



# Business Results

## Fiscal Year Ended March 31, 2014

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**Sysmex Corporation**

Hisashi Ietsugu,  
Chairman and CEO



## Contents

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### Chapter 1 Financial Highlights for the Fiscal Year Ended March 31, 2014

### Chapter 2 Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2015

#### **Forward-Looking Statements**

This material contains forward-looking statements about Sysmex Corporation and its Group companies (the Sysmex Group). These forward-looking statements are based on the current judgments and assumptions of the Sysmex Group in light of the information currently available to it. Uncertainties inherent in such judgments and assumptions, the future course of our business operations and changes in operating environments both in Japan and overseas may cause our actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements or financial position either expressed or implied within these forward-looking statements.



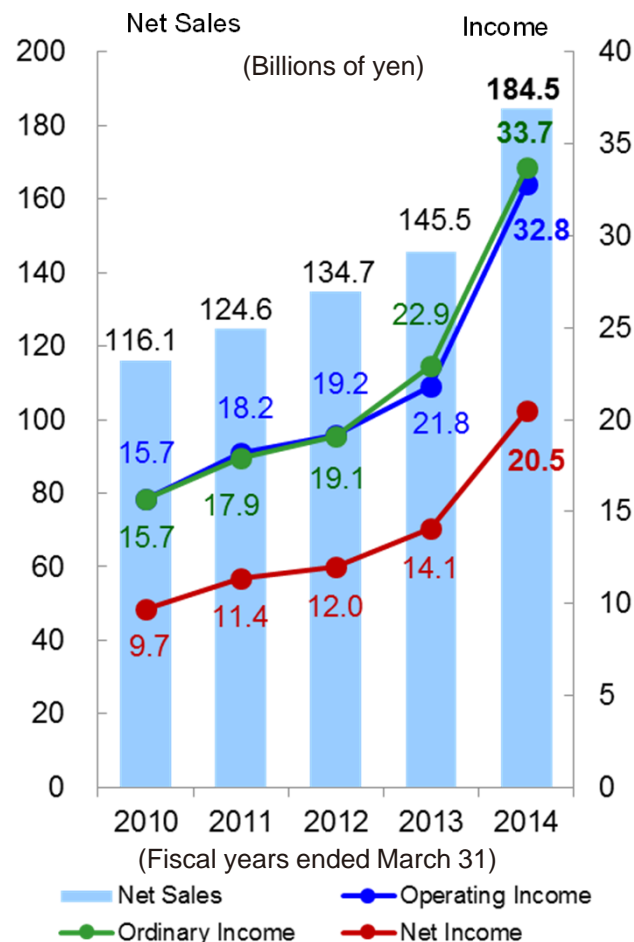
## Chapter 1

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# Financial Highlights for the Fiscal Year Ended March 31, 2014

# Financial Highlights

**Net sales: Up for 14<sup>th</sup> consecutive fiscal year**  
**Operating income: Up for 13<sup>th</sup> consecutive fiscal year**  
**Net sales and all income categories reach historic highs**



	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013
1USD	¥100.2	¥83.1
1EUR	¥134.4	¥107.2

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	Fiscal year ended March 31, 2014		Fiscal year ended March 31, 2013		YOY (Previous period = 100%)
	Results	Ratio	Results	Ratio	
Net Sales	184.5	100%	145.5	100%	126.8%
Cost of Sales	68.8	37.3%	56.5	38.9%	121.6%
SG&A	82.8	44.9%	67.1	46.2%	123.3%
Operating Income	32.8	17.8%	21.8	15.0%	150.8%
Ordinary Income	33.7	18.3%	22.9	15.8%	147.0%
Net Income	20.5	11.1%	14.1	9.7%	145.2%

- Net sales: The Company recorded double-digit growth in sales, centered on overseas regions, due in part to the impact of yen depreciation.
- Operating income: Sysmex recorded an increase in operating income, due to the effect of higher sales and an improved cost of sales ratio.

Note: Excluding the impact of Partec and Inostics, net sales would have been up 26.2% year on year, and operating income up 51.7%.

- Non-operating balance: The forex gain was ¥0.41 billion (¥0.81 billion in the preceding fiscal year).
    - Exchange rate fluctuations raised net sales ¥24.99 billion and operating income ¥9.83 billion
- Note: At the exchange rates prevailing one year earlier, net sales would have been up 9.6% year on year, and operating income up 5.6%.

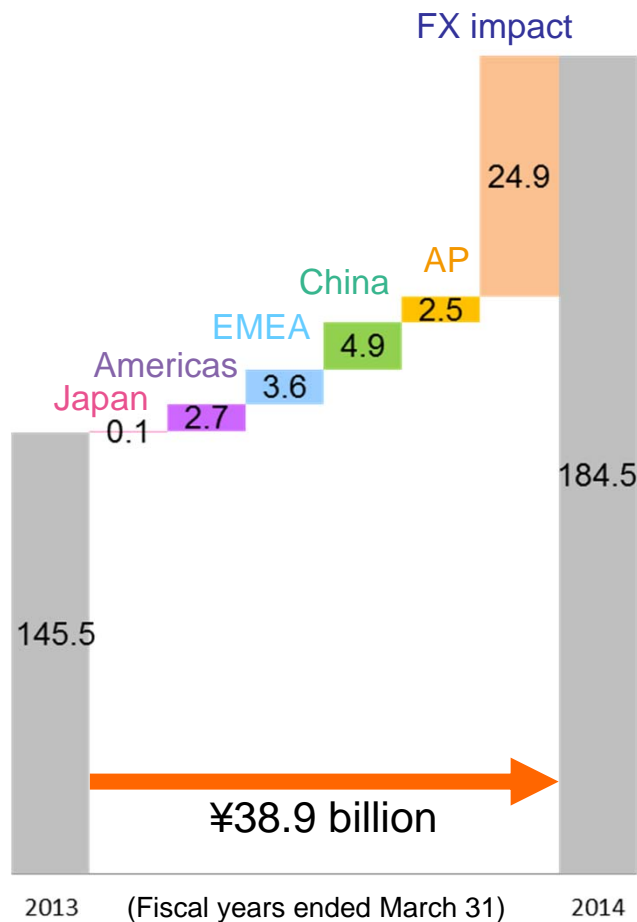
- Capital expenditure: ¥13.36 billion Depreciation and amortization: ¥9.96 billion R&D expenditure: ¥13.26 billion

# Breakdown of Net Sales and Operating Income

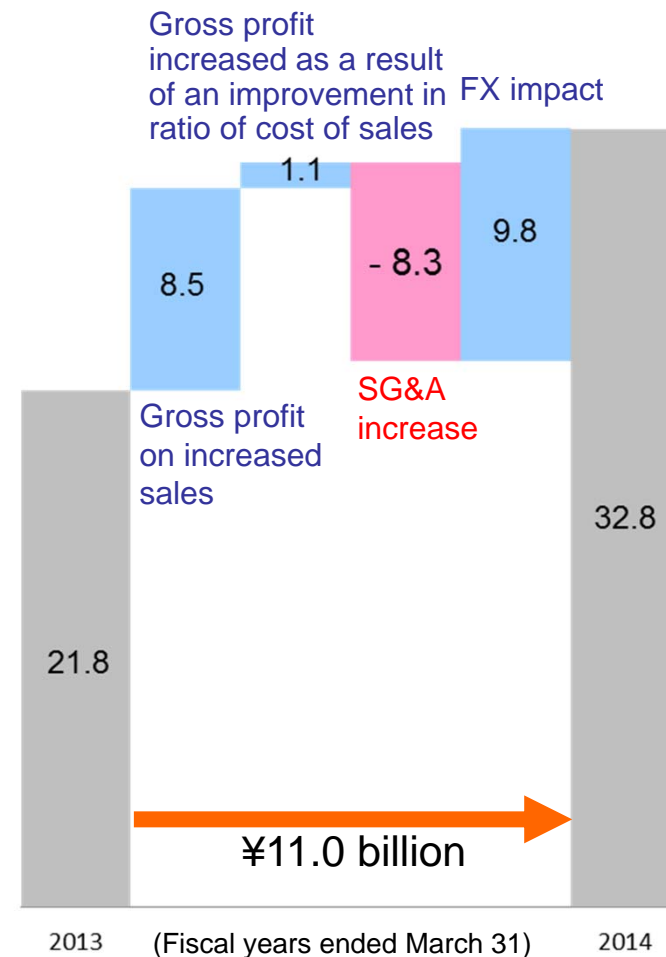
(Billions of yen)

## Net Sales

Note: FX impact excluded from regional sales below



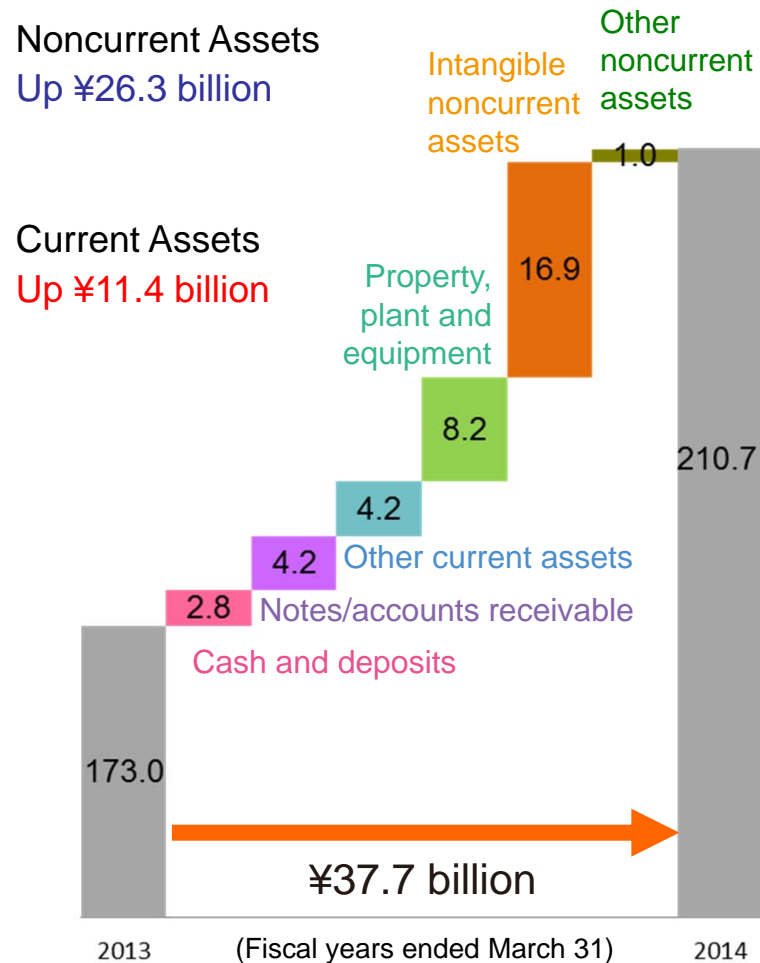
## Operating Income



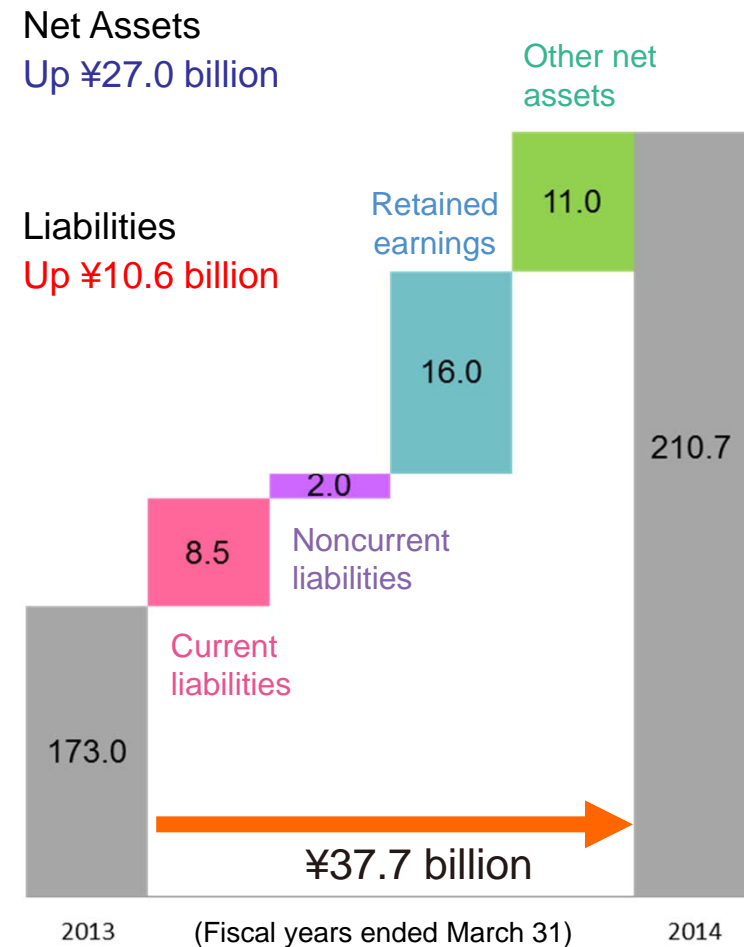
# Breakdown of Assets and Liabilities/Net Assets

(Billions of yen)

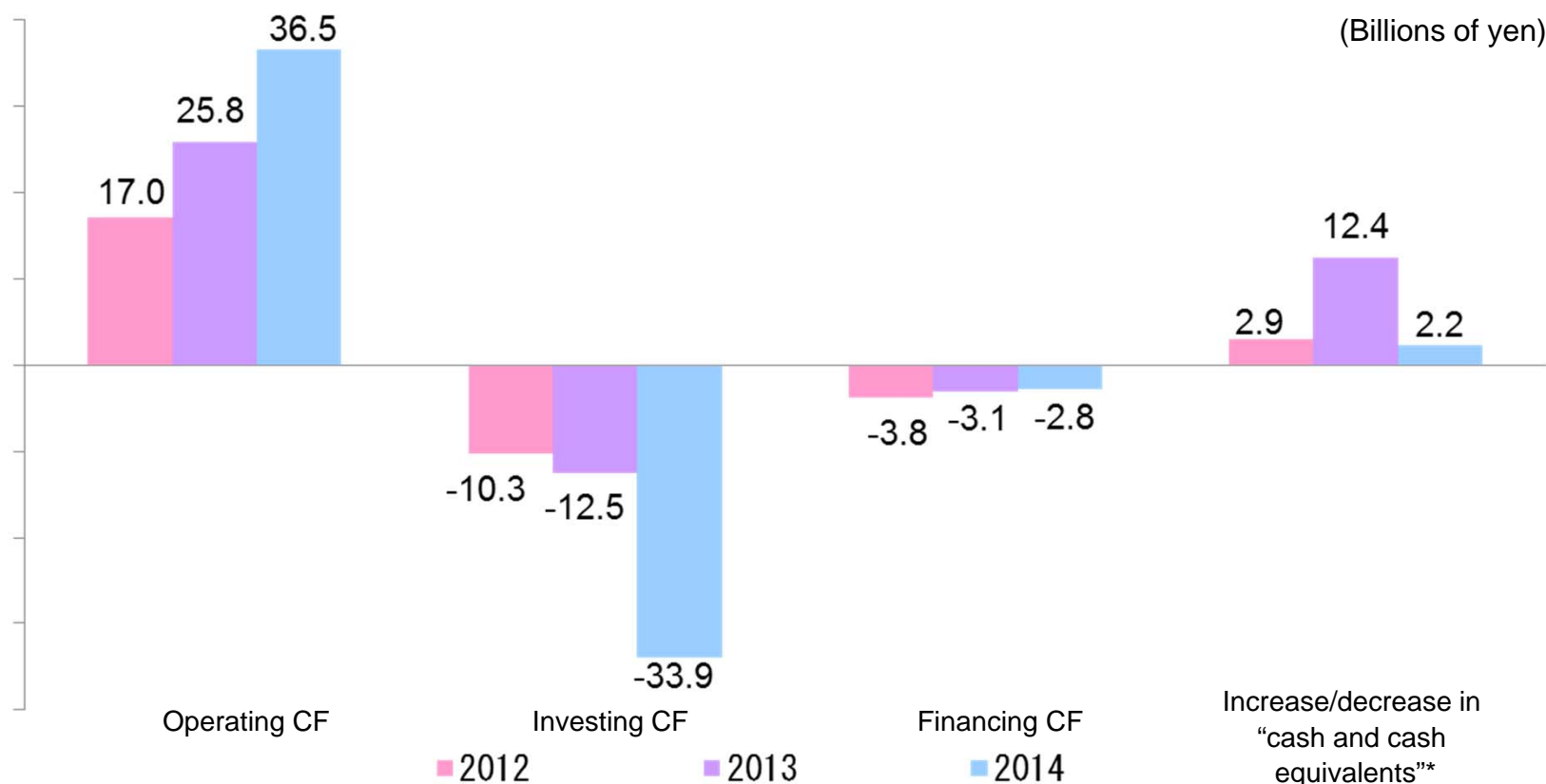
## Assets



## Liabilities/Net Assets



# Consolidated Cash Flows



\*The increase/decrease in cash and cash equivalents includes translation differences on cash and cash equivalents.

● The increase in cash used in investing activities was the result of efforts to expand the production function and the acquisition of subsidiaries' shares through M&A activities.

# Topics (1)



## M&A, Alliances

- Acquired Partec and Inostics and converted the companies to subsidiaries
- Entered into collaboration agreement with National Cancer Center to develop cancer diagnostic reagents
- Jointly established marketing company, with Kawasaki Heavy Industries, with view to developing medical robots
- Sysmex Inostics entered into agreement with Bayer HealthCare to collaborate on development of companion diagnostic tests for targeted tumor therapies
- Entered into clinical research, joint development and licensing agreement with Merck Millipore

## Operational Sites

- Converted distributor in South Korea to subsidiary and strengthened sales and support activities
- Established subsidiary in Turkey and commenced direct sales and support
- Began work on establishment of new instrument factory, slated to become operational in June 2014 (Kakogawa, Hyogo Prefecture)
- Started work on expanding reagent factories in Singapore and Germany
- Announced enhanced sales and support system for Central and South America





## Topics (2)



### Products, Technologies

- Began sales of the HISCL<sup>®</sup> M2BPGi assay kit, which is employed in a test using a glycosylation marker to determine degree of hepatic fibrosis
- Launched the HISCL<sup>®</sup> TARC assay kit for atopic dermatitis
- Insurance coverage for rapid detection of colorectal and stomach cancer lymph node metastasis based on the OSNA<sup>®</sup> method
- Launched new ASTRIM FIT product for noninvasive measurement of estimated hemoglobin levels



ASTRIM FIT health  
monitoring analyzer

### Others

- XN-2000 and XN reagents received German Design Award
- Sysmex accredited for ISO/IEC 17025 and ISO/IEC 17043 calibration laboratory and proficiency testing provider



# Net Sales by Geographic Region

## ● Net Sales by Geographic Region (Sales to Customers)

(Billions of yen)

		Fiscal year ended March 31, 2014		Fiscal year ended March 31, 2013		YOY (Previous period = 100%)	
			Ratio		Ratio	(Yen)	(Local currency)
Net Sales		184.5	100%	145.5	100%	126.8%	-
Region	Americas <sup>*1</sup>	38.5	20.9%	29.7	20.4%	129.9%	<b>107.7%</b>
	EMEA	53.1	28.8%	39.4	27.1%	134.9%	<b>107.6%</b>
	China	36.2	19.7%	24.4	16.8%	148.4%	<b>120.0%</b>
	AP	14.7	8.0%	9.0	6.2%	162.9%	-
	Japan <sup>*2</sup>	41.7	22.6%	42.9	29.5%	97.2%	-

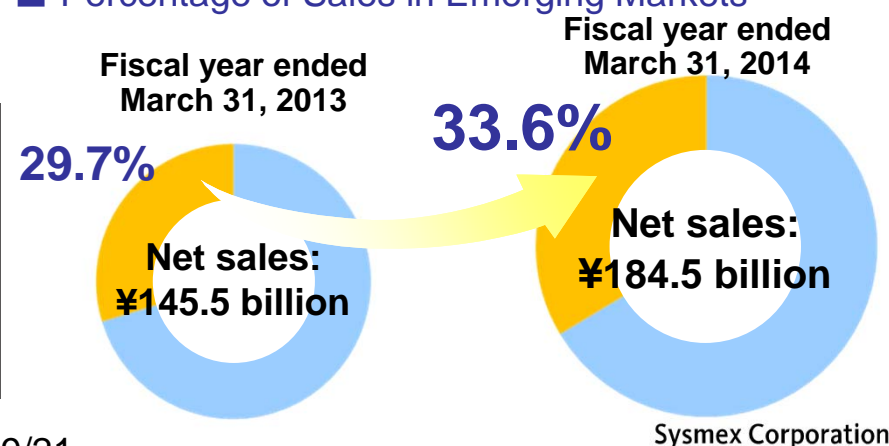
<sup>\*1</sup> During the first half of the fiscal year, the medical device excise tax was deducted from sales. However, in the third quarter results this tax was treated as cost of sales for the first nine months of the fiscal year. (Revised retroactively in the third quarter for April–December.) In the preceding fiscal year, ¥0.09 billion was deducted from net sales.

<sup>\*2</sup> Includes sales to IDEXX and other customers. In the preceding fiscal year, also included sales to South Korea.

## ■ Percentage of Sales in Emerging Markets

## ● Exchange Rates

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013
1USD	¥100.2	¥83.1
1EUR	¥134.4	¥107.2
1CNY	¥16.3	¥13.2



# Sales by Field of Business

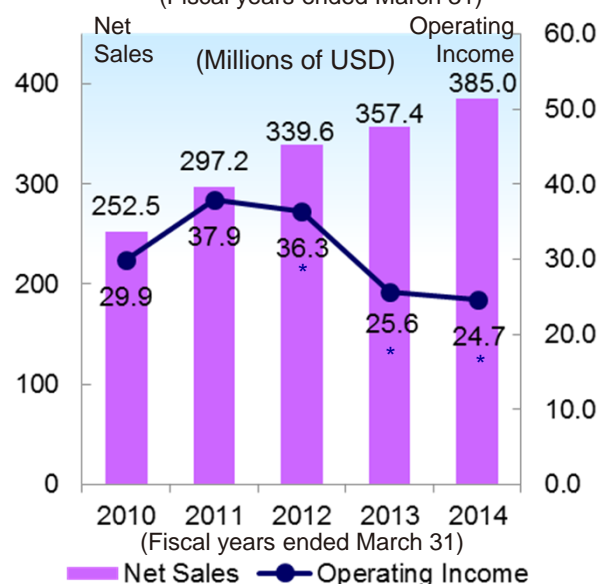
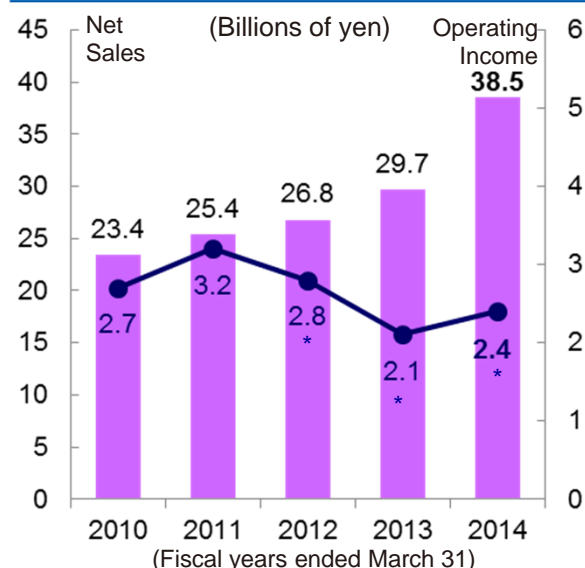


(Billions of yen)		Fiscal year ended March 31, 2014		Fiscal year ended March 31, 2013		YOY (Previous period = 100%)
		Results	Ratio	Results	Ratio	
	Hematology	119.5	64.8%	93.8	64.5%	127.5%
	Urinalysis	14.4	7.9%	10.9	7.5%	132.5%
	Others <sup>*1</sup>	4.4	2.4%	3.8	2.6%	116.4%
	HU-BU	138.5	75.1%	108.5	74.6%	127.6%
	Immunochemistry	2.1	1.1%	2.0	1.4%	102.1%
	Clinical chemistry	3.7	2.0%	3.0	2.1%	120.2%
	Hemostasis	27.8	15.1%	21.2	14.6%	131.5%
	ICH-BU	33.7	18.3%	26.3	18.1%	127.9%
	Other IVD <sup>*2</sup>	7.6	4.1%	7.0	4.8%	109.2%
	IVD total	179.8	97.5%	141.9	97.5%	126.7%
	LS-BU	1.7	0.9%	1.0	0.7%	162.8%
	Others	2.9	1.6%	2.5	1.8%	113.8%
	Total net sales	184.5	100.0%	145.5	100.0%	126.8%

\*1 Laboratory Information Systems, others

\*2 Sales of third-party products, others

# Geographic Segment Information: Americas



\* Impact of the revision in intragroup transaction prices  
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	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	(Billions of yen) YOY (Previous period = 100%)
Net Sales	38.5	29.7	129.9%
Operating Income*	2.4	2.1	116.4%

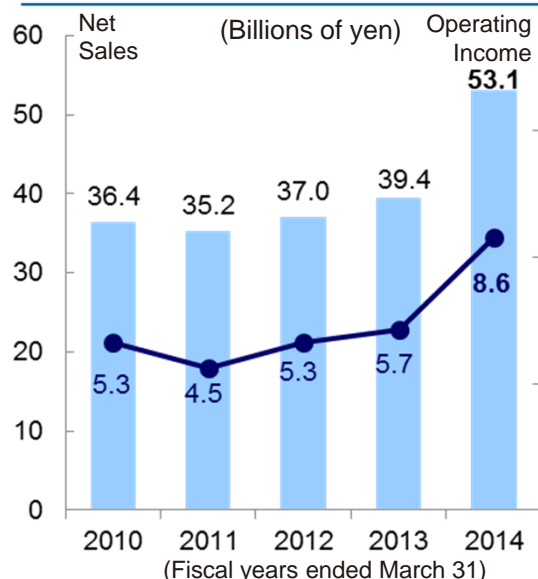
- With U.S. healthcare reform being implemented in earnest, the market is showing signs of recovery, prompting increased sales of instruments and reagents. These factors, plus yen depreciation, pushed up sales in the region.
- Operating income rose, as higher sales compensated for the impact of the medical device excise tax, higher SG&A expenses and revisions in intragroup transaction prices.

Note: During the first half of the fiscal year, the medical device excise tax was deducted from sales. However, in the third quarter results this tax has been treated as cost of sales for the first nine months of the fiscal year. (Revised retroactively in the third quarter for April–December.) In the preceding fiscal year, ¥0.09 billion was deducted from net sales (no effect on income).

■ On a local currency basis: net sales 107.7%, operating income 96.5%\*

- United States: The market showed signs of recovery, owing to the full-fledged implementation of healthcare reform, and increased sales of instruments, reagents and services led to a rise in sales.
- Canada: Healthcare budget cuts caused project reductions and ongoing delays, leading to lower sales.
- Central and South America: Sales grew, owing to higher sales from Chile and Costa Rica.

# Geographic Segment Information: EMEA\*

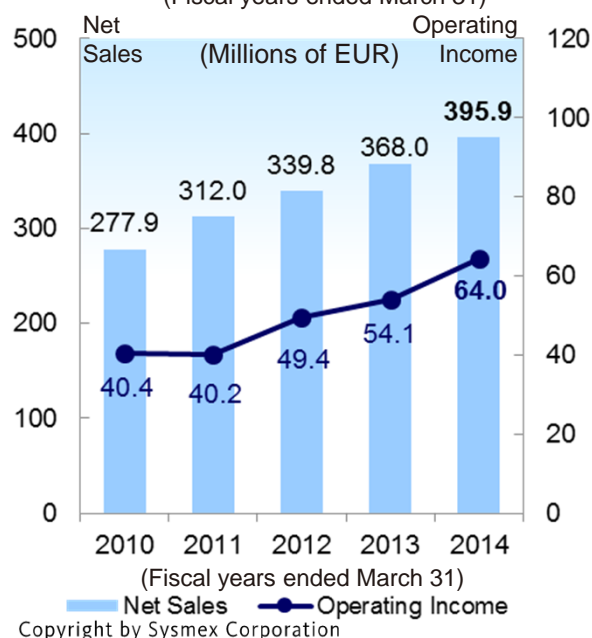


## \* Europe, the Middle East and Africa

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	YOY (Previous period = 100%)
Net Sales	53.1	39.4	134.9%
Operating Income	8.6	5.7	148.4%

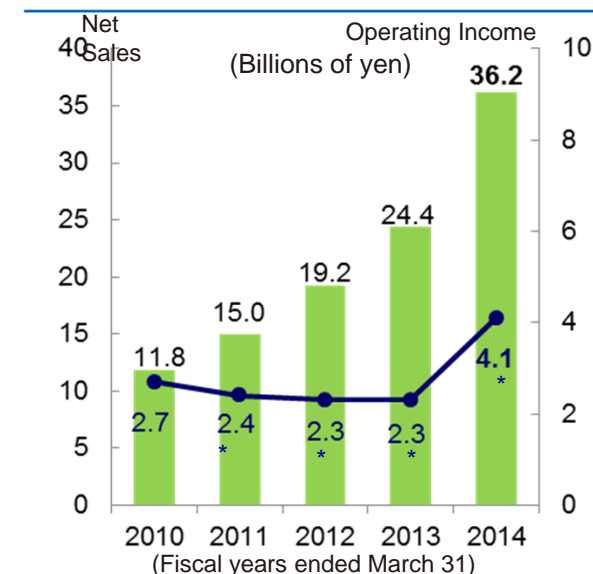
- Overall sales increased, mainly due to growth in all five major countries in the region, stronger sales in Russia due to an enhanced sales network, and the impact of yen depreciation.
- Operating income surged, as higher sales and an improved cost of sales ratio outpaced the rise in SG&A expenses targeting a business expansion.

■ On a local currency basis: net sales 107.6%, operating income 118.3%



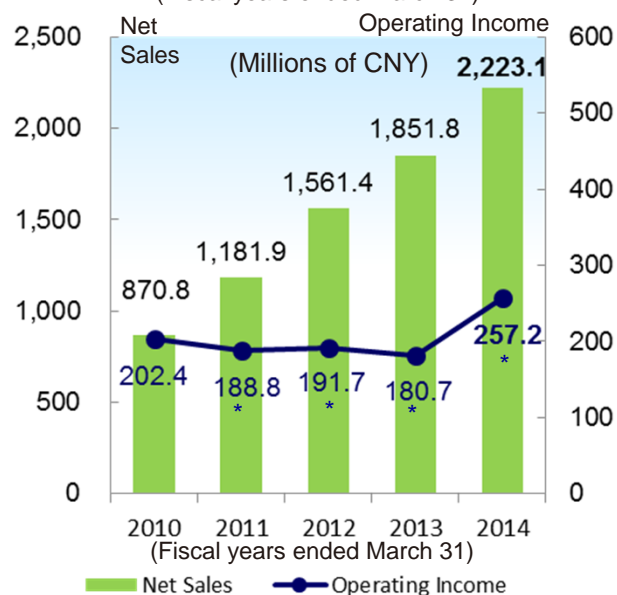
- Five major countries: Sales were up in each country, particularly in hematology.
  - Germany: Sales increased, centered on hematology reagents.
  - France: XN sales were robust, as lab consolidations spurred demand for system products.
  - Spain: Sales expanded as a result of bid project acquisitions.
- Other parts of Europe: Sales rose, particularly in Switzerland and the Netherlands, where XN sales were solid.
- Eastern Europe, Russia: Sales increased due to an enhanced sales network in Russia and other initiatives.
- Middle East, Africa: Sales increased, particularly in Kuwait, where XN sales were robust.

# Geographic Segment Information: China



	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	(Billions of yen) YOY (Previous period = 100%)
Net Sales	36.2	24.4	148.4%
Operating Income*	4.1	2.3	176.0%

- Although affected by a state of market sluggishness, sales increased, centered on reagents in the hematology and hemostasis fields and due to the impact of yen depreciation.
- The increase in sales overcame the impact of the revision in intragroup transaction prices and increased SG&A expenses, prompting a sharp increase in operating income.

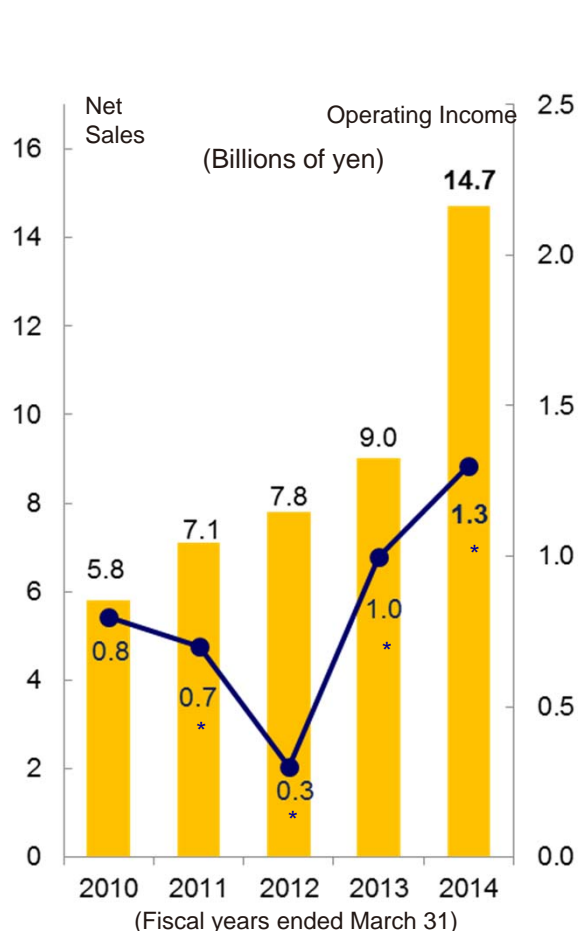


■ On a local currency basis: net sales 120.0%, operating income 142.3%\*

- Hematology: Although instrument sales were sluggish, overall sales were up due to robust sales of reagents.
- Hemostasis: Sales rose due to increases in instruments and reagents stemming from favorable CS-5100 sales.
- Urinalysis: Overall sales increased on the back of higher reagent sales.

\* Impact of the revision in intragroup transaction prices  
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# Geographic Segment Information: AP



\* Impact of the revision in intragroup transaction prices

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	YOY (Previous period = 100%)
Net Sales	14.7 <sup>(Note)</sup>	9.0	162.9%
Operating Income*	1.3	1.0	131.3%

- Sales were up significantly, due to the transition to direct sales in South Korea and Thailand and robust performance in Indonesia, Malaysia and Australia.
- Operating income rose sharply, as higher sales and an improved cost of sales ratio overcame the impact of the revision in intragroup transaction prices and higher SG&A expenses.

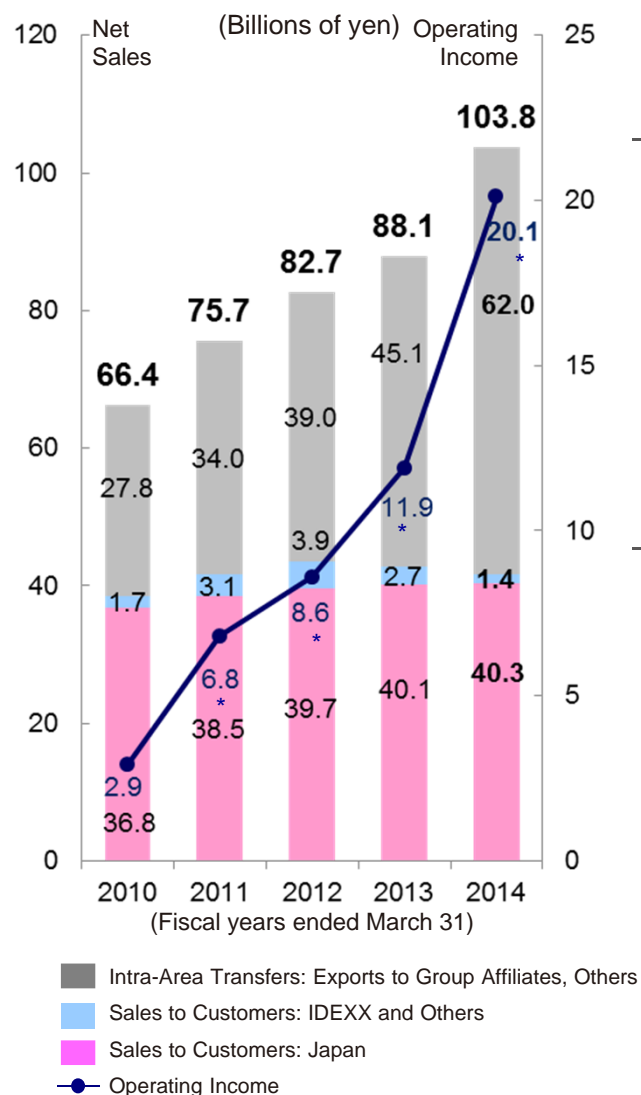
- Southeast Asia: Sales rose due to increases in Indonesia and Malaysia
- South Asia: Sales were up, due in part to the recovery in sales to India in 4Q.
- Oceania: Sales expanded, due to higher sales of hemostasis products and XN instruments to commercial labs.
- South Korea, Taiwan: Sales rose substantially, owing to the transition to direct sales in South Korea.

• Excluding the impact of South Korea, 126.0% of the previous year's figure

(Note) Due to the conversion of our distributor in South Korea to a subsidiary, from the first quarter of the fiscal year ended March 31, 2014, sales formerly recorded in Japan have been moved to the AP region.



# Geographic Segment Information: Japan



\* Impact of the revision in intragroup transaction prices

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	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013	YOY (Previous period = 100%)
Net Sales	103.8	88.1	117.7%
Sales to Customers	41.7	42.9	97.2%
Japan	40.3	40.1	100.3%
IDEXX and Others	1.4	2.7 (Note)	51.9%
Intra-Area Transfers	62.0	45.1	137.3%
Operating Income*	20.1	11.9	168.7%

- Sales in Japan were flat, but the increase in intra-area transfers to Group affiliates (overseas) and the impact of the revision in intragroup transaction prices resulted in higher sales and operating income.

- Japan: Sales were flat overall, decreasing in the hematology field but being robust in non-hematology fields.
- IDEXX and others: Although sales for IDEXX were up, sales in this category were down, reflecting the decrease in sales to South Korea due to the conversion of our subsidiary there to a subsidiary.

(Note) This includes ¥1.56 billion in sales to South Korea in the preceding fiscal year.

Note: Due to the conversion of our distributor in South Korea to a subsidiary, from the first quarter of the fiscal year ended March 31, 2014, sales formerly recorded in Japan have been moved to the AP region.

Sysmex Corporation



# Dividend Forecast

Proposal corresponds to 35% dividend increase and 12th consecutive year of increases



- Expected dividend ¥12 higher than initial year-end dividend forecast of ¥21

	Interim Dividend	Year-End Dividend	Total	Dividend Ratio
Fiscal Year Ended March 31, 2013	¥17	¥23	¥40	29.1%
Fiscal Year Ended March 31, 2014 (Proposed)	¥21	¥33 <small>Note: To be proposed at the 47th Ordinary General Meeting of Shareholders</small>	¥54	27.1%

Note: A two-for-one stock split on common stock was conducted on April 1, 2014. However, the dividend per share information indicated above is based on the total number of shares issued prior to the stock split.



## Chapter 2

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# Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2015

# Consolidated Earnings Forecast



## Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2015

● Net Sales: **¥210.0 billion**    ● Operating Income: **¥36.0 billion**    ● Ordinary Income: **¥36.0 billion**    ● Net Income: **¥22.0 billion**  
 ● Operating Margin: **17.1%**    ● Ordinary Margin: **17.1%**    ● Net Income Margin: **10.5%**

### Planned Investment

● Capital Expenditure: **¥14.0 billion**    ● Depreciation and Amortization: **¥11.0 billion**    ● R&D Expenditure: **¥14.5 billion**

### Assumed exchange rates:

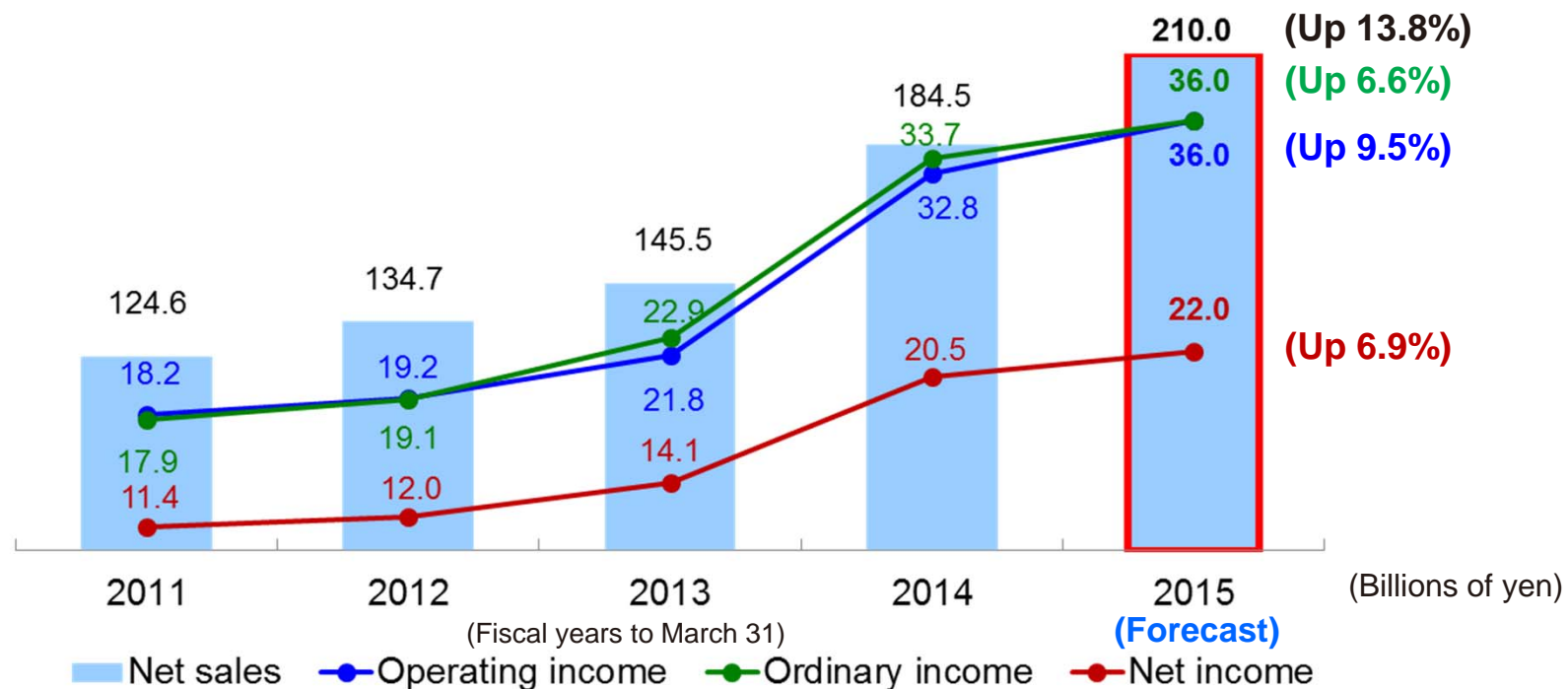
(Actual for fiscal year ended March 31, 2014:

1USD = ¥100.0

1USD = ¥100.2

1EUR = ¥135.0

1EUR = ¥134.4)



# Financial Targets: Sales and Operating Income by Geographic Segment



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# Partec and Inostics



## Partec

- Expand existing business
  - Develop business such as that related to HIV testing and malaria in emerging markets and developing countries
- Take advantage of business opportunities
  - Expand FCM technologies and products in research and clinical markets
- Expand functions and plan facilities to achieve business synergies



New Partec factory

Impact on consolidated operating performance	Fiscal year ended March 31, 2014 (Three months)	Fiscal year ending March 31, 2015
Net sales	¥0.67 billion	¥4.00 billion
Operating income	¥(0.10 billion)	¥(0.10 billion)

## Inostics

- Develop the lab assay service<sup>\*1</sup> business globally
- Expand into new spheres of business (companion diagnostics<sup>\*2</sup> business)

<sup>\*1</sup> Assay service: Using new molecular diagnostics and other technologies to provide sample analysis results as a service

<sup>\*2</sup> Companion diagnostics: Clinical testing performed to predict the efficacy and side effects of drugs before using them for treatment

Impact on consolidated operating performance	Fiscal year ended March 31, 2014 (Three months)	Fiscal year ending March 31, 2015
Net sales	¥0.13 billion	¥1.80 billion
Operating income	¥(0.10 billion)	¥(0.9 billion)

- Increases in existing business excluding Partec and Inostics: Consolidated net sales up 11.1%, operating income up 11.9%

# Dividend Policy and Dividend Forecast



Forecast corresponds to 13<sup>th</sup> consecutive year of dividend increases

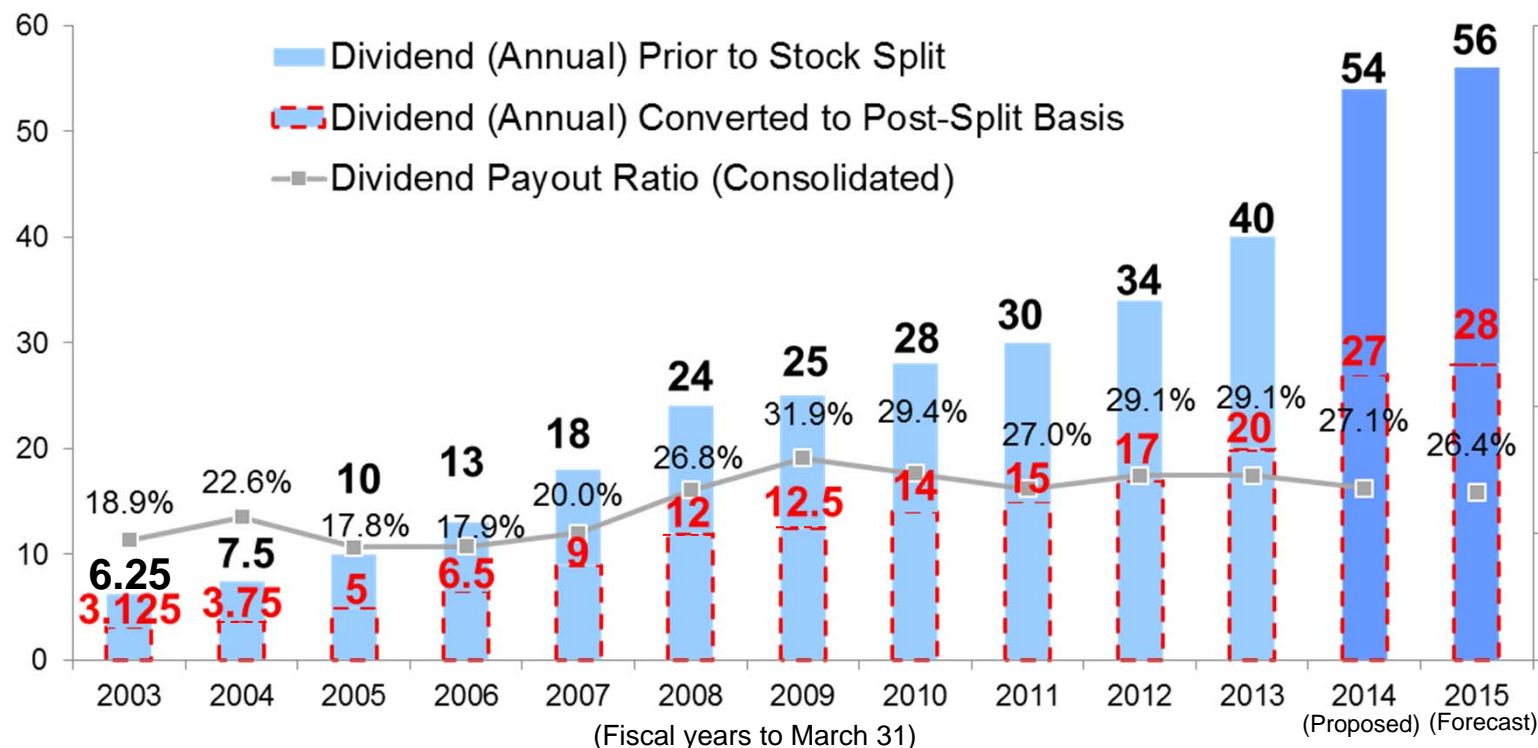
Sysmex aims to maintain a proper balance between aggressive investment, which is designed to sustain steady high growth, and returns to our shareholders as our earning power increases. In terms of returns to shareholders, we intend to provide a stable dividend on a continuous basis and aim for a consolidated payout ratio of 20% under our basic policy of sharing the successes of our operations in line with business performance.

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

(Yen)





# **We Believe the Possibilities.**

**Sysmex Corporation**

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