individual investors.

Sustaining medium- to long-term growth requires a level of R&D expenditure sufficient to prevail in global competition. We must consistently create new technologies and products and stimulate the growth of our critical mass to absorb increases in selling, general and administrative (SG&A) expenses. In recent years, our sales growth in overseas markets has been striking and succeeded in sustaining steady growth. Sysmex is aggressively making forward-looking investments not only in the hematology segment, the current key business domain, but also in non-hematology segments such as urinalysis, immunochemistry, clinical chemistry and hemostasis and in new forms of medical testing in the life science field.

Sysmex pays attention not only to business scale, but also to asset and capital efficiency and liability and capital soundness. The Company holds an A+ issuer rating from Rating & Investment Information, Inc. (R&I), and reviews and renews this rating each year. Having a high rating reduces the cost of raising funds in the capital markets and helps build trust among our shareholders and with the world at large. To enhance its rating in upcoming years, Sysmex will construct a flexible and more robust financial base, paying attention to expanding business scale while considering the balance between sales and income, and assets, liabilities and equity. Specifically, the Company regards net sales, operating income, operating margin, return on equity (ROE) and free cash flow (FCF) as important management indicators and aims to maintain a balance between scale and efficiency by ensuring the optimal combination of sales and income and of assets, liabilities and equity.

Overview

Looking at economic conditions during the fiscal year ended March 31, 2014, in the United States, the employment situation continued to gradually improve and activity in the corporate sector maintained its recovery trend. In Europe, the debt crisis and the resulting austerity measures continued, but the region showed signs of recovery, albeit slight. The sense of decelerating growth in China's economy continued, as both internal demand and exports leveled off. Overall, however, the overseas economic outlook was in a gradual recovery. The Japanese economy was in a recovery phase, as the government's economic policies and monetary easing by Japan's central bank caused manufacturing activity in the corporate sector to recover, and the employment and income environment showed signs of improving.

On the healthcare front, in advanced countries in Europe and the Americas, efforts are underway to reduce healthcare costs and reform medical systems, and fiscal austerity measures in countries such as Spain and Italy are causing healthcare spending in those countries to continue to decline. In the United States, efforts to reform the health insurance system to reduce the number of people without medical insurance continue. In China, medical system reform that is underway, including to the medical insurance system, aims to build infrastructures that provide uniform medical services in cities and farming villages throughout the country. The Japanese government is positioning the healthcare industry as a pillar of its strategies for national growth, reorganizing Medical Excellence JAPAN and announcing plans to establish Japanese National Institutes of Health. Such measures are expected to invigorate healthcare-related industries going forward. Therefore, although some causes for uncertainty remain, the foundations of healthcare-related demand remain solid.

The Sysmex Group has completed construction of a new factory, i-Square, that will increase the Group's instrument manufacturing capacity to meet growing demand for *in-vitro* diagnostic (IVD) instruments in the Japanese and overseas markets. The new factory is located in the city of Kakogawa, Hyogo Prefecture, adjoining the Kakogawa Factory. We expanded existing factories at two domestic affiliated companies, Sysmex Medica Co., Ltd., and Sysmex RA Co., Ltd., boosting the Sysmex Group's overall IVD instrument production capacity. We have converted our distributor in South Korea to a subsidiary, strengthening our sales and support structures. We are also augmenting our scientific support—a Sysmex strength—and offering support proposals, efforts that should lead to enhanced customer satisfaction.

At the same time, we have established the R&D Center Americas to promote the globalization of R&D activities, locating the center at Sysmex America, Inc., our regional headquarters for the Americas. The center will pursue such strategic activities as joint research with U.S. healthcare institutions and the evaluation of technologies possessed by local companies in an effort to rapidly acquire useful leading-edge technologies.

As part of efforts to make entry into the area of personalized medicine, which is expected to grow, we converted to consolidated subsidiaries Partec GmbH and its affiliates, which possess flow cytometry technology*. We also converted to subsidiaries Inostics GmbH and its affiliated companies, which have gene amplification technologies that can be used to detect cancer genes circulating in the blood. By combining these companies' technologies with our own, we aim to make inroads in the hematology field and build the foundations for personalized medicine.

Sysmex has also established a marketing company in Kobe in cooperation with Kobe-based Kawasaki Heavy Industries, Ltd. This new company, Medicaroid Corporation, will promote the development of medical robots. Through this company, we aim to draft product plans centered on medical robots, for which global demand is expected to increase. Going forward, these efforts will concentrate on development, manufacturing and establishment of sales structures.

During the year the Group recorded consolidated net sales of ¥184,538 million, up 26.8% year on year, operating income rose 50.8%, to ¥32,871 million; and net income increased 45.2%, to ¥20,574 million. Total asset turnover increased from 0.92 time to 0.96 time, and return on equity (ROE) advanced from 12.8% in the preceding year to 15.6% during the fiscal year under review.

* Flow cytometry technology: Method involving the flow dispersion of minute particles and the use of laser light to optically analyze the minute flows.

Net Sales by Destination*

Looking at net sales by destination, in Japan capital investments by large-scale healthcare institutions were robust, and we continued with solution-proposal efforts. Although sales in the hematology field were down, sales centered on the urinalysis and hemostasis field were solid. As a result, sales in Japan amounted to ¥40,317 million, up 0.3% year on year.

In overseas markets, we made steady progress in the strengthening of sales and support structures and the provision of solutions, leading to robust sales of IVD instruments, and sales of reagents and services grew in line with an increase in the installed instrument base. These factors, plus the effect of yen depreciation, caused the Sysmex Group's overseas sales to surge 36.8% year on year, to ¥144,221 million. The overseas sales ratio accordingly rose 5.8 percentage points, to 78.2%.

Looking at overseas sales by destination, sales in the Americas amounted to ¥39,927 million, up ¥9,162 million, or 29.8% year on year; in EMEA ¥53,386 million, up ¥13,799 million, or 34.9%; in China ¥36,269 million, up ¥11,839 million, or 48.5%; and in Asia-Pacific ¥14,639 million, up ¥4,033 million, or 38.0%.

* 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.

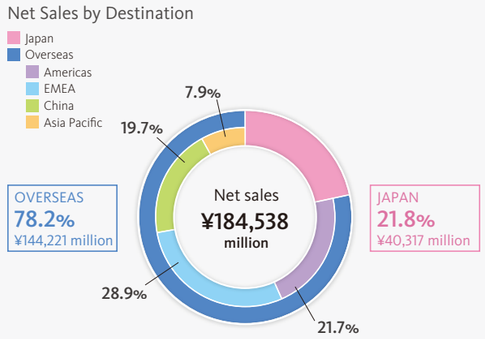
Sysmex website

Shareholder newsletter

Financial data (English/Japanese) posted in the "IR Library" on the Sysmex website

Rating Institution	Rating
Rating & Investment Information Inc. (R&I)	A+

Rating Information
(As of May 31, 2014)
Rating symbols and definitions:
Rating A+; The credit quality is high. It is also accompanied by some excellent factors.



Net Sales by Geographical Region

Japan

Performance in Japan improved, mainly in the urinalysis and hemostasis fields, as we continued to persevere in promoting solution proposals. However, sales in the "Japan" segment decreased 2.8% year on year, to ¥41,759 million, because of the conversion of our South Korean distributor to a subsidiary, as sales to external customers formerly recorded in the "Japan" segment were shifted to the "Asia Pacific" segment during the fiscal year.

On the profit front, such factors as the expansion of export sales to Group companies led to a 68.7% surge in segment profit, to ¥20,138 million.

Americas

In the United States, in addition to rising instrument sales, an increase in the installed instrument base led to higher sales of reagents and support services, pushing up sales in the country. In Central and South America, the expansion of business volume in Chile and Costa Rica boosted sales, and for the Americas as a whole, sales expanded 29.9%, to ¥38,594 million.

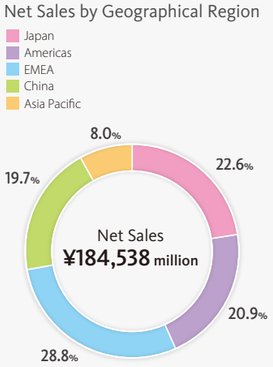
Segment profit rose 16.4%, to ¥2,478 million, as the impact of expanded sales outpaced the impact of higher selling, general and administrative expenses stemming from efforts to reinforce our sales management system.

EMEA

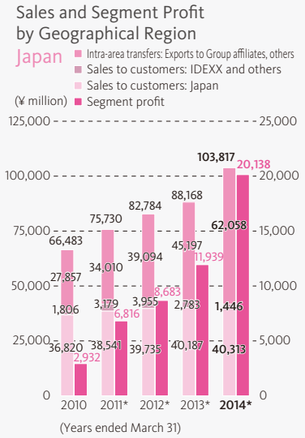
Sales in Germany and France increased, as did sales in Russia and emerging markets, and we acquired new bid projects in Spain, resulting in favorable sales, centered on the hematology field. Segment sales consequently rose 34.9%, to ¥53,196 million.

Segment profit jumped 48.4%, to ¥8,604 million, as the expansion in sales outpaced the rise in selling, general and administrative expenses accompanying our business expansion.

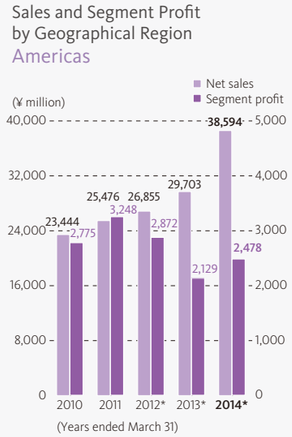
Net Sales by Geographical Region



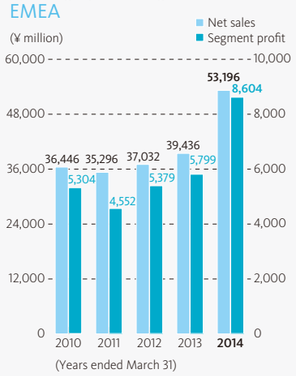
Sales and Segment Profit by Geographical Region
Japan



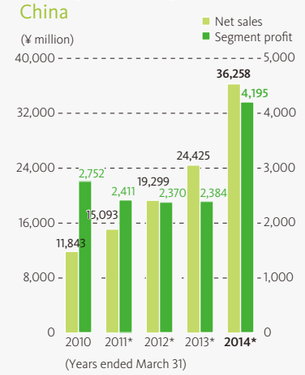
Sales and Segment Profit by Geographical Region
Americas



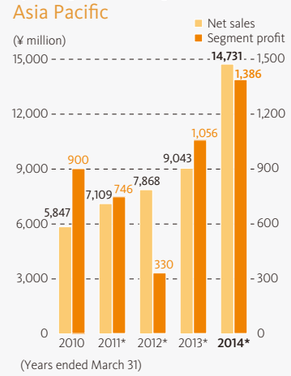
Sales and Segment Profit by Geographical Region
EMEA



Sales and Segment Profit by Geographical Region
China



Sales and Segment Profit by Geographical Region
Asia Pacific



* Revision in intragroup transaction prices

China

In this market, sales were sluggish in some areas. However, sales of reagents rose in the hematology, urinalysis and hemostasis fields, pushing up segment sales 48.4%, to ¥36,258 million.

Boosted by higher sales, segment profit rose 76.0%, to ¥4,195 million, offsetting an increase in selling, general and administrative expenses stemming from efforts to reinforce our sales structure.

Asia Pacific

The conversion of our South Korean distributor to a subsidiary bolstered sales in this segment. We also boosted sales in Thailand by enhancing our direct sales and support activities and benefited from higher sales of reagents in Indonesia and Malaysia thanks to an increase in the installed instrument base. As a result, sales expanded 62.9%, to ¥14,731 million.

Segment profit expanded 31.3%, to ¥1,386 million, as the substantially higher sales overshadowed higher selling, general and administrative expenses that went toward the building of sales and support structures.

Profits and Losses

Net Sales

In Japan, we continued to persevere in making solution-based proposals. As a result, although sales in the hematology field were down, sale centered on the urinalysis and hemostasis fields were solid.

In overseas markets, we strengthened our sales and support structures and continued with solution-based proposals. Consequently, sales of IVD instruments were favorable. Also, an increase in the installed instrument base led to higher sales of reagents and services.

Owing to these factors, during the year ended March 31, 2014, net sales increased ¥38,960 million, or 26.8%, to ¥184,538 million. The yen depreciated during the fiscal year, with the average exchange rate against the U.S. dollar falling ¥17.13, from ¥83.11 to ¥100.24. This shift had a ¥6,445 million positive impact on sales. The yen depreciated ¥27.22 against the euro, with the average for the year moving from ¥107.15 against the euro to ¥134.37. Yen appreciation against the euro had a ¥10,127 million positive effect on sales. Overall depreciation of the yen against all currencies had a positive impact on sales of ¥24,995 million during the year.

Cost of Sales and SG&A Expenses

Cost of sales increased ¥12,232 million, or 21.6%, to ¥68,814 million, and the cost of sales ratio down 1.6 percentage point, to 37.3%.

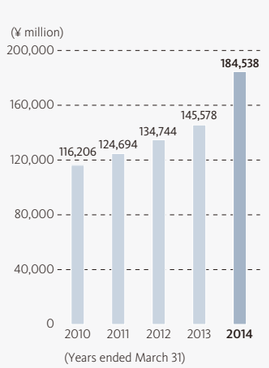
SG&A expenses rose ¥15,662 million, or 23.3%, to ¥82,853 million, stemming from the Company's efforts to reinforce its sales and support structures. The ratio of SG&A expenses to net sales edged down 1.2 percentage points, from 46.1% to 44.9%.

Income

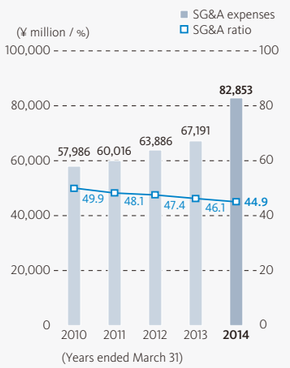
Higher sales overshadowed the rise in SG&A expenses, causing operating income to increase ¥11,066 million, or 50.8%, to ¥32,871 million, and the operating margin was 17.8%, up 2.8 percentage points. The foreign exchange situation, meanwhile, had a ¥9,838 million positive impact on operating income, compared with the preceding fiscal year.

Net income expanded ¥6,408 million, or 45.2%, to ¥20,574 million. This rise was despite a loss of ¥116 million due to a transportation accident, on which the Company posted insurance premiums receivable of ¥246 million, and an impairment loss of ¥231 million. In addition, total income taxes increased ¥4,439 million, or 52.6%, to ¥12,877 million.

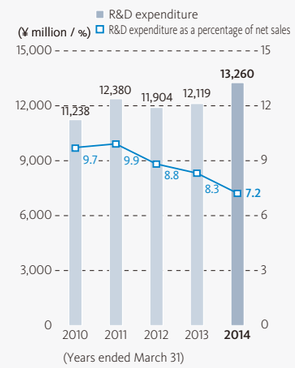
Net Sales



SG&A Expenses
SG&A Ratio



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



R&D Expenditure

To enhance its product portfolio, during the year Sysmex developed new products and pursued R&D centering on clinical testing and the life sciences, fields targeted for future growth. As a result, R&D expenditure amounted expanded ¥1,141 million, or 9.4%, to ¥13,260 million. R&D expenditure as a percentage of net sales decreased 1.1 percentage points, from 8.3% to 7.2%.

Dividend Policy

We aim to maintain a proper balance between internal reserves for R&D and capital expenditure, which are designed to sustain steady high growth, and returns to our shareholders as our earning power increases. In terms of returns to shareholders, we intend to provide a stable dividend on a continuous basis and aim for a consolidated payout ratio of 20% 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 ¥27 per share, which includes an interim dividend of ¥10.5. As a result, the consolidated payout ratio was 27.1%.

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

Liquidity and Sources of Capital

Fund Procurement and Liquidity Management

The Company raises working capital as necessary through short-term bank loans and other means. Consolidated subsidiaries obtain bank loans as needed to secure working capital, but in October 2003, the Company introduced a cash management system to increase efficiency by unifying financing and capital management at affiliates in Japan.

For long-term capital requirements such as capital investment, the Company decides the funding method after taking into account the investment recovery period and risk. During the year, the Company financed capital expenditure and R&D activities primarily from cash provided by operating activities.

Assets, Liabilities and Equity

As of March 31, 2014, total assets amounted to ¥210,759 million, up ¥37,748 million from the end of the previous fiscal year. Among current assets, major factors included a ¥2,241 million increase in cash and cash equivalents, a rise of ¥4,995 million in trade accounts receivable, and a ¥1,982 million expansion in deferred tax assets. Under property, plant and equipment, furniture and fixtures grew ¥8,833 million and construction in progress increased ¥3,856 million. Amoung investments and other aseets, goodwill increased ¥11,325 million.

Meanwhile, total liabilities were up ¥10,652 million, to ¥64,509 million. The main reasons for this rise, in current liabilities, were increases of ¥3,717 million in income taxes payable and ¥2,525 million in accrued expenses. In long-term liabilities, deferred tax liabilities were up ¥3,004 million.

Total equity came to ¥146,250 million at the end of the year, up ¥27,096 million. The principal reasons for this rise were a ¥16,030 million increase in retained earnings and an increase in foreign currency translation adjustments of ¥8,612 million. The equity ratio as of March 31, 2014, was 69.2%, up from 68.7% at the end of the previous fiscal year.

Cash Flows

As of March 31, 2014, cash and cash equivalents amounted to ¥36,548 million, up ¥2,241 million from March 31, 2013. Cash flows from various activities are described in more detail below.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥36,564 million, ¥10,758 million more than in the preceding fiscal year. As principal factors, income before income taxes provided ¥33,451 million, ¥10,832 million more than in the preceding fiscal year; depreciation and amortization provided ¥11,396 million, ¥2,584 million more; the decrease in notes and accounts receivable provided ¥713 million, compared with a ¥2,425 million increase in the previous fiscal year; and the decrease in inventories provided ¥1,644 million, compared with a ¥2,818 million increase in the preceding year. However, the decrease in notes and accounts payable used ¥2,937 million, compared with a ¥2,432 million increase in the previous fiscal year, and income taxes paid used ¥10,233 million, ¥2,980 million more than in the preceding fiscal year.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥33,940 million, ¥21,416 million more than in the preceding fiscal year. Among major factors were purchases of property, plant and equipment, which used ¥13,283 million, up ¥3,675 million, and the purchase of software and other assets used ¥3,813 million, up ¥1,610 million. Also, acquisitions, net of cash acquired used ¥16,643 million, ¥16,286 million more than in the fiscal year ended March 31, 2013.

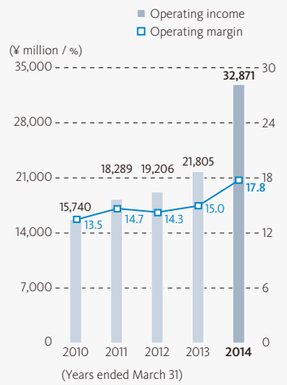
Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥2,898 million, ¥219 million less than in the previous year. This figure was mainly due to dividends paid of ¥4,544 million, which used ¥840 million more in cash than in the preceding fiscal year. At the same time, the Company recorded an ¥855 million net increase in short-term bank loans, which was absent in the previous year, and ¥877 million in proceeds from exercise of warrants, up ¥11 million.

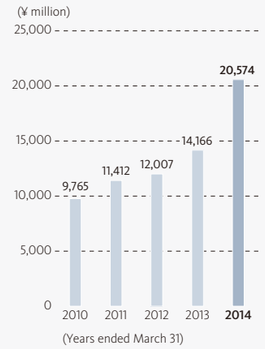
Capital Expenditure and Depreciation

Capital expenditure (investment in property, plant and equipment, including construction in progress) was up ¥4,421 million year on year, or 49.4%, to ¥13,366 million. The principal reason for this rise was our construction of a new factory, i-Square, to increase production of IVD instruments in response to growing domestic and overseas demand, as well as the expansion of existing factories at subsidiaries in Japan. In addition, in response to growing business in overseas markets, we invested in the expansion of overseas subsidiaries' factories for producing IVD reagents, and sales promotion expenditures grew, as well. Also, depreciation increased ¥2,016 million, or 25.4%, to ¥9,961 million.

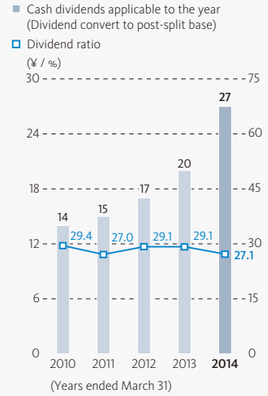
Operating Income
Operating Margin



Net Income

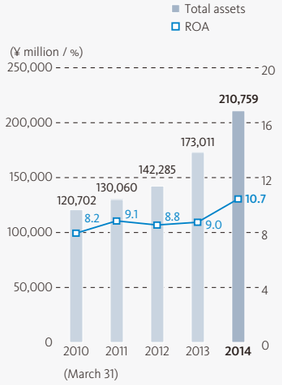


Cash Dividends Applicable to the Year
Dividend Ratio



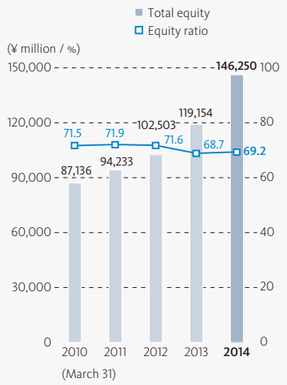
Note: Two-for-one stock split conducted on April 1, 2014 and 2011.

Total Assets
ROA*

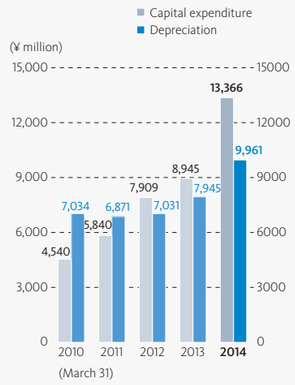


* Net Income/Total Assets (Yearly Average)×100

Total Equity
Equity Ratio



Capital Expenditure
Depreciation



Consolidated Financial Statements

Consolidated Balance Sheet

Sysmex Corporation and Consolidated Subsidiaries

March 31, 2014	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 36,548	¥ 34,307	$ 354,835
Short-term investments (Note 4)	282	150	2,738
Receivables (Note 13):			
Trade notes	2,854	3,584	27,709
Trade accounts	42,502	37,507	412,641
Associated companies	161	165	1,563
Other	254	261	2,466
Allowance for doubtful accounts	(889)	(523)	(8,631)
Investments in lease (Notes 12 and 13)	4,640	3,263	45,049
Inventories (Note 5)	27,320	25,941	265,243
Deferred tax assets (Note 11)	8,012	6,030	77,786
Prepaid expenses and other current assets	4,139	3,727	40,183
Total current assets	125,823	114,412	1,221,582
PROPERTY, PLANT AND EQUIPMENT:			
Land	11,264	10,023	109,359
Buildings and structures	32,756	31,216	318,019
Machinery and equipment	9,461	8,314	91,854
Furniture and fixtures	42,688	33,855	414,448
Lease assets	2,536	2,821	24,621
Construction in progress	4,678	822	45,417
Total	103,383	87,051	1,003,718
Accumulated depreciation	(49,609)	(41,572)	(481,640)
Net property, plant and equipment	53,774	45,479	522,078
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 13)	4,283	3,620	41,583
Investments in unconsolidated subsidiaries and associated companies	390	415	3,786
Goodwill (Note 6)	13,115	1,790	127,330
Software	5,969	4,655	57,951
Deferred tax assets (Note 11)	132	125	1,282
Other assets	7,273	2,515	70,612
Total investments and other assets	31,162	13,120	302,544
TOTAL	¥ 210,759	¥ 173,011	$ 2,046,204

See notes to consolidated financial statements.

	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	¥ 1,000		$ 9,709
Current portion of long-term debt (Note 7)	51	¥ 3	495
Current portion of long-term lease obligations (Note 13)	57	54	553
Payables (Note 13):			
Trade notes	1,388	1,728	13,476
Trade accounts	11,728	12,872	113,864
Associated companies	154	258	1,495
Construction and other	4,398	4,358	42,699
Income taxes payable (Note 13)	7,700	3,983	74,757
Accrued expenses	12,433	9,908	120,709
Deferred tax liabilities (Note 11)	8	7	78
Other current liabilities	15,093	12,253	146,534
Total current liabilities	54,010	45,424	524,369
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	105	1	1,019
Long-term lease obligations (Note 13)	251	245	2,437
Liability for retirement benefits (Note 8)	734	1,908	7,126
Deferred tax liabilities (Note 11)	6,079	3,075	59,019
Other long-term liabilities	3,330	3,204	32,331
Total long-term liabilities	10,499	8,433	101,932
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)			
EQUITY (Notes 9, 10, 17 and 19):			
Common stock, authorized, 598,688,000 shares; issued, 207,553,632 shares in 2014 and 206,798,832 shares in 2013*	10,243	9,712	99,447
Capital surplus	15,184	14,652	147,417
Stock acquisition rights	493	353	4,786
Retained earnings	109,977	93,947	1,067,738
Treasury stock - at cost: 440,556 shares in 2014 and 437,392 shares in 2013*	(270)	(260)	(2,621)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,134	709	11,009
Foreign currency translation adjustments	8,653	41	84,010
Defined retirement benefit plans	836		8,117
Total	146,250	119,154	1,419,903
Minority interests	0	0	0
Total equity	146,250	119,154	1,419,903
TOTAL	¥ 210,759	¥ 173,011	$ 2,046,204

* Shares have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2014.

Consolidated Statement of Income

Sysmex Corporation and Consolidated Subsidiaries

Year Ended March 31, 2014	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
NET SALES	¥ 184,538	¥ 145,578	$ 1,791,631
COST OF SALES	68,814	56,582	668,097
Gross profit	115,724	88,996	1,123,534
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	82,853	67,191	804,398
Operating income	32,871	21,805	319,136
OTHER INCOME (EXPENSES):			
Interest and dividend income	230	179	2,233
Interest expense	(41)	(59)	(398)
Foreign exchange gain (loss)–net	411	815	3,990
Other–net	(20)	(121)	(194)
Other income (expenses)–net	580	814	5,631
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	33,451	22,619	324,767
INCOME TAXES (Note 11):			
Current	13,735	8,184	133,350
Deferred	(858)	254	(8,331)
Total income taxes	12,877	8,438	125,019
NET INCOME BEFORE MINORITY INTERESTS	20,574	14,181	199,748
MINORITY INTERESTS IN NET INCOME	0	15	0
NET INCOME	¥ 20,574	¥ 14,166	$ 199,748

	Yen 2014	Yen 2013	U.S. Dollars 2014
PER SHARE OF COMMON STOCK (Notes 2.w and 17):			
Basic net income*	¥ 99.47	¥ 68.79	$ 0.97
Diluted net income*	99.16	68.53	0.96
Cash dividends applicable to the year*	27.00	20.00	0.26

* Per share figures have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2014.

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sysmex Corporation and Consolidated Subsidiaries

Year Ended March 31, 2014	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars (Note 1) 2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 20,574	¥ 14,181	$ 199,748
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized gain on available-for-sale securities	425	282	4,126
Deferred gain on derivatives under hedge accounting		0	
Foreign currency translation adjustments	8,612	5,190	83,612
Total other comprehensive income	9,037	5,472	87,738
COMPREHENSIVE INCOME	¥ 29,611	¥ 19,653	$ 287,486
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :			
Owners of the parent	¥ 29,611	¥ 19,625	$ 287,486
Minority interests	(0)	28	(0)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Sysmex Corporation and Consolidated Subsidiaries

	Millions of Yen												
							Accumulated Other Comprehensive Income						
Year Ended March 31, 2014	Number of Shares of Common Stock Outstanding*	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	205,618,504	¥ 9,187	¥ 14,127	¥ 546	¥ 83,485	¥ (256)	¥ 427	¥ (0)	¥ (5,136)		¥ 102,380	¥ 123	¥ 102,503
Net income					14,166						14,166		14,166
Cash dividends, ¥18.00 per share*					(3,704)						(3,704)		(3,704)
Purchase of treasury stock	(1,864)					(4)					(4)		(4)
Disposal of treasury stock													
Exercise of warrants	744,800	525	525								1,050		1,050
Net change in the year				(193)			282	0	5,177		5,266	(123)	5,143
BALANCE, MARCH 31, 2013	206,361,440	9,712	14,652	353	93,947	(260)	709		41		119,154	0	119,154
Net income					20,574						20,574		20,574
Cash dividends, ¥22.00 per share*					(4,544)						(4,544)		(4,544)
Purchase of treasury stock	(3,304)					(10)					(10)		(10)
Disposal of treasury stock	140		1			0					1		1
Exercise of warrants	754,800	531	531								1,062		1,062
Net change in the year				140			425		8,612	¥ 836	10,013	(0)	10,013
BALANCE, MARCH 31, 2014	207,113,076	¥ 10,243	¥ 15,184	¥ 493	¥ 109,977	¥ (270)	¥ 1,134		¥ 8,653	¥ 836	¥ 146,250	¥ 0	¥ 146,250

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$ 94,292	$ 142,252	$ 3,427	$ 912,107	$ (2,524)	$ 6,883		$ 398		$ 1,156,835	$ 0	$ 1,156,835
Net income				199,748						199,748		199,748
Cash dividends, $0.21 per share*				(44,117)						(44,117)		(44,117)
Purchase of treasury stock					(97)					(97)		(97)
Disposal of treasury stock		10			0					10		10
Exercise of warrants	5,155	5,155								10,310		10,310
Net change in the year			1,359			4,126		83,612	$ 8,117	97,214	(0)	97,214
BALANCE, MARCH 31, 2014	$ 99,447	$ 147,417	$ 4,786	$ 1,067,738	$ (2,621)	$ 11,009		$ 84,010	$ 8,117	$ 1,419,903	$ 0	$ 1,419,903

* Shares and per share figures have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2014.

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Sysmex Corporation and Consolidated Subsidiaries

Year Ended March 31, 2014	Millions of Yen 2014	2013	Thousands of U.S. Dollars (Note 1) 2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 33,451	¥ 22,619	$ 324,767
Adjustments for:			
Income taxes - paid	(10,233)	(7,253)	(99,350)
Depreciation and amortization	11,396	8,812	110,641
Loss on disposal of property, plant and equipment	204	339	1,981
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	713	(2,425)	6,922
Decrease (increase) in inventories	1,644	(2,818)	15,961
(Decrease) increase in notes and accounts payable	(2,937)	2,432	(28,515)
Increase in liability for retirement benefits	35	453	340
Other–net	2,291	3,647	22,243
Net cash provided by operating activities	36,564	25,806	354,990
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(13,283)	(9,608)	(128,961)
Purchases of software and other assets	(3,813)	(2,203)	(37,019)
Acquisitions, net of cash acquired (Note 16)	(16,643)	(357)	(161,583)
Other–net	(201)	(356)	(1,951)
Net cash used in investing activities	(33,940)	(12,524)	(329,514)
FINANCING ACTIVITIES:			
Increase in short-term bank loans - net	855		8,301
Repayments of long-term debt	(13)	(6)	(126)
Payments of lease obligations	(63)	(269)	(612)
Exercise of warrants	877	866	8,515
Dividends paid	(4,544)	(3,704)	(44,117)
Other–net	(10)	(4)	(97)
Net cash used in financing activities	(2,898)	(3,117)	(28,136)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	2,515	2,304	24,417
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,241	12,469	21,757
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	34,307	21,838	333,078
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 36,548	¥ 34,307	$ 354,835
ADDITIONAL CASH FLOW INFORMATION - Interest paid	¥ 16	¥ 42	$ 155

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sysmex Corporation and Consolidated Subsidiaries
Year Ended March 31, 2014

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Sysmex Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥103 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The accompanying consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 56 (42 in 2013) significant subsidiaries (collectively the "Group"). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

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

Investments in three (two in 2013) associated companies are accounted for by the equity method.

Investments in four unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for, the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of research and development (R&D); 4) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.

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

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

The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required R&D costs to be charged to income as incurred. Under the revised standard, in-process R&D costs acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2011.

On September 30, 2013, the Company acquired 100% of the net assets of Partec GmbH and its affiliated companies and on October 1, 2013, the Company acquired 100% of the net assets of Inostics GmbH and its affiliated companies. The Company accounted for these transactions by the purchase method of accounting. The related goodwill is systematically amortized over 20 years.

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

f. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

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

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

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

Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

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

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

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

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

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

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

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2.x).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

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

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥632 million ($6,136 thousand) and asset for retirement benefits of ¥14 million ($136 thousand) were recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥836 million ($8,117 thousand).

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

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

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

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

o. Research and Development—R&D costs are charged to income as incurred. Such costs were ¥13,260 million ($128,738 thousand) and ¥12,119 million for the years ended March 31, 2014 and 2013, respectively.

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

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

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

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

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

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

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

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

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

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

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

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid

or received under the swap agreements is recognized and included in interest expense or income.

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

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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

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

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

(2) Changes in Presentation
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors
When an error in prior-period financial statements is discovered, those statements are restated.

y. New Accounting Pronouncemen—
Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) *Treatment in the balance sheet*
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) *Treatment in the statement of income and the statement of comprehensive income*
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) *Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases*
The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

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

The Company applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014. The effects of applying the revised accounting standard for (c) above in future applicable periods would be minor.

3. BUSINESS COMBINATION

On September 30, 2013, the Company acquired 100% of the net assets of Partec GmbH and its affiliated companies (hereinafter referred to as "Partec"). Partec, a pioneering company in the field of FCM (Flow Cytometry), has amassed significant expertise and developmental capabilities involving leading-edge FCM products. Partec has gained a strong presence in emerging markets and developing countries for its efforts in areas such as HIV monitoring, malaria diagnostics and other infectious diseases. In developed countries, Partec provides testing instruments that employ its FCM technology, targeting research institutions and customers in general industry categories. The Company plans to extend its business domain as well as accelerate global outreach by leveraging its sales and support network. The Company expects to further advance in the hematology field by combining FCM technologies - Partec's forte - with its own expertise in the hematology field cultivated over the years.

On October 1, 2013, the Company acquired 100% of the net assets of Inostics GmbH and its affiliated companies (hereinafter referred to as "Inostics"). Inostics possesses advanced genetic testing technologies, such as ultrasensitive digital PCR (Polymerase Chain Reaction) technology for detecting cancer cell DNA directly from blood - a "liquid biopsy" process as opposed to tissue testing. By acquiring those technologies, the Company plans to globally develop assay services that Inostics already provides. Its companion diagnostics activities in collaboration with pharmaceutical companies will be enhanced as well.

The Company accounted for these transactions by the purchase method of accounting.

The aggregate acquisition costs of these transactions were ¥12,940 million ($125,631 thousand) in cash, which included the purchase price of ¥12,568 million ($122,019 thousand) and the direct costs of acquisition of ¥372 million ($3,612 thousand). The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values.

Goodwill recorded in connection with these acquisitions totaled ¥9,043 million ($87,796 thousand), which is amortized over 20 years. As the acquisition cost of each of these transactions exceeded the net amount allocated to the assets acquired and liabilities assumed, the difference has been posted as goodwill.

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition dates are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Current assets	¥ 1,876	$ 18,214
Fixed assets	4,387	42,592
Total assets	¥ 6,263	$ 60,806
Current liabilities	¥ 1,097	$ 10,650
Long-term liabilities	1,269	12,321
Total liabilities	¥ 2,366	$ 22,971

The results of operations of Partec and Inostics are included in the consolidated statements of income from October 1, 2013 to December 31, 2013.

The contingent consideration for these acquisitions is a contract under which an additional payment shall be made upon the achievement of a predetermined milestone. In the event an additional payment has been made, the Company deems it as having been paid at the time of acquisition and modifies the goodwill amount and the accumulated amortization amount.

As the Company believes that the effect of consolidating Partec and Inostics on the financial statements would be minor, the unaudited pro forma financial statements of these business combinations which had been completed as of April 1, 2013 are omitted.

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current:			
Time deposits other than cash equivalents	¥ 151	¥ 23	$ 1,466
Investment trust	131	127	1,272
Total	¥ 282	¥ 150	$ 2,738
Non-current:			
Marketable equity securities	¥ 3,341	¥ 2,677	$ 32,437
Unquoted equity securities	942	943	9,146
Total	¥ 4,283	¥ 3,620	$ 41,583

The costs and aggregate fair values of investment securities as of March 31, 2014 and 2013, were as follows:

	Millions of Yen			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale - Equity securities	¥ 1,569	¥ 1,772	¥ (0)	¥ 3,341

	Millions of Yen			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale - Equity securities	¥ 1,567	¥ 1,110	¥ (0)	¥ 2,677

	Thousands of U.S. Dollars			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale - Equity securities	$ 15,233	$ 17,204	$ (0)	$ 32,437

The information for available-for-sale securities which were sold during the year ended March 31, 2014, was as follows:

	Millions of Yen		
	2014		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale - Equity securities	¥ 2	¥ 1	

	Thousands of U.S. Dollars		
	2014		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale - Equity securities	$ 19	$ 10	

The impairment losses on available-for-sale equity securities for the year ended March 31, 2014, were ¥46 million ($447 thousand).

5. INVENTORIES

Inventories as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Finished products and merchandise	¥ 21,242	¥ 20,317	$ 206,233
Work in process	1,726	1,473	16,757
Raw materials	3,648	3,599	35,418
Supplies	704	552	6,835
Total	¥ 27,320	¥ 25,941	$ 265,243

6. GOODWILL

Goodwill as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Goodwill on purchase of a specific business	¥ 594	¥ 879	$ 5,767
Consolidation goodwill	12,521	911	121,563
Total	¥ 13,115	¥ 1,790	$ 127,330

Goodwill on purchase of a specific business and consolidation goodwill are amortized using the straight-line method over 5 or 20 years.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2014, consisted of bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.21% to 0.22% at March 31, 2014.

Long-term debt as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loans from banks, due through 2021, with interest ranging from 0.02% to 5.45% for 2014 (from 0.02% to 0.05% for 2013):			
Collateralized	¥ 155		$ 1,504
Unsecured	1	¥ 4	10
Total	156	4	1,514
Less current portion	(51)	(3)	(495)
Long-term debt, less current portion	¥ 105	¥ 1	$ 1,019

Annual maturities of long-term debt as of March 31, 2014, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 51	$ 495
2016	18	175
2017	18	175
2018	18	175
2019	16	155
2020 and thereafter	35	339
Total	¥ 156	$ 1,514

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 26	$ 252
Buildings and structures - net of accumulated depreciation	284	2,757
Machinery and equipment - net of accumulated depreciation	22	214
Total	¥ 332	$ 3,223

8. RETIREMENT AND PENSION PLANS

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

The Company has defined benefit pension plans and its certain consolidated subsidiaries have unfunded lump-sum payment plans or defined contribution pension plans.

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 11,373	$ 110,417
Current service cost	877	8,515
Interest cost	164	1,592
Actuarial (gains) losses	(1)	(10)
Benefits paid	(512)	(4,971)
Others	79	768
Balance at end of year	¥ 11,980	$ 116,311

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 9,746	$ 94,621
Expected return on plan assets	292	2,835
Actuarial (gains) losses	992	9,631
Contributions from the employer	835	8,107
Benefits paid	(503)	(4,883)
Balance at end of year	¥ 11,362	$ 110,311

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

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Funded defined benefit obligation	¥ 11,348	$ 110,175
Plan assets	(11,362)	(110,311)
	(14)	(136)
Unfunded defined benefit obligation	632	6,136
Net liability (asset) arising from defined benefit obligation	¥ 618	$ 6,000

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Liability for retirement benefits	¥ 632	$ 6,136
Asset for retirement benefits	(14)	(136)
Net liability (asset) arising from defined benefit obligation	¥ 618	$ 6,000

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Service cost	¥ 877	$ 8,515
Interest cost	164	1,592
Expected return on plan assets	(292)	(2,835)
Recognized actuarial (gains) losses	179	1,738
Amortization of prior service cost	6	58
Net periodic benefit costs	¥ 934	$ 9,068

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ (16)	$ (155)
Unrecognized actuarial (gains) losses	1,314	12,757
Total	¥ 1,298	$ 12,602

(6) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2014
Domestic debt investments	31%
Domestic equity investments	26
Foreign debt investments	12
Foreign equity investments	26
Others	5
Total	100%

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

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

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.5%
Expected rate of return on plan assets	3.0

(8) Defined contribution pension plan

Required contributions to the defined contribution pension plan of certain consolidated subsidiaries were ¥512 million ($4,971 thousand) as of March 31, 2014.

Year Ended March 31, 2013

The liability for employees' retirement benefits as of March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 11,373
Fair value of plan assets	(9,746)
Unrecognized prior service cost	(22)
Unrecognized actuarial loss	143
Net liability	¥ 1,748

The components of net periodic retirement benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	¥ 1,270
Interest cost	196
Expected return on plan assets	(239)
Amortization of prior service cost	6
Recognized actuarial loss	564
Net periodic retirement benefit costs	¥ 1,797

Assumptions used for the year ended March 31, 2013, were set forth as follows:

Discount rate	1.5%
Expected rate of return on plan assets	3.0%
Amortization period of prior service cost	5 years
Recognition period of actuarial gain/loss	5 years

In addition, the Company and its certain consolidated subsidiaries participate in contributory multiemployer pension plans covering substantially all of their employees. Under these plans, the amount of pension assets and benefit obligations were approximately ¥11,151 million ($108,262 thousand) and ¥13,069 million ($126,883 thousand), respectively, at March 31, 2013, the most recent valuation date. Required contributions to the contributory multiemployer pension plans of the Company and its certain consolidated subsidiary were ¥545 million ($5,291 thousand) as of March 31, 2014.

The Company also has recorded a liability for an unfunded retirement benefit plan covering all of its directors in the amount of ¥102 million ($990 thousand) and ¥160 million as of March 31, 2014 and 2013, respectively.

9. EQUITY

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

(a) Dividends

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

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

On April 1, 2014, the Company made a two-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on March 5, 2014.

10. STOCK OPTION

The stock options outstanding as of March 31, 2014, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price*	Exercise Period
		(Shares*)			
2007 Stock Option	9 directors 152 employees 18 directors of subsidiaries 42 employees of subsidiaries	2,932,800	July 30, 2007	¥ 1,163 ($ 11.29)	From July 30, 2009 to July 29, 2015
2013 Stock Option	6 directors 203 employees 34 directors of subsidiaries 43 employees of subsidiaries	1,460,000	September 13, 2013	¥ 3,110 ($ 30.19)	From September 13, 2015 to September 12, 2021

The stock option activity is as follows:

	2007 Stock Option	2013 Stock Option
	(Shares*)	(Shares*)
For the year ended March 31, 2013		
Non-vested		
March 31, 2012 - Outstanding		
Granted		
Canceled		
Vested		
March 31, 2013 - Outstanding		
Vested		
March 31, 2012 - Outstanding	2,223,200	
Vested		
Exercised	(744,800)	
Canceled	(42,000)	
March 31, 2013 - Outstanding	1,436,400	
For the year ended March 31, 2014		
Non-vested		
March 31, 2013 - Outstanding		
Granted		1,460,000
Canceled		(8,000)
Vested		
March 31, 2014 - Outstanding		1,452,000
Vested		
March 31, 2013 - Outstanding	1,436,400	
Vested		
Exercised	(754,800)	
Canceled	(4,000)	
March 31, 2014 - Outstanding	677,600	
Exercise price*	¥ 1,163 ($ 11.29)	¥ 3,110 ($ 30.19)
Average stock price at exercise*	¥ 3,110 ($ 30.19)	
Fair value price at grant date	¥ 98,325 ($ 954.61)	¥ 1,749 ($ 16.98)

* Shares, exercise price and average stock price at exercise have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2014.

The Assumptions Used to Measure Fair Value of 2007 Stock Option	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	26.14%
Estimated remaining outstanding period:	five years
Estimated dividend:	¥ 36 per share
Risk free interest rate:	1.403%

The Assumptions Used to Measure Fair Value of 2013 Stock Option	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	34.51%
Estimated remaining outstanding period:	five years
Estimated dividend:	¥ 36 per share
Risk free interest rate:	0.250%

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.6% and 38.0% for the years ended March 31, 2014 and 2013, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets (current):			
Unrealized intercompany profits	¥ 4,155	¥ 2,609	$ 40,340
Inventories	579	517	5,621
Accrued bonuses	1,184	1,091	11,495
Accrued enterprise tax	451	299	4,379
Other	1,659	1,519	16,107
Total	8,028	6,035	77,942
Deferred tax assets (non-current):			
Depreciation	85	73	825
Liability for retirement benefits	91	576	883
Software	829	792	8,049
Investment securities	330	287	3,204
Other	1,365	1,208	13,253
Less valuation allowance	(224)	(213)	(2,174)
Total	2,476	2,723	24,040
Deferred tax liabilities (current)	24	12	234
Deferred tax liabilities (non-current):			
Net unrealized gain on available-for-sale securities	630	375	6,117
Revaluation of land for consolidation	400	400	3,883
Revaluation of intangible assets for consolidation	1,229		11,932
Investment loss for subsidiaries capital reduction by corporation tax law	377	377	3,660
Undistributed earnings of consolidated foreign subsidiaries	4,570	3,351	44,369
Other	1,217	1,170	11,816
Total	8,423	5,673	81,777
Net deferred tax assets	¥ 2,057	¥ 3,073	$ 19,971

Since the actual effective tax rate at March 31, 2014 and 2013, differed from the normal effective statutory tax rate by less than 5%, disclosure of details is omitted.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38.0% to 35.6%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥152 million ($1,476 thousand) and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥152 million ($1,476 thousand).

12. LEASES

(Lessee)

The Group leases certain furniture, fixtures and other assets.

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

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Due within one year	¥ 992	$ 9,631
Due after one year	5,792	56,233
Total	¥ 6,784	$ 65,864

(Lessor)

The net investments in lease are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gross lease receivables	¥ 4,434	¥ 3,267	$ 43,049
Estimated residual values	848	564	8,233
Unearned interest income	(642)	(568)	(6,233)
Investments in lease	¥ 4,640	¥ 3,263	$ 45,049

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 1,333	$ 12,942
2016	1,145	11,117
2017	896	8,699
2018	611	5,932
2019	353	3,427
2020 and thereafter	96	932
Total	¥ 4,434	$ 43,049

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

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Due within one year	¥ 3	$ 29
Due after one year	3	29
Total	¥ 6	$ 58

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

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

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

Please see Note 14, "DERIVATIVES" for more details about instruments, hedged items and policy for hedge accounting and assessment procedures of hedge effectiveness.

(3) Risk Management for Financial Instruments

Credit risk management

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

Market risk management (foreign exchange risk)

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

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

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. The techniques include some changing factors and the fair values may be changed by adopting different assumptions. In addition, the contract amounts of derivatives in Note 14, "DERIVATIVES," do not directly indicate the market risk of derivatives.

(a) Fair value of financial instruments

The carrying amounts, fair values and unrealized gain/loss as of March 31, 2014 and 2013, are as follows. Note that financial instruments whose fair value cannot be reliably determined are not included (see (b)).

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 36,548	¥ 36,548	
Receivables:			
Trade notes	2,854		
Trade accounts	42,502		
Associated companies	161		
Allowance for doubtful accounts (*1)	(889)		
Receivables - net	44,628	44,627	¥ (1)
Investments in lease	4,640	4,594	(46)
Investment securities -			
Available-for-sale securities	3,341	3,341	
Total	¥ 89,157	¥ 89,110	¥ (47)
Payables:			
Trade notes	¥ 1,388	¥ 1,388	
Trade accounts	11,728	11,728	
Associated companies	154	154	
Lease obligations	308	311	¥ 3
Income taxes payable	7,700	7,700	
Total	¥ 21,278	¥ 21,281	¥ 3
Derivatives (*2)	¥ (6)	¥ (6)	

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 34,307	¥ 34,307	
Receivables:			
Trade notes	3,584		
Trade accounts	37,507		
Associated companies	165		
Allowance for doubtful accounts (*1)	(523)		
Receivables - net	40,733	40,732	¥ (1)
Investments in lease	3,263	3,240	(23)
Investment securities -			
Available-for-sale securities	2,677	2,677	
Total	¥ 80,980	¥ 80,956	¥ (24)
Payables:			
Trade notes	¥ 1,728	¥ 1,728	
Trade accounts	12,872	12,872	
Associated companies	258	258	
Lease obligations	299	300	¥ 1
Income taxes payable	3,983	3,983	
Total	¥ 19,140	¥ 19,141	¥ 1
Derivatives (*2)	¥ (151)	¥ (151)	

	Thousands of U.S. Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 354,835	$ 354,835	
Receivables:			
Trade notes	27,709		
Trade accounts	412,641		
Associated companies	1,563		
Allowance for doubtful accounts (*1)	(8,631)		
Receivables - net	433,282	433,272	$(10)
Investments in lease	45,049	44,602	(447)
Investment securities -			
Available-for-sale securities	32,437	32,437	
Total	$ 865,603	$ 865,146	$(457)
Payables:			
Trade notes	$ 13,476	$ 13,476	
Trade accounts	113,864	113,864	
Associated companies	1,495	1,495	
Lease obligations	2,990	3,019	$ 29
Income taxes payable	74,757	74,757	
Total	$ 206,582	$ 206,611	$ 29
Derivatives (*2)	$ (58)	$ (58)	

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

Assets

Cash and Cash Equivalents

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

Receivables

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

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

Investments in Lease

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

Investment Securities

The fair values of equity securities are determined by securities exchange prices. Please see Note 4, "SHORT-TERM INVESTMENT AND INVESTMENT SECURITIES," for securities categorized by purposes.

Liabilities

Payables and Income Taxes Payable

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

Lease Obligations

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

Derivatives

Fair value information for derivatives is included in Note 14, "DERIVATIVES."

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥ 1,332	¥ 1,358	$ 12,932

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

(5) Maturity Analysis for Financial Assets

	Millions of Yen			
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 36,548			
Receivables:				
Trade notes	2,854			
Trade accounts	42,018	¥ 484		
Associated companies	161			
Investments in lease	1,202	3,291	¥ 147	
Total	¥ 82,783	¥ 3,775	¥ 147	

	Millions of Yen			
March 31, 2013	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥ 34,307			
Receivables:				
Trade notes	3,584			
Trade accounts	37,211	¥ 296		
Associated companies	165			
Investments in lease	881	2,356	¥ 26	
Total	¥ 76,148	¥ 2,652	¥ 26	

	Thousands of U.S. Dollars			
March 31, 2014	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$ 354,835			
Receivables:				
Trade notes	27,709			
Trade accounts	407,942	$ 4,699		
Associated companies	1,563			
Investments in lease	11,670	31,952	$ 1,427	
Total	$ 803,719	$ 36,651	$ 1,427	

14. DERIVATIVES

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

The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

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

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

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

Derivative transactions to which hedge accounting is not applied

	Millions of Yen			
March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts-				
Selling U.S. dollars	¥ 3,081		¥ (6)	¥ (6)

	Millions of Yen			
March 31, 2013	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S. dollars	¥ 5,524		¥ (160)	¥ (160)
Selling Euros	310		9	9

	Thousands of U.S. Dollars			
March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts-				
Selling U.S. dollars	$ 29,913		$ (58)	$ (58)

15.COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 662	¥ 438	$ 6,427
Reclassification adjustments to profit or loss	(1)		(10)
Amount before income tax effect	661	438	6,417
Income tax effect	(236)	(156)	(2,291)
Total	¥ 425	¥ 282	$ 4,126
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year		¥ (16)	
Reclassification adjustments to profit or loss		16	
Amount before income tax effect		0	
Income tax effect		(0)	
Total		¥ 0	
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 8,612	¥ 5,190	$ 83,612
Reclassification adjustments to profit or loss			
Total	¥ 8,612	¥ 5,190	$ 83,612
Total other comprehensive income	¥ 9,037	¥ 5,472	$ 87,738

16. CASH FLOW INFORMATION

The Company acquired Partec and Inostics during the year ended March 31, 2014.

Assets and liabilities of Partec and Inostics at the acquisition dates, cash paid for the capital and cash received in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Current assets	¥ 1,876	$ 18,214
Fixed assets	4,387	42,592
Goodwill	9,043	87,796
Current liabilities	(1,097)	(10,650)
Long-term liabilities	(1,269)	(12,321)
Cash paid for the capital	12,940	125,631
Cash and cash equivalents	(419)	(4,068)
Cash paid in conjunction with the purchases of consolidated subsidiaries - net	¥ 12,521	$ 121,563

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares*	EPS*	
For the year ended March 31, 2014:				
Basic EPS				
Net income available to common shareholders	¥ 20,574	206,828	¥ 99.47	$ 0.97
Effect of dilutive securities				
Stock options		645		
Diluted EPS				
Net income for computation	¥ 20,574	207,473	¥ 99.16	$ 0.96

For the year ended March 31, 2013:				
Basic EPS				
Net income available to common shareholders	¥ 14,166	205,928	¥ 68.79	
Effect of dilutive securities				
Stock options		784		
Diluted EPS				
Net income for computation	¥ 14,166	206,712	¥ 68.53	

* Shares and per share figures have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2014.

18. RELATED PARTY DISCLOSURES

Transactions of the Company with related parties for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Officers of the Company -			
Exercise of stock options	¥ 135	¥ 216	$ 1,311
Significant officers of the Company's subsidiaries -			
Exercise of stock options	23		223

19. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2014, was approved at the shareholders' meeting of the Company held on June 20, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥16.50 ($0.16) per share*	¥ 3,417	$ 33,175

* Per share figures have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2014.

b. Stock Split

On April 1, 2014, the Company made a two-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on March 5, 2014.

20. SEGMENT INFORMATION

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

1. Description of reportable segments

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

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

The name of the reportable segment "Europe" was changed to "EMEA" in April 2013.

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

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

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

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

	Millions of Yen							
	2014							
	Reportable Segment						Reconciliations	Consolidated
	Japan	Americas	EMEA	China	Asia-Pacific	Total		
Sales:								
Sales to external customers	¥ 41,759	¥ 38,594	¥ 53,196	¥ 36,258	¥14,731	¥ 184,538		¥ 184,538
Intersegment sales or transfers	62,058	24	786	5	165	63,038	¥ (63,038)	
Total	¥ 103,817	¥ 38,618	¥ 53,982	¥ 36,263	¥ 14,896	¥ 247,576	¥ (63,038)	¥ 184,538
Segment profit	¥ 20,138	¥ 2,478	¥ 8,604	¥ 4,195	¥ 1,386	¥ 36,801	¥ (3,930)	¥ 32,871
Segment assets	100,887	29,743	65,359	23,468	16,198	235,655	(24,896)	210,759
Other:								
Depreciation	4,672	1,841	3,291	267	986	11,057	(1,096)	9,961
Amortization of goodwill	280		641		514	1,435		1,435
Investment of associates accounted for using the equity method	390					390		390
Increase in property, plant and equipment and intangible assets	10,144	1,858	4,487	165	1,936	18,590	(1,412)	17,178

	Millions of Yen							
	2013							
	Reportable Segment						Reconciliations	Consolidated
	Japan	Americas	EMEA	China	Asia-Pacific	Total		
Sales:								
Sales to external customers	¥ 42,971	¥ 29,703	¥ 39,436	¥ 24,425	¥ 9,043	¥ 145,578		¥ 145,578
Intersegment sales or transfers	45,197	2	483	6	167	45,855	¥ (45,855)	
Total	¥ 88,168	¥ 29,705	¥ 39,919	¥ 24,431	¥ 9,210	¥ 191,433	¥ (45,855)	¥ 145,578
Segment profit	¥ 11,939	¥ 2,129	¥ 5,799	¥ 2,384	¥ 1,056	¥ 23,307	¥ (1,502)	¥ 21,805
Segment assets	99,946	25,471	35,255	19,063	8,502	188,237	(15,226)	173,011
Other:								
Depreciation	4,464	1,257	2,349	203	539	8,812	(867)	7,945
Amortization of goodwill	280		580		7	867		867
Investment of associates accounted for using the equity method	415					415		415
Increase in property, plant and equipment and intangible assets	6,086	1,957	2,634	328	1,138	12,143	(994)	11,149

	Thousands of U.S. Dollars							
	2014							
	Reportable Segment						Reconciliations	Consolidated
	Japan	Americas	EMEA	China	Asia-Pacific	Total		
Sales:								
Sales to external customers	$ 405,427	$ 374,699	$ 516,466	$ 352,020	$ 143,019	$ 1,791,631		$ 1,791,631
Intersegment sales or transfers	602,505	233	7,631	48	1,602	612,019	$ (612,019)	
Total	$ 1,007,932	$ 374,932	$ 524,097	$ 352,068	$ 144,621	$ 2,403,650	$ (612,019)	$ 1,791,631
Segment profit	$ 195,515	$ 24,058	$ 83,534	$ 40,728	$ 13,456	$ 357,291	$ (38,155)	$ 319,136
Segment assets	979,485	288,767	634,554	227,845	157,262	2,287,913	(241,709)	2,046,204
Other:								
Depreciation	45,359	17,874	31,952	2,592	9,573	107,350	(10,641)	96,709
Amortization of goodwill	2,719		6,223		4,990	13,932		13,932
Investment of associates accounted for using the equity method	3,786					3,786		3,786
Increase in property, plant and equipment and intangible assets	98,485	18,039	43,563	1,602	18,796	180,485	(13,709)	166,776

Note: Reconciliations principally consist of intersegment transfers and unallocated corporate assets at ¥3,740 million ($36,311 thousand) and ¥3,105 million for 2014 and 2013, respectively. The unallocated corporate assets are primarily composed of funds such as marketable equity securities.

4. Information about products and services

	Millions of Yen				
	2014				
	Instruments	Reagents	Maintenance Services	Others	Total
Sales to external customers	¥ 57,089	¥ 88,163	¥ 18,079	¥ 21,207	¥ 184,538

	Millions of Yen				
	2013				
	Instruments	Reagents	Maintenance Services	Others	Total
Sales to external customers	¥ 47,867	¥ 66,505	¥ 14,130	¥ 17,076	¥ 145,578

	Thousands of U.S. Dollars				
	2014				
	Instruments	Reagents	Maintenance Services	Others	Total
Sales to external customers	$ 554,262	$ 855,951	$ 175,524	$ 205,894	$ 1,791,631

5. Information about geographical areas

(1) Sales

Millions of Yen				
2014				
Japan	America	China	Other	Total
¥ 40,317	¥ 33,211	¥ 36,269	¥ 74,741	¥ 184,538

Millions of Yen				
2013				
Japan	America	China	Other	Total
¥ 40,190	¥ 25,229	¥ 24,430	¥ 55,729	¥ 145,578

Thousands of U.S. Dollars				
2014				
Japan	America	China	Other	Total
$ 391,427	$ 322,437	$ 352,126	$ 725,641	$ 1,791,631

(2) Property, plant and equipment

Millions of Yen		
2014		
Japan	Other	Total
¥ 34,426	¥ 19,348	¥ 53,774

Millions of Yen		
2013		
Japan	Other	Total
¥ 30,786	¥ 14,693	¥ 45,479

Thousands of U.S. Dollars		
2014		
Japan	Other	Total
$ 334,233	$ 187,845	$ 522,078

Note: Sales are classified in countries or regions based on location of customers.

6. Information about major customers

There is no customer who occupies more than 10% of the consolidated sales.

7. Information on the balance of goodwill of reportable segments

	Millions of Yen						
	2014						
	Japan	Americas	EMEA	China	Asia-Pacific	Eliminations/ Corporate	Total
Goodwill at March 31, 2014	¥ 561		¥ 10,415		¥ 2,139		¥ 13,115

	Millions of Yen						
	2013						
	Japan	Americas	EMEA	China	Asia-Pacific	Eliminations/ Corporate	Total
Goodwill at March 31, 2013	¥ 841		¥ 944		¥ 5		¥ 1,790

	Thousands of U.S. Dollars						
	2014						
	Japan	Americas	EMEA	China	Asia-Pacific	Eliminations/ Corporate	Total
Goodwill at March 31, 2014	$ 5,447		$ 101,116		$ 20,767		$ 127,330

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sysmex Corporation:

We have audited the accompanying consolidated balance sheet of Sysmex Corporation and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sysmex Corporation and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

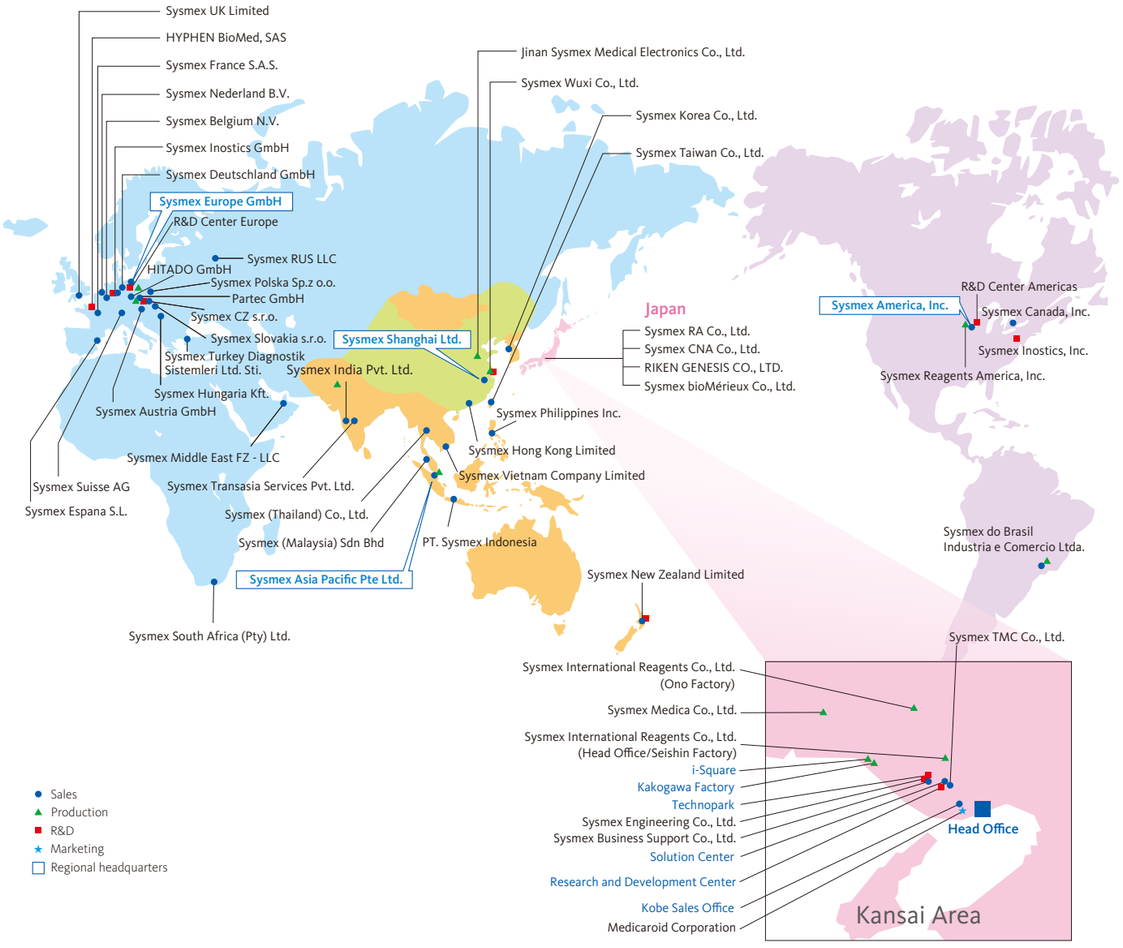
Deloitte Touche Tohmatsu LLC

June 18, 2014

Member of
Deloitte Touche Tohmatsu Limited

Sysmex Group Information

Global Network



Domestic Offices	Location	TEL
Head Office	1-5-1 Wakinohama-Kaigandori, Chuo-ku, Kobe, Hyogo 651-0073, Japan	TEL: (+81) 78-265-0500
Tokyo Office	1-2-2 Ohsaki, Shinagawa-ku, Tokyo 141-0032	TEL: (+81) 3-5434-8910
Technopark	4-4-4 Takatsukadai, Nishi-ku, Kobe, Hyogo 651-2271	TEL: (+81) 78-991-1911
Solution Center	1-3-2 Murotani, Nishi-ku, Kobe, Hyogo 651-2241	TEL: (+81) 78-992-5860
Research and Development Center	1-1-2 Murotani, Nishi-ku, Kobe, Hyogo 651-2241	TEL: (+81) 78-991-2212
i-Square	262-11 Mizuashi, Noguchi-cho, Kakogawa, Hyogo 675-0019	TEL: (+81) 79-456-8010
Kakogawa Factory	314-2 Kitano, Noguchi-cho, Kakogawa, Hyogo 675-0011	TEL: (+81) 79-424-1171
Protein Development Center	1548 Ooaza Shimookudomi, Sayama, Saitama 350-1332	TEL: (+81) 4-2954-2171

Sendai Branch	Kita Kanto Branch	Tokyo Branch	Nagoya Branch	Osaka Branch	Hiroshima Branch
Fukuoka Branch	Sapporo Sales Office	Morioka Sales Office	Nagano Sales Office	Niigata Sales Office	Chiba Sales Office
Shizuoka Sales Office	Kanazawa Sales Office	Kyoto Sales Office	Kobe Sales Office	Takamatsu Sales Office	Okayama Sales Office
Kagoshima Sales Office	Metropolitan Area Service Center				

Associated Foundation			
Nakatani Foundation for Advancement of Measuring Technologies in Biomedical Engineering	1-2-2 Ohsaki, Shinagawa-ku, Tokyo 141-0032, Japan	TEL: (+81) 3-5719-2125	FAX: (+81) 3-5719-2135

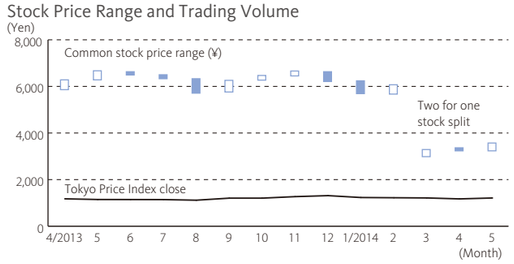
(As of May 31, 2014)

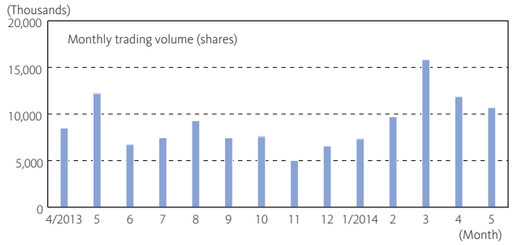
	Corporate name	Established	Equity ownership by Group	Location	TEL
Japan	Sysmex Corporation	1968	—	1-5-1 Wakinohama-Kaigandori, Chuo-ku, Kobe, Hyogo 651-0073, Japan	TEL: (+81) 78-265-0500
	Sysmex International Reagents Co., Ltd.	1969	100%	Head Office/Seishin Factory 4-3-2 Takatsukadai, Nishi-ku, Kobe, Hyogo 651-2271, Japan	TEL: (+81) 78-991-2211
				Ono Factory 17 Takumidai, Ono, Hyogo 675-1322, Japan	TEL: (+81) 794-62-7001
	Sysmex RA Co., Ltd.	1978	100%	1850-3 Hirookanomura, Shiojiri, Nagano 399-0702, Japan	TEL: (+81) 263-54-2251
	Sysmex Medica Co., Ltd.	1978	100%	323-3 Miyaoki, Yumesaki-cho, Himeji, Hyogo 671-2121, Japan	TEL: (+81) 79-335-2080
	Sysmex TMC Co., Ltd.	1992	100%	1-3-2 Murotani, Nishi-ku, Kobe, Hyogo 651-2241, Japan	TEL: (+81) 78-992-5883
	Sysmex CNA Co., Ltd.	1996	100%	2-3-7 Hakata Eki Mae, Hakata-ku, Fukuoka 812-0011, Japan	TEL: (+81) 92-476-1121
	Sysmex Business Support Co., Ltd.	2013	100%	4-4-4 Takatsukadai, Nishi-ku, Kobe, Hyogo 651-2271, Japan	TEL: (+81) 78-992-5826
	Sysmex Engineering Co.,Ltd.	2014	100%	4-4-4 Takatsukadai, Nishi-ku, Kobe, Hyogo 651-2271, Japan	TEL: (+81) 78-991-2702
	Medicaroid Corporation	2013	50%	5-5-2 Minatojima Minamimachi, Chuo-ku, Kobe, Hyogo 650-0047, Japan	TEL: (+81) 78-303-8770
	RIKEN GENESIS CO., LTD.	2007	36.5%	1-7-22 Suehiro-cho, Tsurumi-ku, Yokohama-shi, Kanagawa, 230-0045, Japan	TEL: (+81) 45-521-8781
	Sysmex bioMérieux Co., Ltd.	2008	34%	1-2-2 Ohsaki, Shinagawa-ku, Tokyo 141-0032, Japan	TEL: (+81) 3-6834-2666
Americas	Sysmex America, Inc.	2003	100%	577 Aptakisic Road, Lincolnshire, IL 60069, U.S.A.	TEL: (+1) 224-543-9500
	Sysmex Reagents America, Inc.	1993	100%	2 Nelson C. White Parkway, Mundelein, IL 60060, U.S.A.	TEL: (+1) 847-367-2800
	Sysmex Inostics, Inc.	2013	100%	855 N. Wolfe St., Suite 631, Baltimore, Maryland 21205, U.S.A.	TEL: (+1) 443-759-8650
	Sysmex Canada, Inc.	2007	100%	5045 Orbitor Drive Building 9, Suite 401 Mississauga, ON L4W 4Y4, Canada	TEL: (+1) 905-366-7900
	Sysmex do Brasil Industria e Comercio Ltda.	1998	100%	Rua Joaquim Nabuco, 615-Bairro Cidade Jardim-Sao Jose dos Pinhais-Parana- Brasil-CEP 83040-210	TEL: (+55) 41-2104-1314
EMEA	Sysmex Europe GmbH	1980	100%	Bornbarch 1, 22848 Norderstedt, Germany	TEL: (+49) 40-527260
	Sysmex Deutschland GmbH	1995	100%	Bornbarch 1, 22848 Norderstedt, Germany	TEL: (+49) 40-5341020
	HITADO GmbH	2010	100%	Dreihausen 2, D-59519 Moehnesee, Germany	TEL: (+49) 0-2924-9705-0
	Partec GmbH	2013	100%	Am Flugplatz 13, 02828 Goerlitz, Germany	TEL: (+49) 3581-8746-0
	Sysmex Inostics GmbH	2013	100%	Falkenried 88, D-20251 Hamburg, Germany	TEL: (+49) 0-40-413383-90
	Sysmex UK Limited	1991	100%	Sysmex House, Garamonde Drive, Wymbush, Milton Keynes, MK8 8 DF, U.K.	TEL: (+44) 870-902-9210
	Sysmex France S.A.S.	2000	100%	22, avenue des Nations, Paris Nord II-B.P. 51414 Villepinte, 95944 ROISSY-CDG Cedex, France	TEL: (+33) 1-48-170190
	HYPHEN BioMed, SAS	2010	100%	155 Rue d'Eragny-95000 Neuville sur Oise, France	TEL: (+33) 134-406-510
	Sysmex Espana S.L.	2010	100%	Frederic Mompou, 4-B Planta 2 08960. Sant Just Desvern, Espana	TEL: (+34) 934-236-231
	Sysmex Belgium N.V.	2009	100%	Park Rozendal, Building A Terhulpsesteenweg 6a 1560 Hoeilaart, Belgium	TEL: (+32) 2-769-7474
	Sysmex Nederland B.V.	2009	100%	Ecustraat 11, 4879 NP Etten-Leur, The Netherlands	TEL: (+31) 76-508-6000
	Sysmex Polska Sp.z o.o.	2005	100%	Kopernik Office Building, Al. Jerozolimskie 176, 02-486 Warszawa, Poland	TEL: (+48) 22-57284-00
	Sysmex Suisse AG	2006	100%	Tödistrasse 50, 8810 Horgen, Switzerland	TEL: (+41) 44-718-38-38
	Sysmex Austria GmbH	2007	100%	Odoakergasse 34-36 A-1160 Wien, Austria	TEL: (+43) 1-4861631
	Sysmex Hungaria Kft.	2007	100%	Forum Offices Obuda Irodahaz, III kerulet, Becsi ut 271, 1037 Budapest, Hungary	TEL: (+36) 1-210-96-70
	Sysmex CZ s.r.o.	2007	100%	Elgartova 683/4 61400 Brno Czech Republic	TEL: (+420) 548-216-855
	Sysmex Slovakia s.r.o.	2007	100%	Trencianska 47 821 09 Bratislava, Slovakia	TEL: (+421) 2-6453-2881-2
	Sysmex RUS LLC	2011	100%	1 Magistralny tupik, 11, Bld. 10, Office 1020 Russia, Moscow 123290	TEL: (+7) 495-7816772
	Sysmex Turkey Diagnostik Sistemleri Ltd. Sti.	2014	100%	Rüzgarlıbahçe Mah. Şht. Yzb. Sinan Eroğlu Cad. No:6 Akel İş Merkezi A Bl. Kat -5 Kavacık Beykoz 34805 İstanbul Turkey	TEL: (+90) 216-681-66-00
	Sysmex Middle East FZ-LLC	2008	100%	Dubai Healthcare City, City Pharmacy Building C/P 72 Office 304, P.O. Box 505119, Dubai, U.A.E.	TEL: (+971) 4-4370515
	Sysmex South Africa (Pty) Ltd.	2006	100%	Fernridge Office Park, Block 2; 5 Hunter Avenue; Ferndale; Randburg 2194 RSA	TEL: (+27) 11-3299480
China	Sysmex Shanghai Ltd.	2000	100%	9th Floor, Azia Center, 1233 Lujiazui Ring Road, Shanghai, 200120, China	TEL: (+86) 21-6888-2626
	Jinan Sysmex Medical Electronics Co., Ltd.	1995	100%	7493 Airport Road, Yaoqiang Town, Licheng District, Jinan City, Shandong Province, China; PC. 250107	TEL: (+86) 531-8873-4440
	Sysmex Hong Kong Limited	1999	100%	Room 907, 9/ F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	TEL: (+852) 2543-5123
	Sysmex Wuxi Co., Ltd.	2003	100%	#8-9, No. 93, Science Technology Stand-up Park, New District, Wuxi, Jiangsu, 214028, China	TEL: (+86) 510-8534-5837
Asia Pacific	Sysmex Asia Pacific Pte Ltd.	1998	100%	9 Tampines Grande #06-16 to #06-22 528735, Singapore	TEL: (+65) 6221-3629
	Sysmex (Malaysia) Sdn Bhd	1998	100%	11A&15 Jln PJS 7/21, Bdr Sunway, 47500 Subang Jaya, Selangor, Malaysia	TEL: (+60) 3-56371788
	Sysmex (Thailand) Co., Ltd.	1999	100%	12 Floor, Tonson Tower, 900 Ploenchit Road, Lumpini, Pathumwan, Bangkok 11330, Thailand	TEL: (+66) 2539-1127
	Sysmex Vietnam Company Limited	2010	100%	8th floor, 106 Nguyen Van Troi, Phu Nhuan District, Ho Chi Minh City, Vietnam	TEL: (+84) 8-39979400
	PT. Sysmex Indonesia	2002	100%	Cyber 2 Tower, 5th Floor, Unit E Jl. HR. Rasuna Said Blok X5 No. 13 Jakarta Selatan 12950, Indonesia	TEL: (+62) 21-3002-6688
	Sysmex Transasia Services Pvt. Ltd.	2009	51%	308, ASCOT Centre, 3rd Floor, Next to Hotel Le Royal Meridian Sahar Airport Road, Andheri (East) MUMBAI 400 099, India	TEL: (+91) 22-2822-4040
	Sysmex India Pvt. Ltd.	1998	100%	1002, Damji Shamji Business Galleria, 10th Floor, LBS Marg, Kanjur Marg - West, Mumbai - 400078, India	TEL: (+91) 22-6112-6666
	Sysmex Philippines Inc.	2011	100%	30th Floor, MDC 100 Bldg, E. Rodriguez Jr. Ave. cor. Eastwood Ave. Bagumbayan, Quezon City, Philippines	TEL: (+63) 2-621-2460
	Sysmex Taiwan Co., Ltd.	2000	100%	Song Jiang Road 318 13F-3, Zhong Shan District, Taipei, Taiwan	TEL: (+886) 2-2542-2339
	Sysmex Korea Co., Ltd.	2013	100%	8F, Nobel Bldg, 16, Teheran-ro 78-gil, Gangnam-gu, Seoul, 135-840 Korea	TEL: (+82) 2-3498-5300
	Sysmex New Zealand Limited	2001	100%	382-386 Manukau Road, Epsom, Auckland 1344, New Zealand	TEL: (+64) 9-630-3554

Stock Information

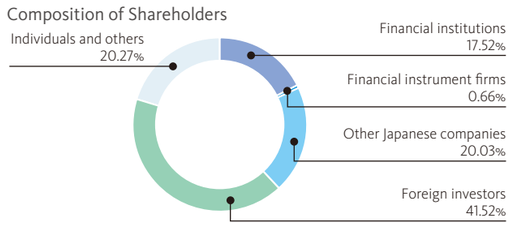
(As of March 31, 2014)

Stock Price Range and Trading Volume

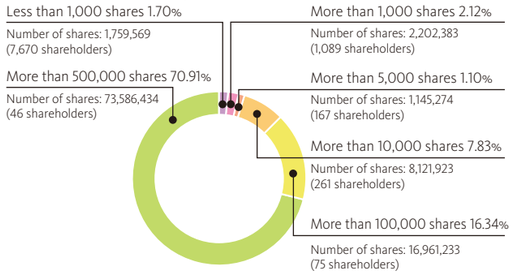




Composition of Shareholders



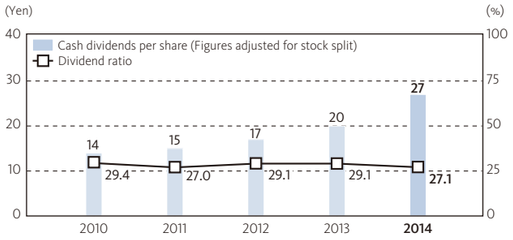
Distribution of Shares by Number of Shares Held



Principal Shareholders

Shareholders	Number of shares held (Thousands)	Percentage of shareholding
Japan Trustee Services Bank, Ltd.	9,045	8.72
JPMorgan Chase Bank 380072 (Standing proxy: Mizuho Corporate Bank. Custody & Proxy Dept.)	7,153	6.89
The Kobe Yamabuki Foundation	6,000	5.78
Nakatani Foundation for Advancement of Measuring Technologies in Biomedical Engineering	5,915	5.70
Nakatani Kosan, Ltd.	5,148	4.96
The Master Trust Bank of Japan, Ltd.	3,775	3.64
Kazuko Ietsugu	3,062	2.95
Taeko Wada	3,062	2.95
Kenji Itani	2,500	2.41
Ryoshin Co.	2,400	2.31

Cash Dividends per Share and Dividend Ratio (Consolidated)



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

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 20% under our basic policy of sharing the successes of our operations in line with business performance.

Corporate Overview

(As of March 31, 2014)

Sysmex Corporation

Established	February 20, 1968
Number of Employees	5,401 (consolidated basis) 6,211 (including part-time employees and others)
Fiscal Year	April 1—March 31
Shareholders' Meeting	In June
Number of Shares Authorized	299,344,000 shares
Number of Shares Issued	103,776,816 shares
Paid-in Capital	¥10,243 million
Stock Listings	Tokyo Stock Exchange, First Section November 1995: Listed on Osaka Securities Exchange, Second Section July 1996: Listed on Tokyo Stock Exchange, Second Section March 2000: Listed on Tokyo Stock Exchange, First Section and Osaka Securities 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))
Indexes	MSCI Standard Index Russell/Nomura Japan Equity Indexes FTSE Japan Index DSI (Daiwa Stock Indices) S&P Japan 500 Dow Jones Sustainability Indexes JPX-Nikkei Index 400