



# *Half Year 2004 Business Results*

**SYSTEMEX CORPORATION**

---

# *Operating Results*

---

*Eiichi Heki*

*Executive Vice President  
Administration*

## ■ Alliances

- Distribution agreement with Fuji Photo Film Co. for FUJI DRI-CHEM System In China.
- Integrated CAN Co., Ltd into Sysmex Group.
- Distribution Agreement with Bayer for Automated Urinalysis Workstation Track in the US.

## ■ R&D

- Begun a collaboration with VU University Medical Center (Amsterdam, The Netherlands) to evaluate the clinical performance of the automated cervical cancer screening technology.
- Establish the Sysmex BMA Laboratories at the Business Support Center for Biomedical Research Activities (BMA) on Port Island Second Stage in Kobe.
- Endowed course at the Kobe University Graduate School of Medicine.
- Received Award "National Commendation for Invention" for Immature Cell Measuring Reagent Technology.

## ■ Others

- Hematology Analyzer XE-2100 was selected for use in Anti-doping laboratory for Athens Olympics game.
- Acquired Real Estate for Future Expansion

# New Offerings from Sysmex



**Automated Hematology  
Slide Preparation Unit**  
*SP-1000i*

## **[Instrument / Reagent]**

Automated Hematology Slide Preparation Unit SP-1000i

Fully Automated Urine Cell Analyzer UF-110i

Urine Collection Device URITZ

Reagents for ELSIA

· Ct AUTO·FS(KW) -IgA

· HBC-IgM AUTO/FS(KW)

## **[Service]**

New Service SCS Pack for Calibration for Hematology Analyzer Launched in Japan

Laboratory Information System

Laboman.net Launched in China

**Urine Collection Device**  
*URIZ*



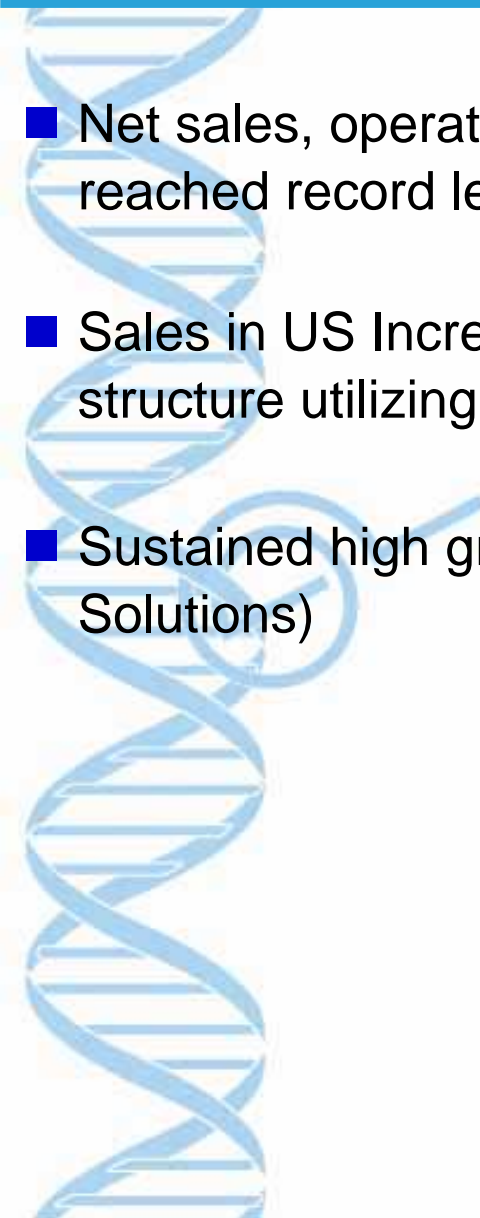


---

# Summary of Business Results for the Current Interim Term

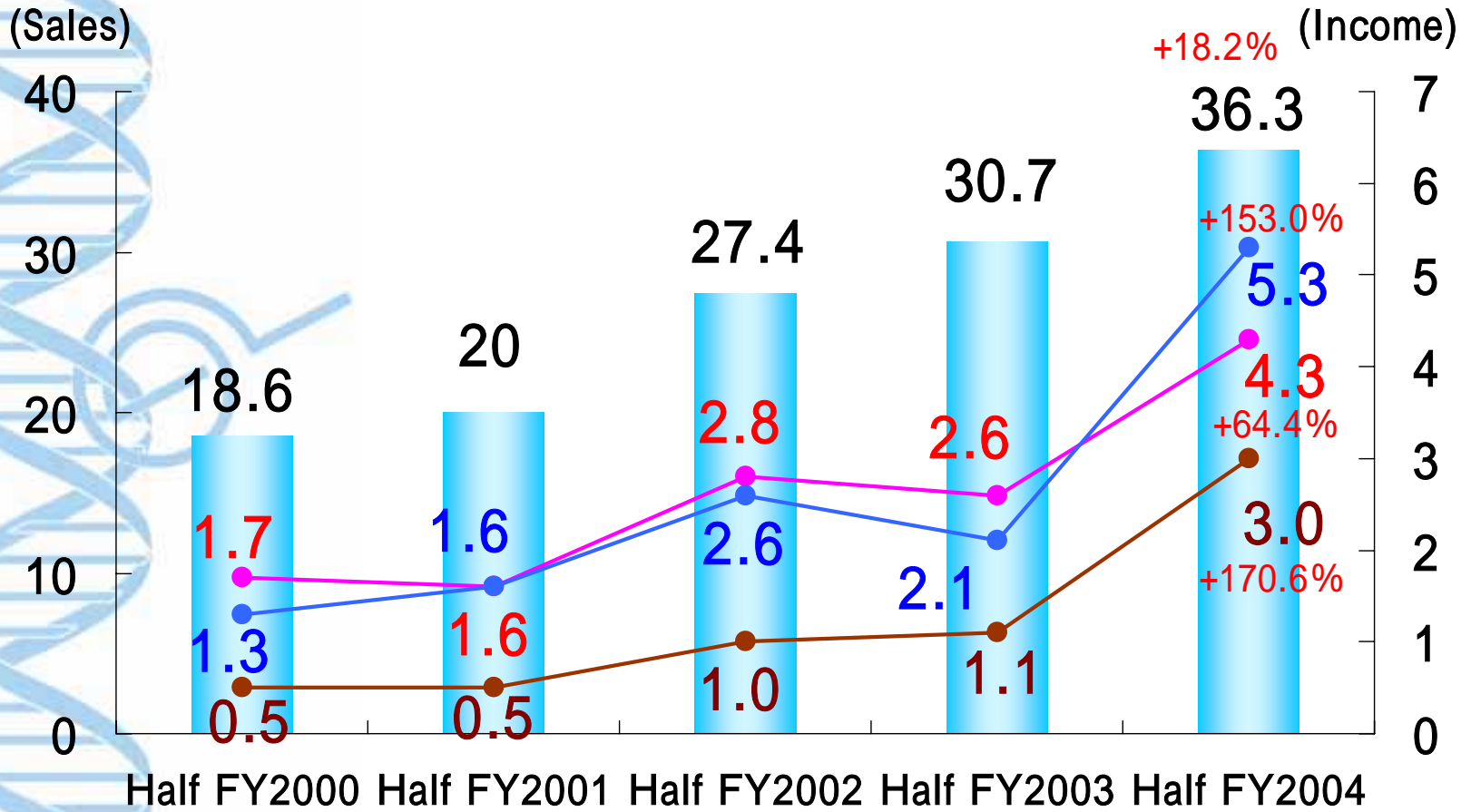
---

# Highlights

- 
- Net sales, operating income, ordinary income and net income all reached record levels
  - Sales in US Increased drastically due to transformation of business structure utilizing own subsidiary
  - Sustained high growth in Europe by ICS strategy (Integrated Concept Solutions)

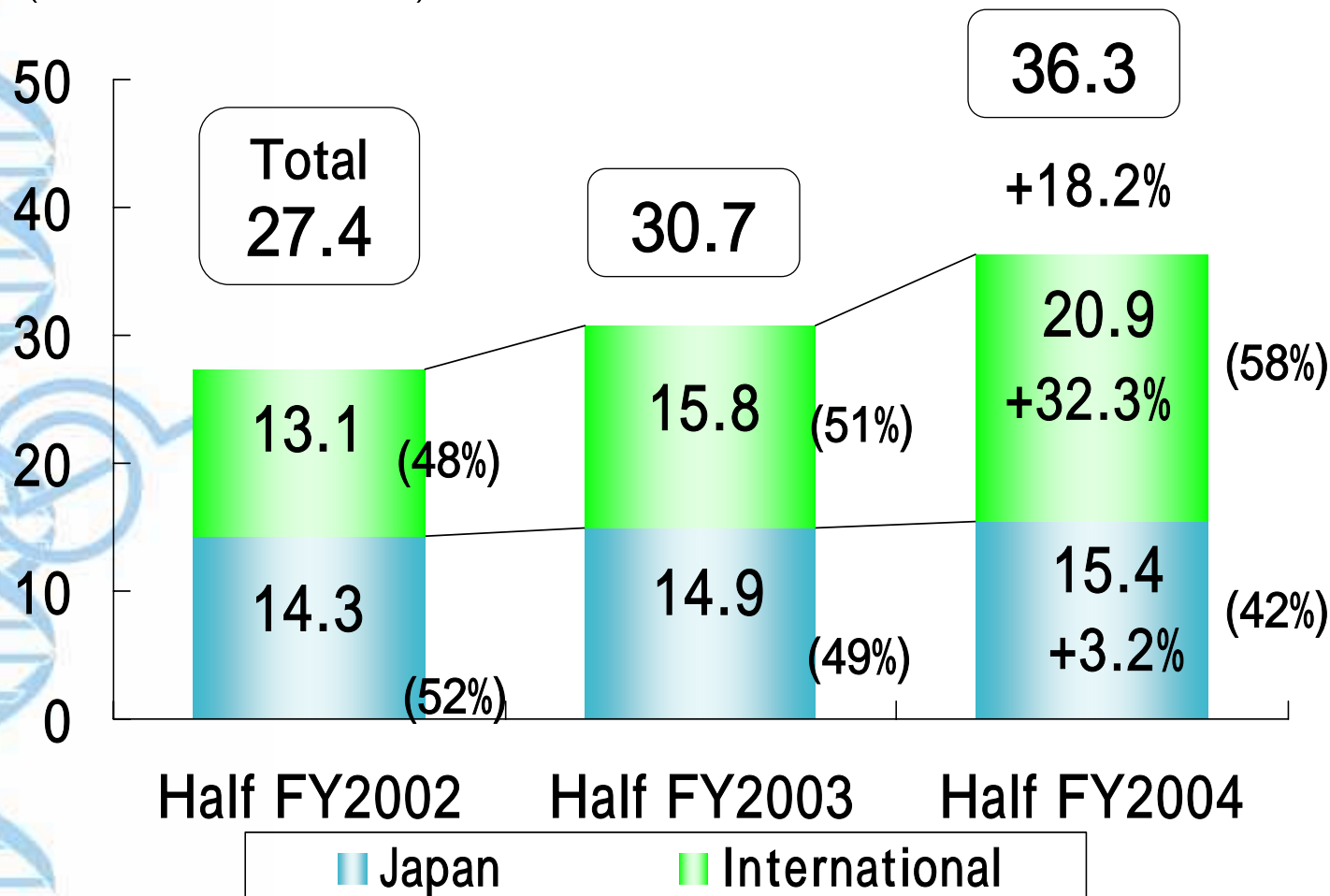
# Financial Highlights (Consolidated)

(in billions of JPY)



# Net Sales (Consolidated)

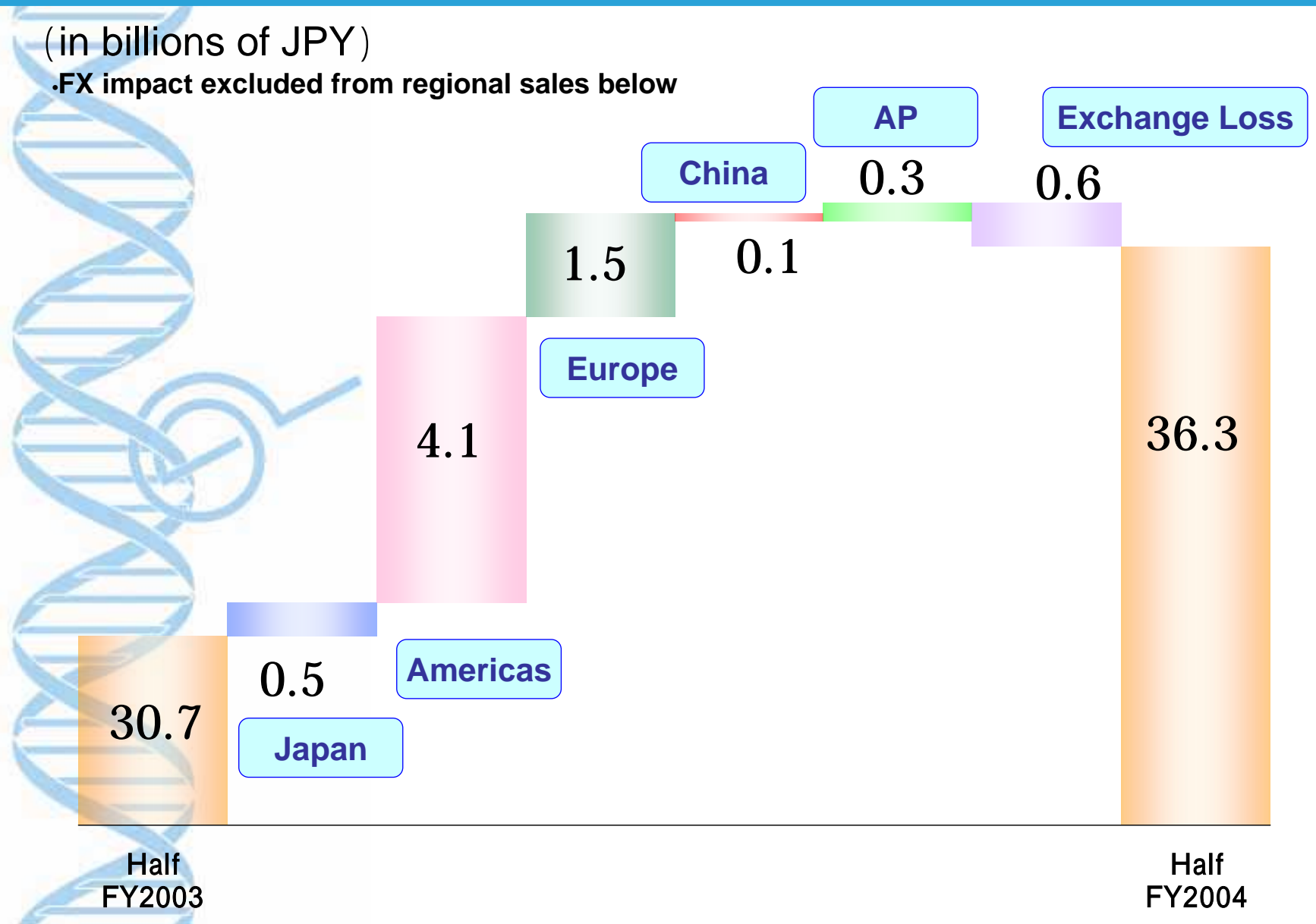
(in billions of JPY)



# Breakdown of Net Sales

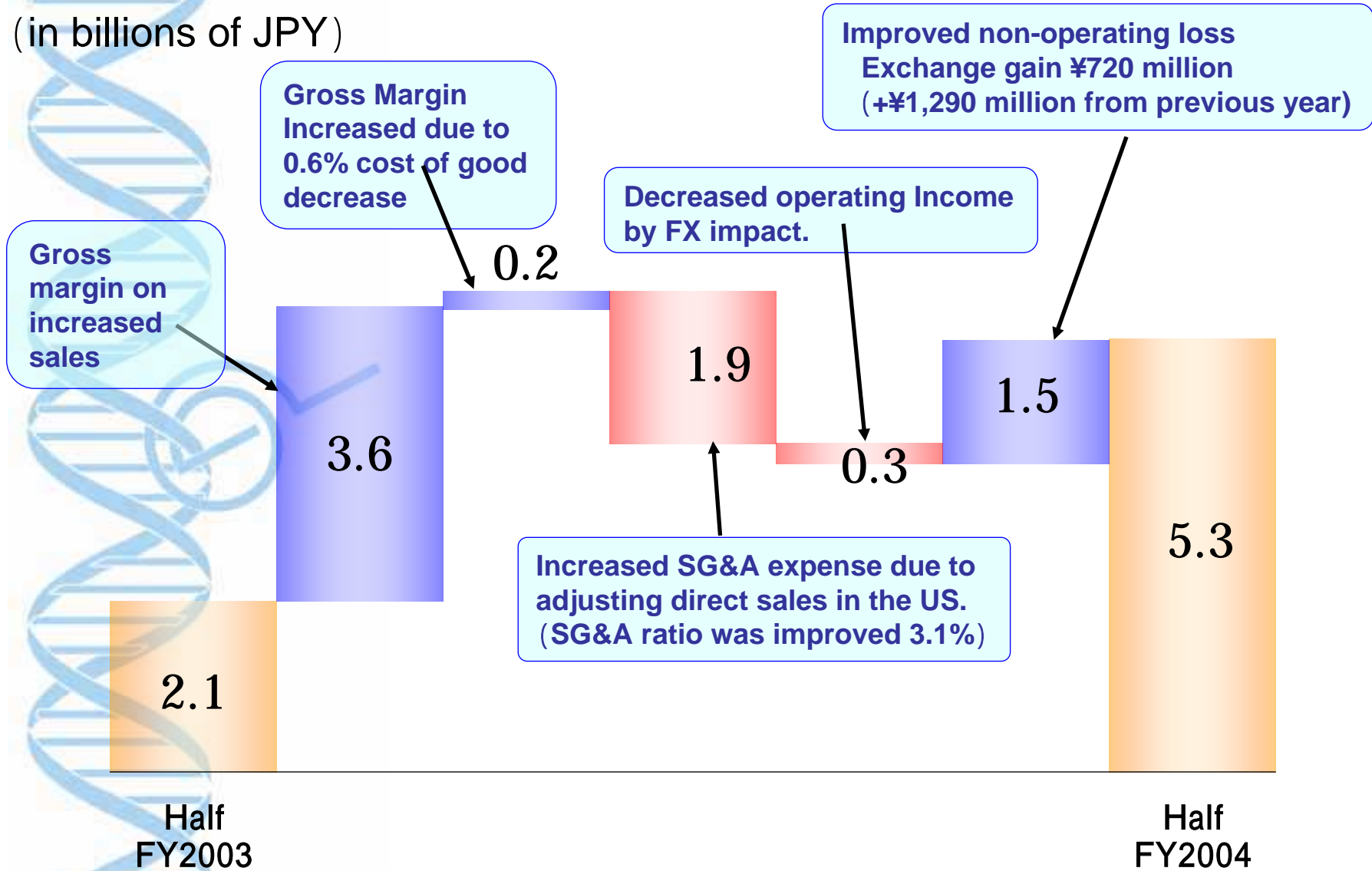
(in billions of JPY)

•FX impact excluded from regional sales below



# Breakdown of Ordinary Income

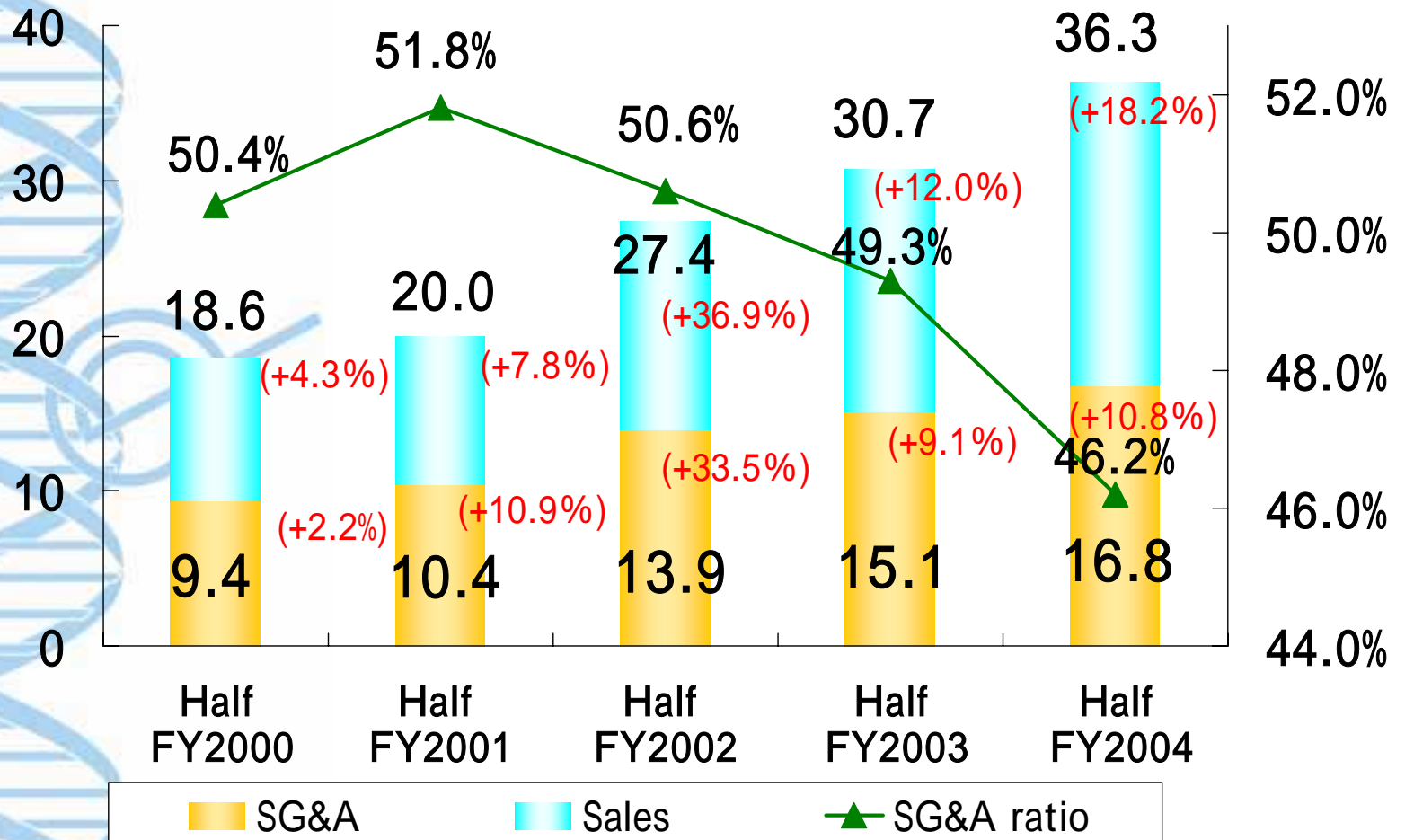
(in billions of JPY)



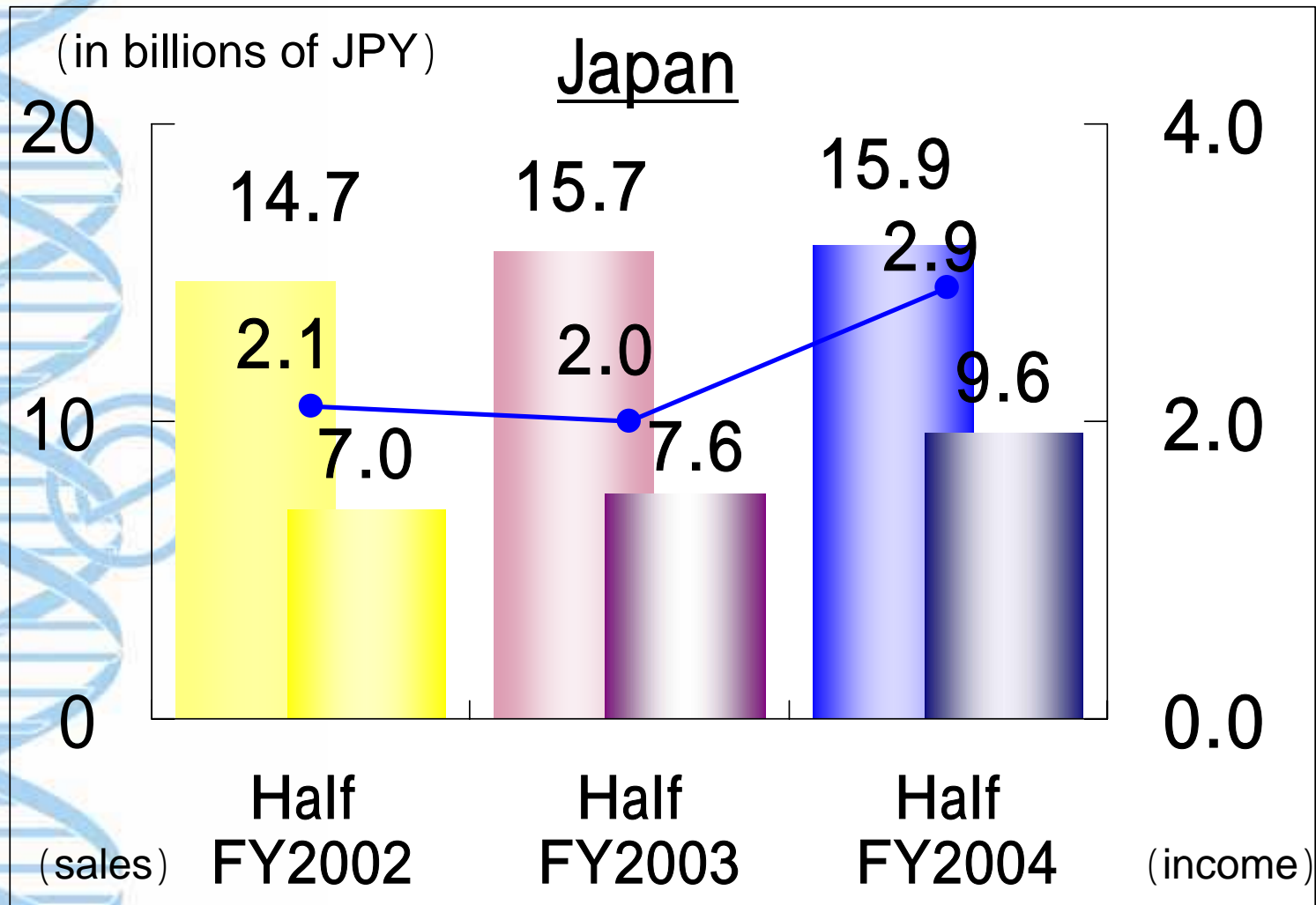
# Performance of SG&A Ratio

(in billions of JPY)

(SG&A Ratio)



# Geographic Segment Information

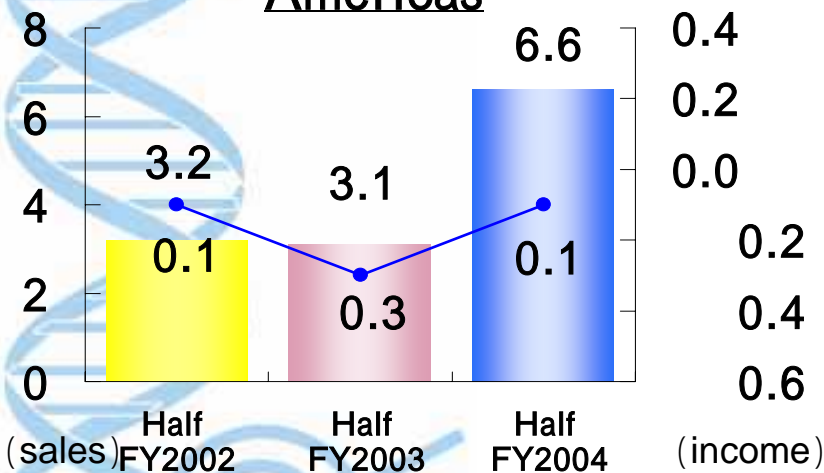


\*The left bar shows sales to outside customers, right bar shows sales to inside systemex group.

# Geographic Segment Information

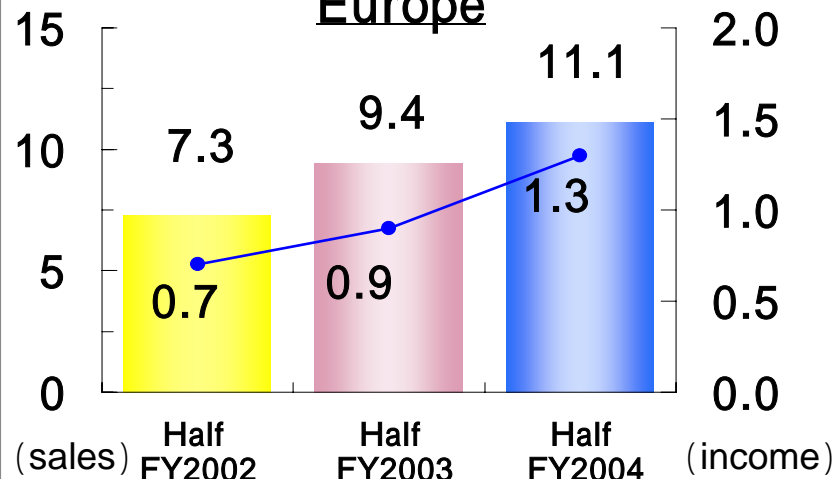
(in billions of JPY)

## Americas



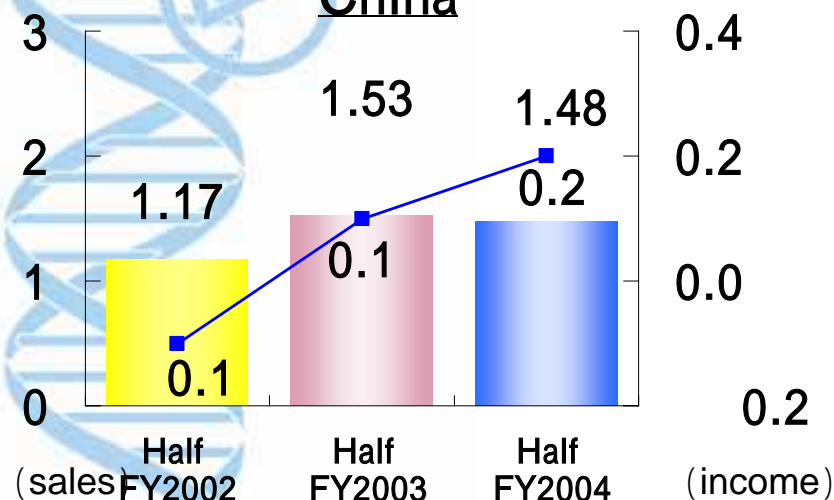
(in billions of JPY)

## Europe



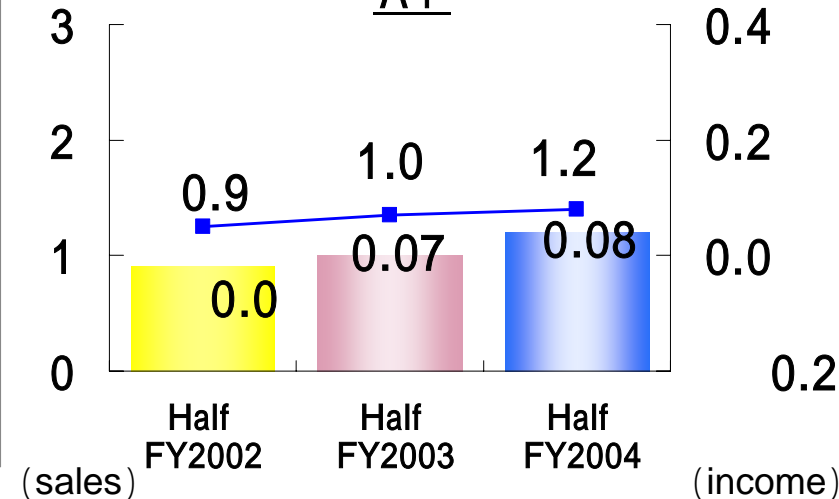
(in billions of JPY)

## China



(in billions of JPY)

## AP

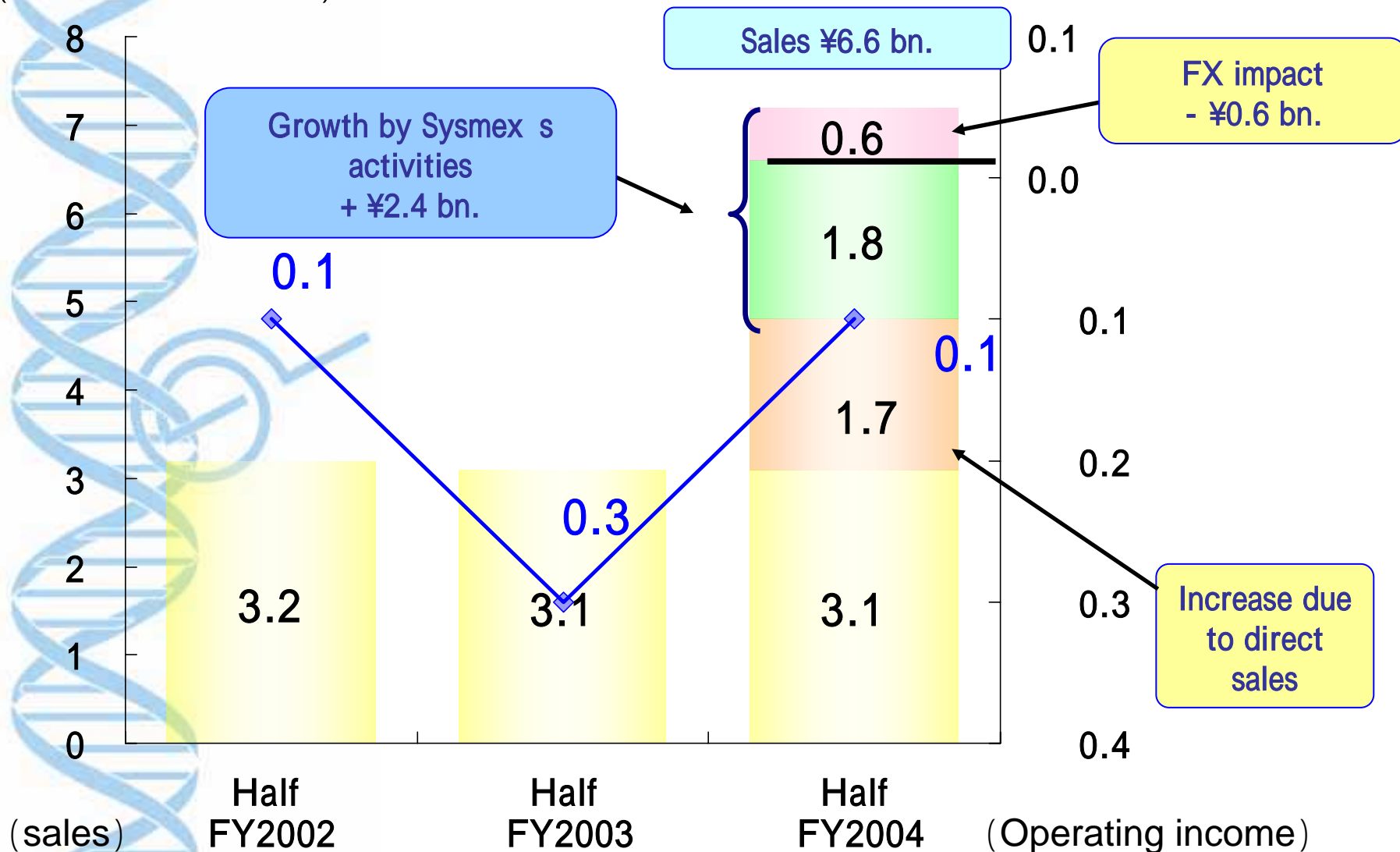


\*The bar graph shows sales and the line graph shows operating income.

\*2002:the sales commission in Chinese market to the distributor is netted in sales.

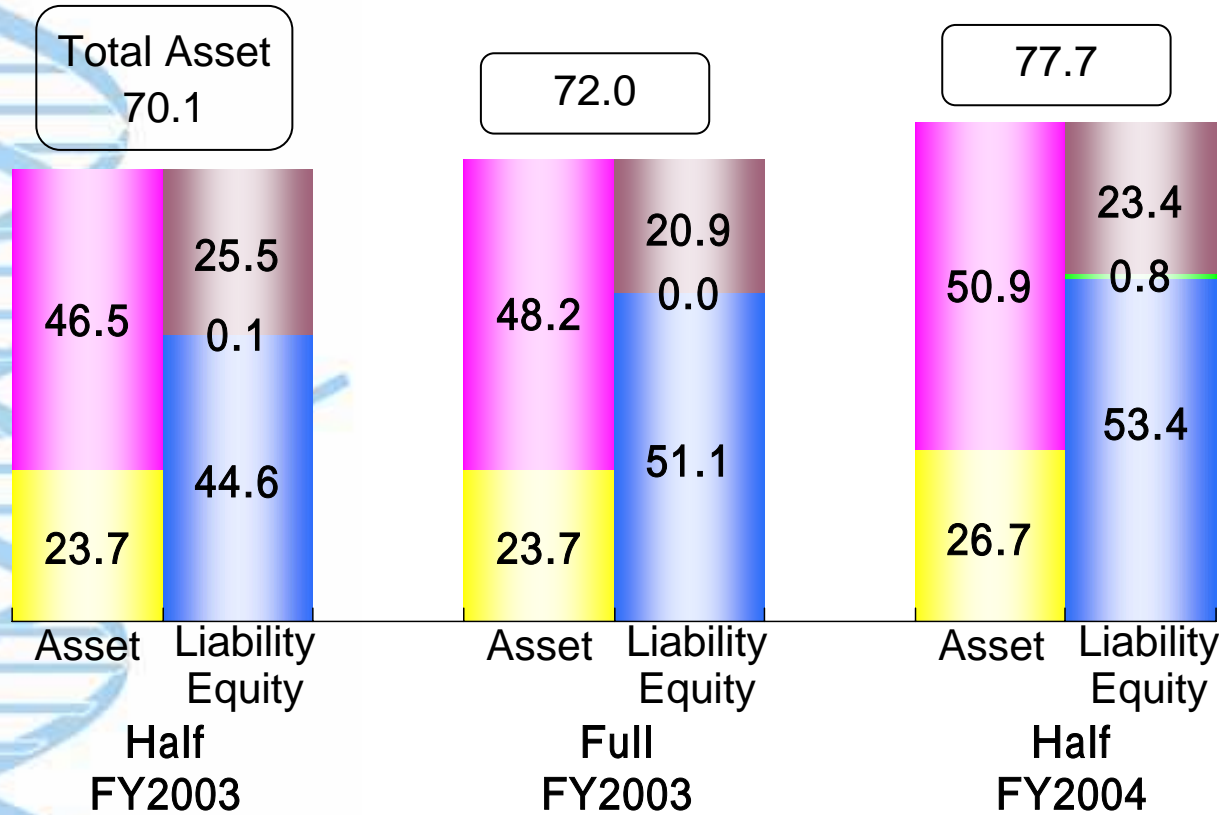
# Effect of Implementation in the US

(in billions of JPY)



# Balance Sheet (Consolidated)

(in billions of JPY)

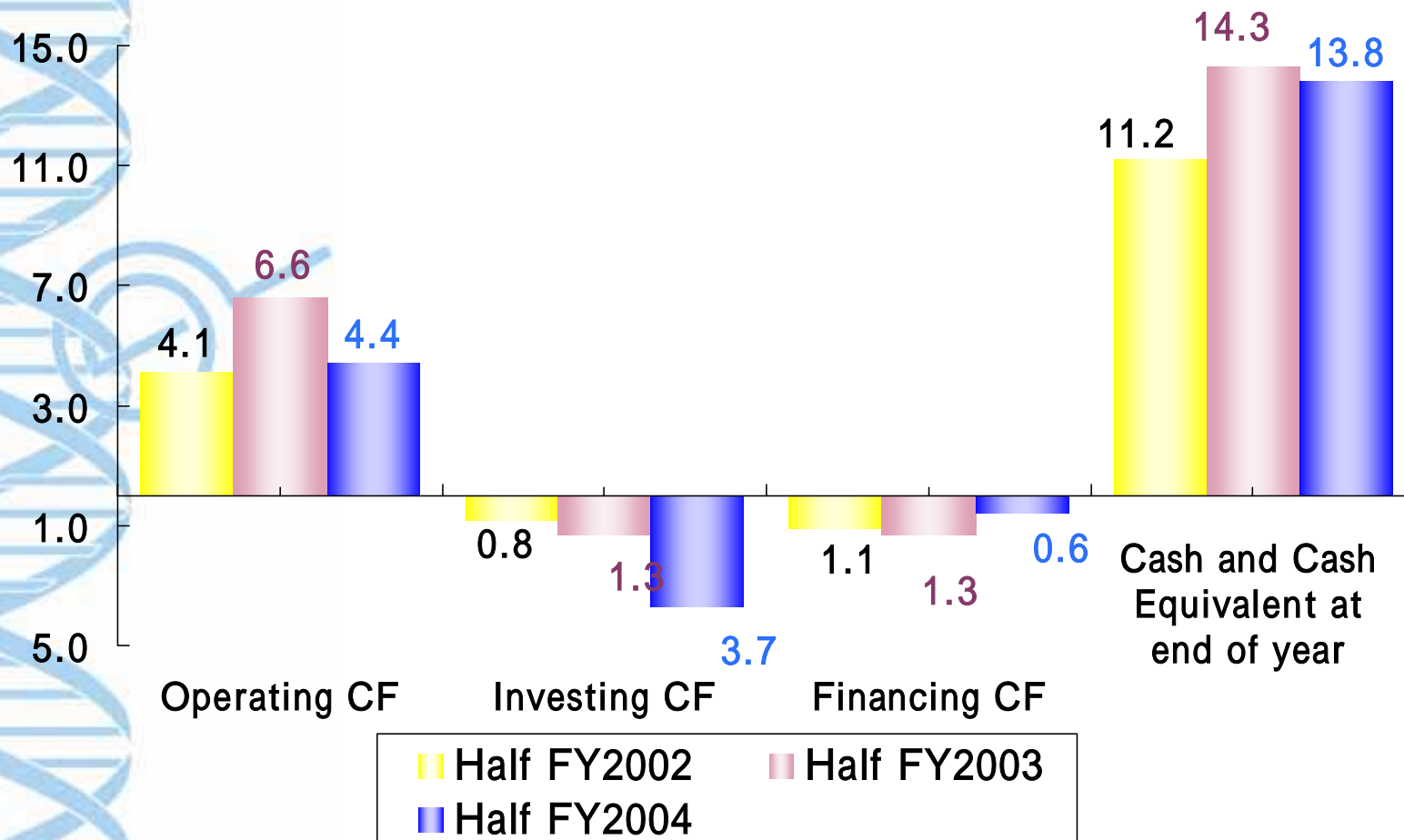


Ratio of Shareholder equity  
71.0% 68.8%



# Consolidated Cash Flow

(in billions of JPY)



A vertical, light gray graphic of a DNA double helix on the left side of the slide.

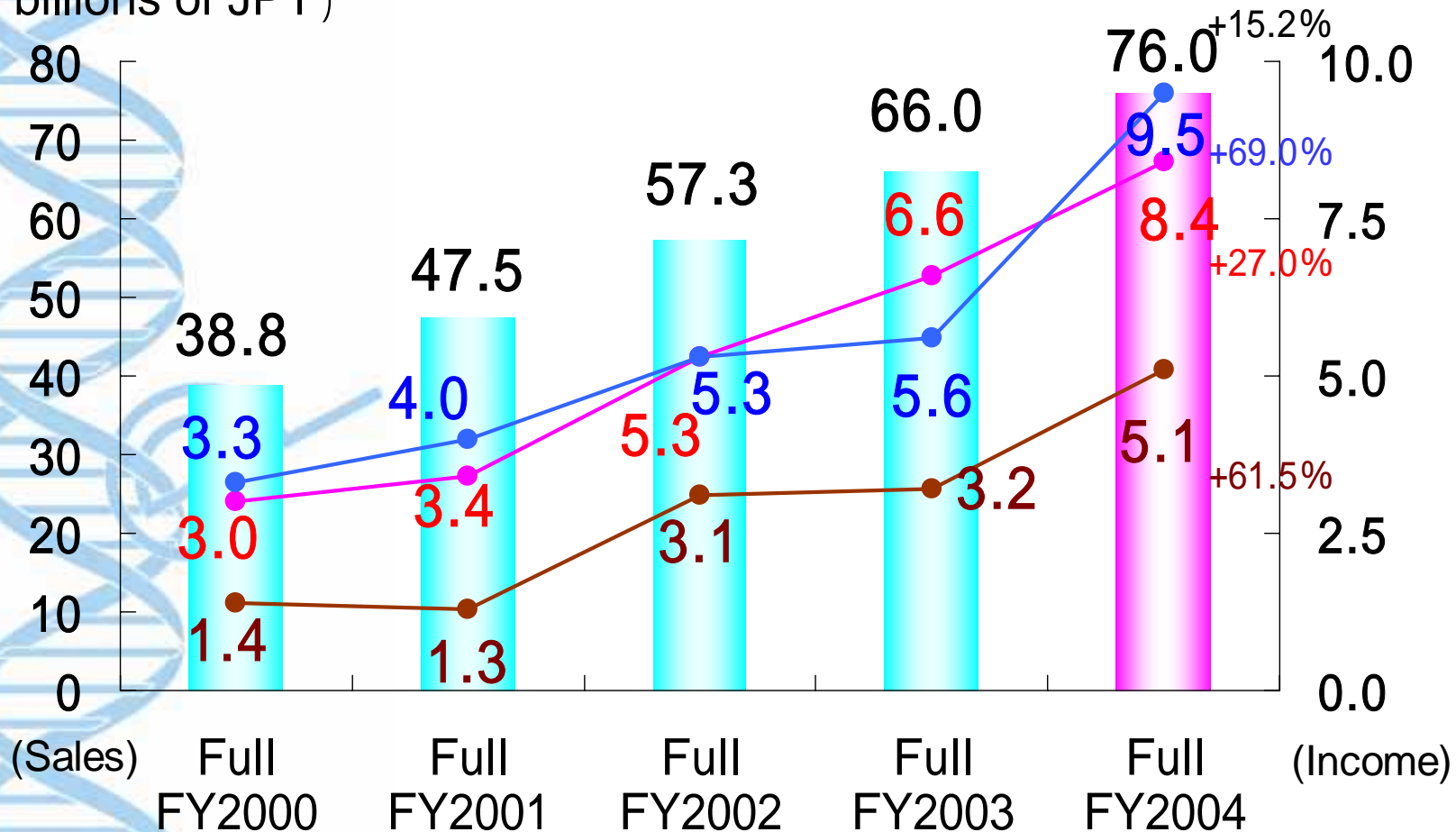
---

**Consolidated Earnings Forecast  
for Fiscal Year Ended Mar. 31, 2005**

---

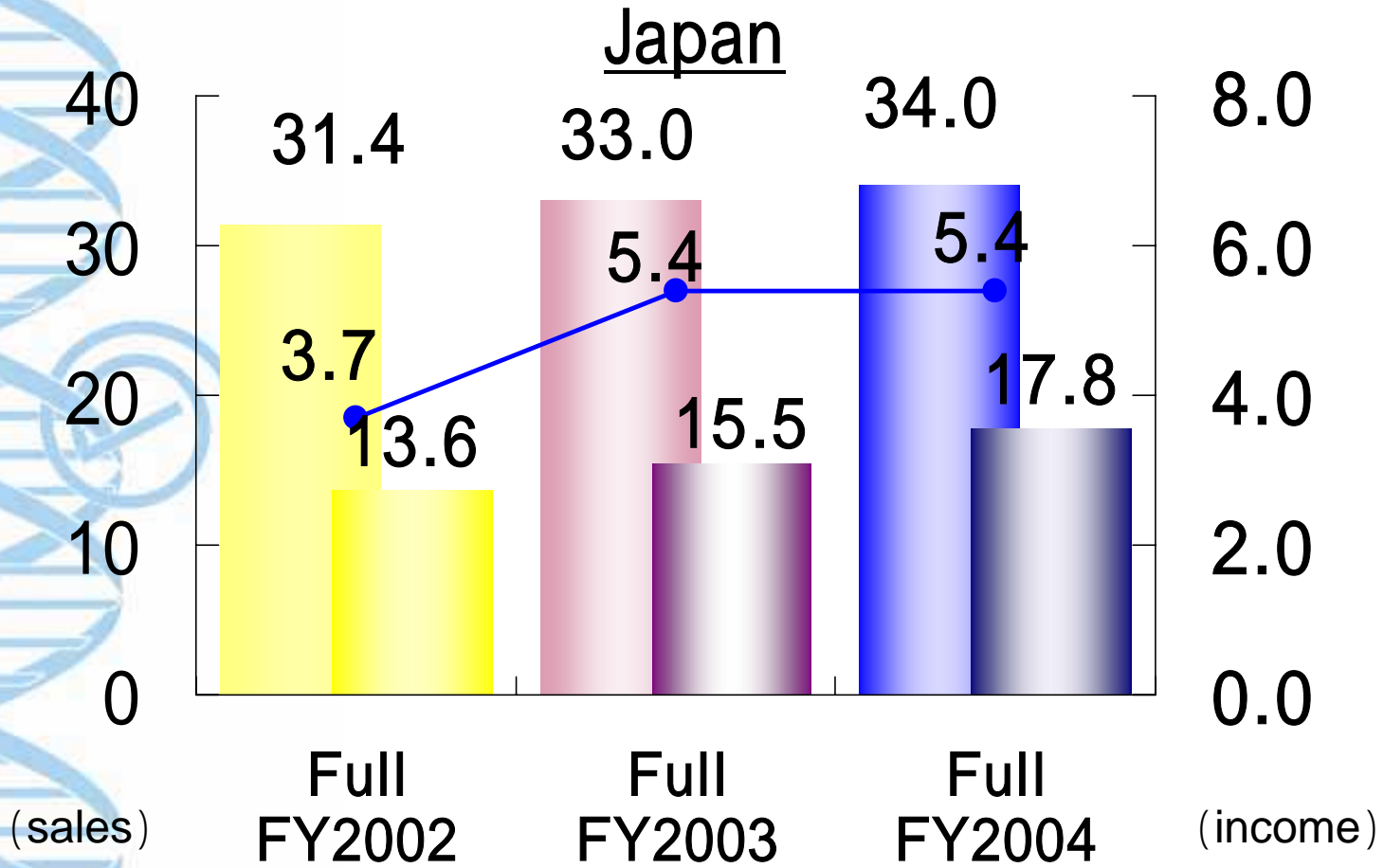
# FY 2004 Consolidated Earnings Forecast

(in billions of JPY)



# Geographic Segment Information

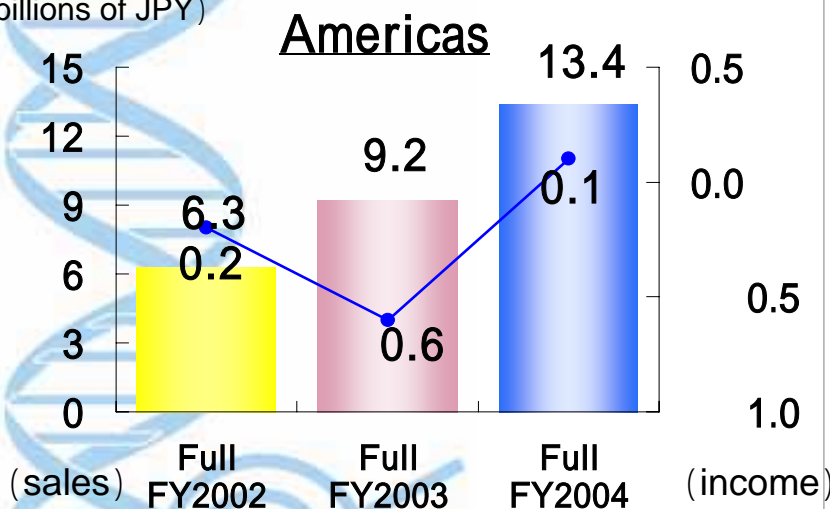
(in billions of JPY)



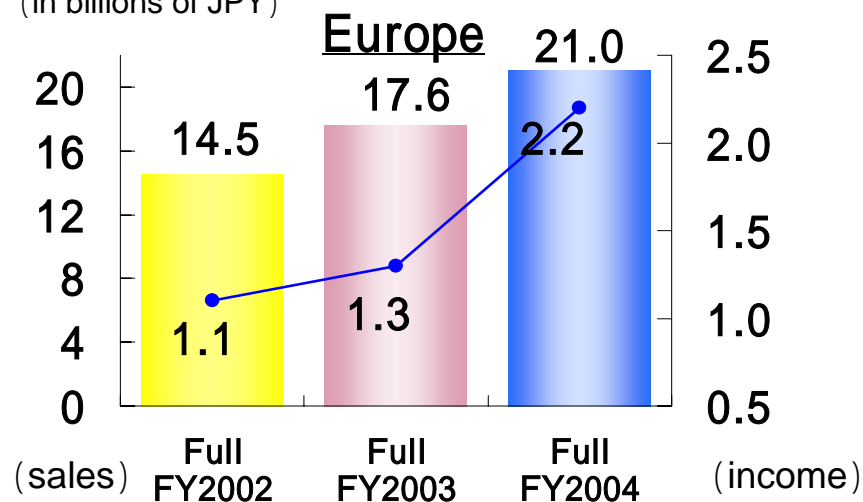
\*The left bar shows sales to outside customers, right bar shows sales to inside sysmex group.

# Geographic Segment Information

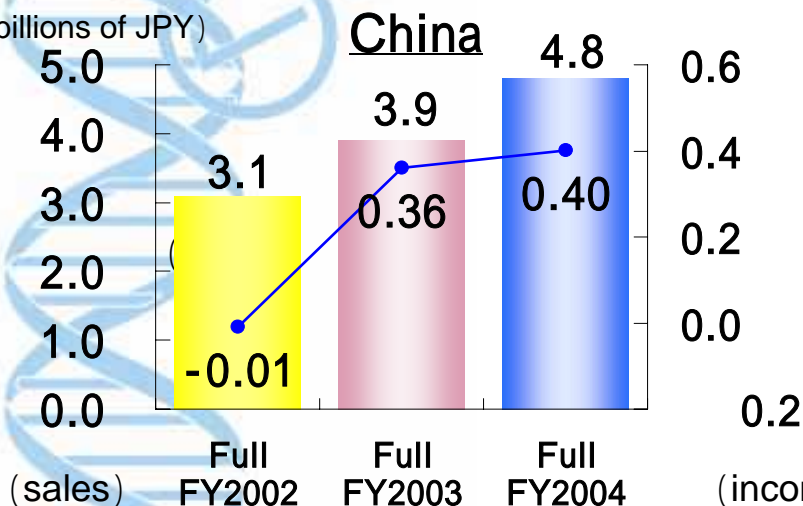
(in billions of JPY)



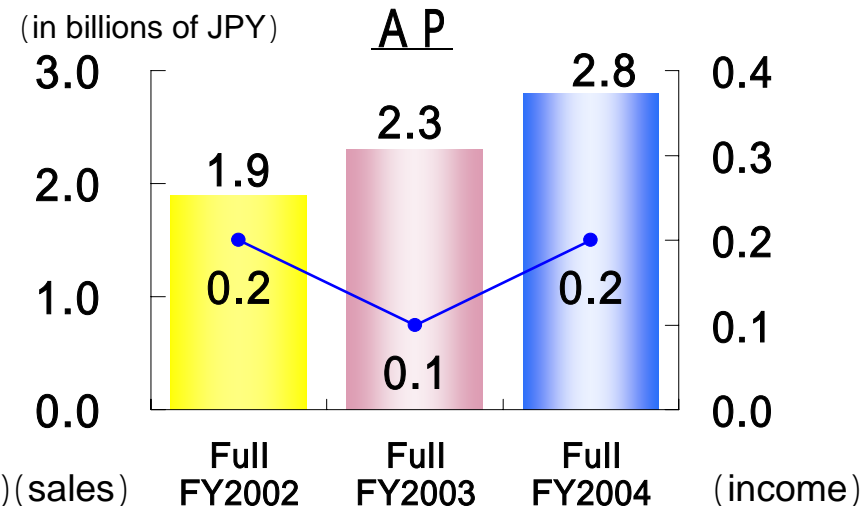
(in billions of JPY)



(in billions of JPY)



(in billions of JPY)



\*The bar graph shows sales and the line graph shows operating income.

\*The sales commission in Chinese market to the distributor is netted in sales from 2002.

# *Projected Dividend for the Fiscal Year 2004* **Systemex**



	Interim Dividend	Year-end Dividend	Total
Full FY 2004	¥15	¥15	¥30
Full FY 2003	¥12	¥18	¥30




---

# *Future Opportunities*

---

*Hisashi Ietsugu*  
*President and CEO*

- 
- Market Paradigms
  - Mid-term Management Plan
  - Current Operating Environment and Our Objectives
  - Progress and Prospects of the Mid-term Management Plan



---

# Market Paradigms

---

# Changes in the Healthcare Market

## Market

- Emerging economies of the BRIC Group (Brazil, Russia, India & China)
- Strong Chinese economy
- EU expansion (Eastern Europe)
  
- Aging of population in advanced countries
- Growth in cancer and lifestyle-related illnesses
- Advanced medical care

## Healthcare Policies

- Trial of DRG prospective payment system (GER)
- Continued downward pressure on medical fee reimbursements (JPN)
  
- Converting of national hospitals into independent administrative agencies (JPN)
- Third Ten-Year General Study against Cancer (JPN)
- Discussion of providing for health insurance and private treatment (JPN)
- Self-supporting hospital management (CHN)

DRG: Diagnostic Related Group

**Healthcare is  
the “growth industry”  
of the 21<sup>st</sup> century**

## Technical Innovation

- Progress in post-genome technology
- Practical applications of advanced technologies including regenerative medicine
- Acceleration of information network

## Regulatory Environment

- Amendment to Pharmaceutical Affairs Law (JPN)
- Tighter environmental regulations (Europe)
- Tighter medical regulations (devices, drugs, etc.) (CHN, ASEAN)



---

# Mid-term Management Plan

---

*( FY2003-FY2005 )*



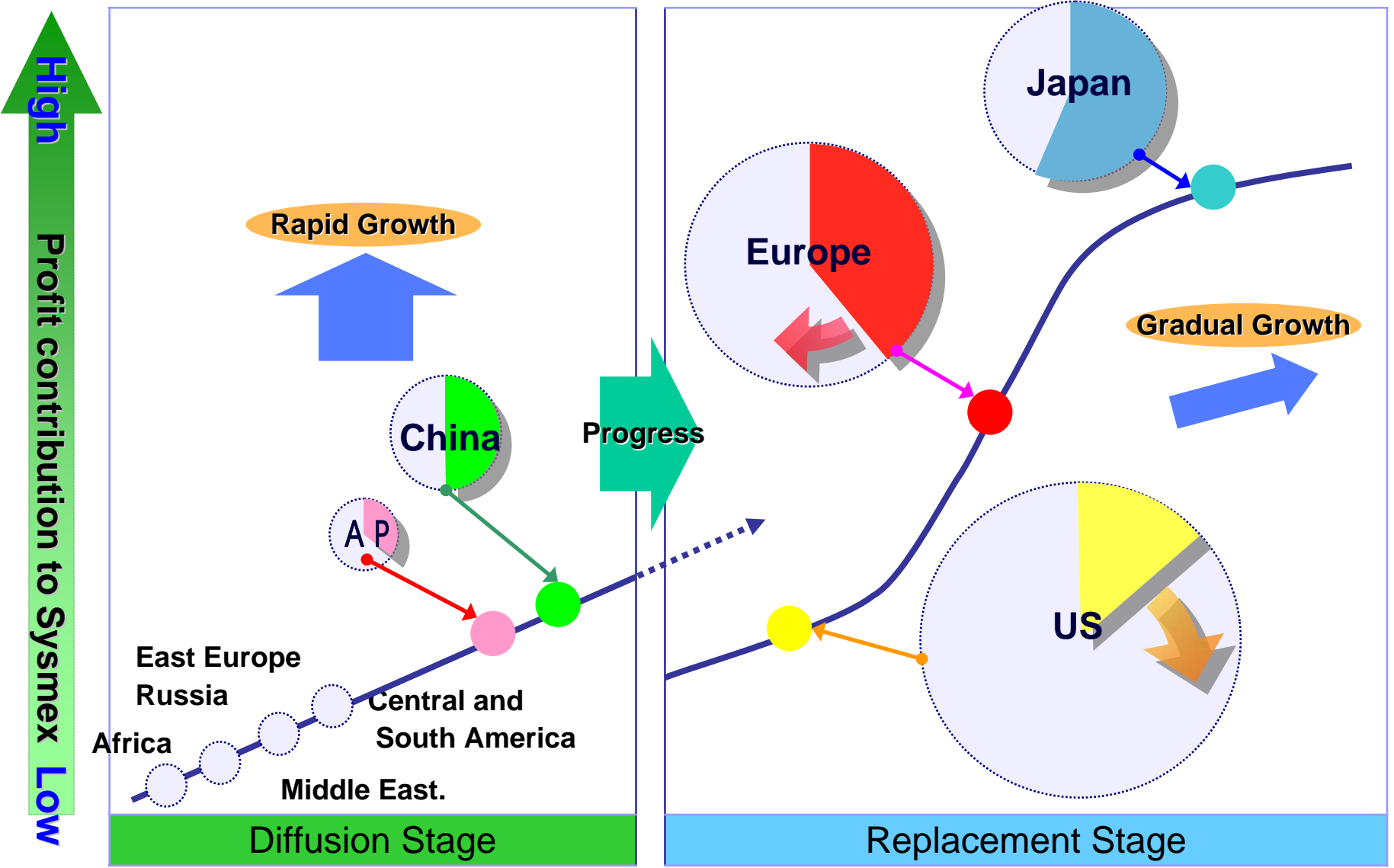


---

# Current Operating Environment and Our Objectives

---

# Our achievements in hematology field



\* The circles on the graph correspond to the market size of each area.

# Operating Environment : US

The single largest market in the world: 40% of the global market.

## Operating Environment

- Total healthcare costs on the rise
  - ✓ Ongoing drive to contain healthcare costs
- Medical institute continuously join GPOs
  - ✓ Increased purchasing through GPO/IHN
- Chronic shortage of Medical Laboratory Technologists
- Patient information management tightened to prevent abuse

## Competitive Satisfaction Level from Customer

	Brand Recognition	Technology	Reliability	Variety	Price (A=High, C=low)
Sysmex	C	A+	A+	A	A
Company A	A	C	B	B+	B+
Company B	A+	B	A	A	A-C
Company C	B	A	A	C	B-C
Company D	C	C	B	C	C

## Our Objectives

- Full-scale marketing activities tapping into direct sales setup
  - ✓ Develop sales strategies vis-à-vis small hospitals
  - ✓ Service engineers answering service call remotely
    - Customer services available 24/7
- Become GPOs' preferred provider
- Penetrate Ref lab market
  - ✓ Quest Diagnostics : Urine Cell Analyzer
  - ✓ Kaiser : Integrated hematology system



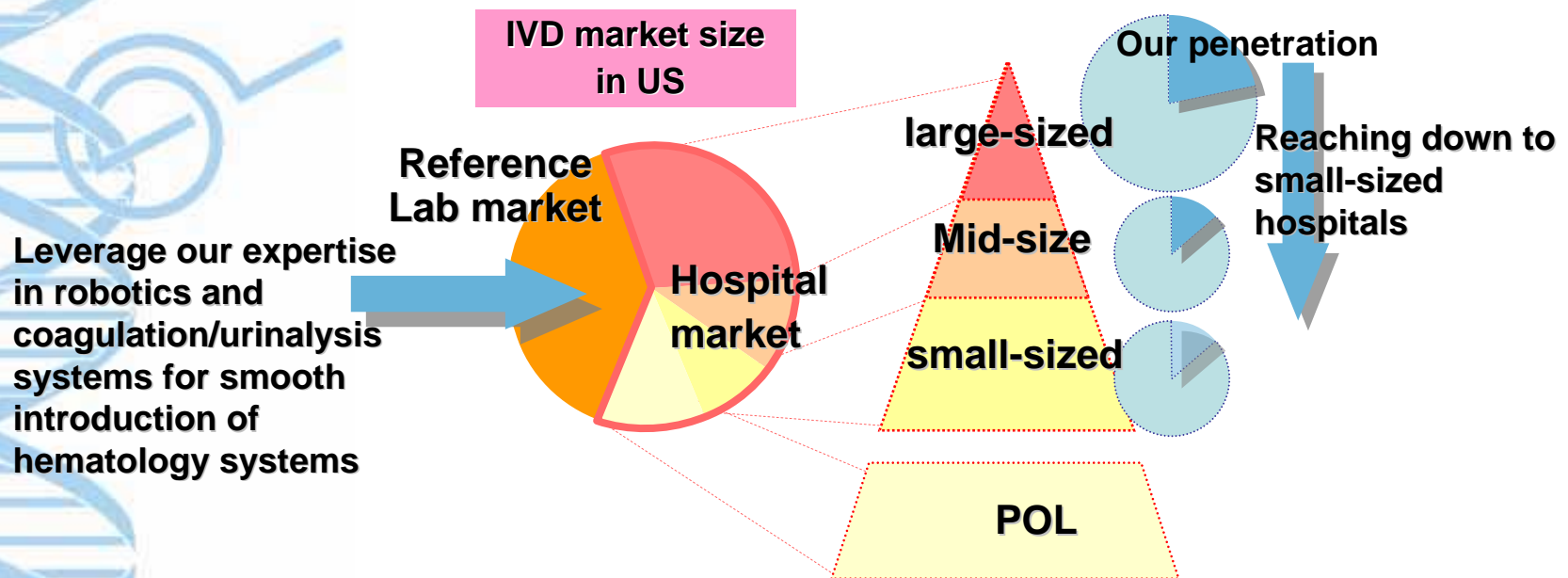
Emerging benefits of direct sales



Integrated hematology system at Kaiser

# Future Opportunities: US

- Increase sales of hematology systems for small hospitals
  - ✓ Become GPOs' preferred provider for aggressive marketing
- Greater penetration in major Reference Labs (hematology, coagulation/urinalysis systems)
- Develop/expand channels for greater penetration into POL
- Expand urinalysis systems through alliance with Bayer



**Increase penetration in hematology market**

# Operating Environment: China

## Fastest-growing market

Diffusion and Shift to Higher Models Taking Place Simultaneously

### Operating Environment

- Uninterrupted economic growth
- Self-supporting hospital management (urban areas)
  - ✓ Shift to market-driven management
- Government-led healthcare system development (rural areas)



### Our Objectives

- Encourage shift to higher hematology system models (urban areas)
- Expand sales of simplified hematology instruments (rural areas)
- Enhance marketing in biochemistry field
- Expand sales and lines of laboratory information system for China (Laboman Series)
- Preparations underway for 2<sup>nd</sup> reagent factory (Sysmex Wuxi)



**Establish position as an total supplier**

# Future Opportunities: China

- Provide solutions, and increase the use of Sysmex-branded reagents (urban areas)
- Expand sales of simplified hematology instruments (Rural areas)
- Launch of 2nd reagent factory (Sysmex Wuxi)
- Start increasing sales of Fuji Drychem system

## Rural areas

- Increase sales of popular hematology system models
- Increase sales of biochemical devices and reagents
- Increase reagent sales



AUTOMATED HEMATOLOGY ANALYZER *Poch-100i*



FUJI DRI-CHEM System *FDC7000*

## Urban areas

- Provide solutions
- Encourage shift to higher models
- Continued academic publicity
- Use of greater variety of reagents
- Increase percentage of Sysmex-branded reagents used



Sysmex scientific seminar



Laboratory Information System  
*Laboman.net*



Auto-mated hematology analyzer *XE-2100*

**Establish position as the number one integrated supplier**

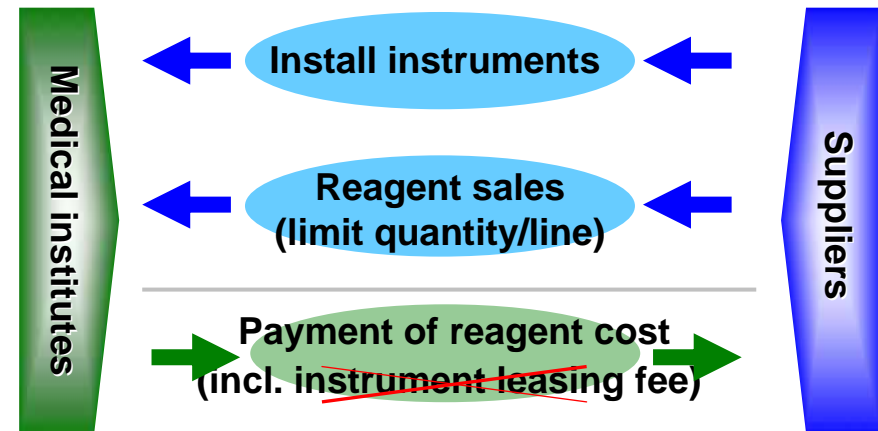
# Operating Environment: Japan

Healthcare system reforms drive ongoing changes in operating environment

## Operating Environment

- Continued downward pressure on medical fee reimbursements
- National hospitals reorganized into independent administrative agencies
- Talk of allowing hospitals to provide both insured and private treatment
- FTC notice on the correction of instrument leasing agreements
- Progress in medical technology

## ■ Instrument leasing agreement



## Our Objectives

- Expand solutions
  - ✓ Promote integrated concept solutions for advanced treatment and major regional hospitals
  - ✓ Push quality control business
  - ✓ Promote consulting in ISO 15189 certification
- Bring CNA into the Sysmex Group



Strong business model with wide-range solutions

# Future Opportunities: Japan

- Deploy a solutions-oriented business model combining our abilities
- Expand lines and promote sales in the POC market
- Launch promotions in emerging healthcare-related markets



Laboratory Information System

*CNA-Net*

## Hospital Market

- Strengthen marketing and sales promotions for each hospital function
- Expand laboratory information systems line
- Introduce a new leasing plan



Influenza Detection Reagent  
*POCTEM Influenza A/B*



ULTRASONIC BLADDER IMAGING ANALYZER  
*BV16100*

## POC Market

- Increase sales of POCTEM influenza kits
- Add new products meeting market demand

URINE COLLECTION DEVICE  
*URIZ*



## Emerging Markets

- Expand lines and sales for hospital wards
- Expand lines providing for regional medical network
- Increase sales of ASTRIUM SU

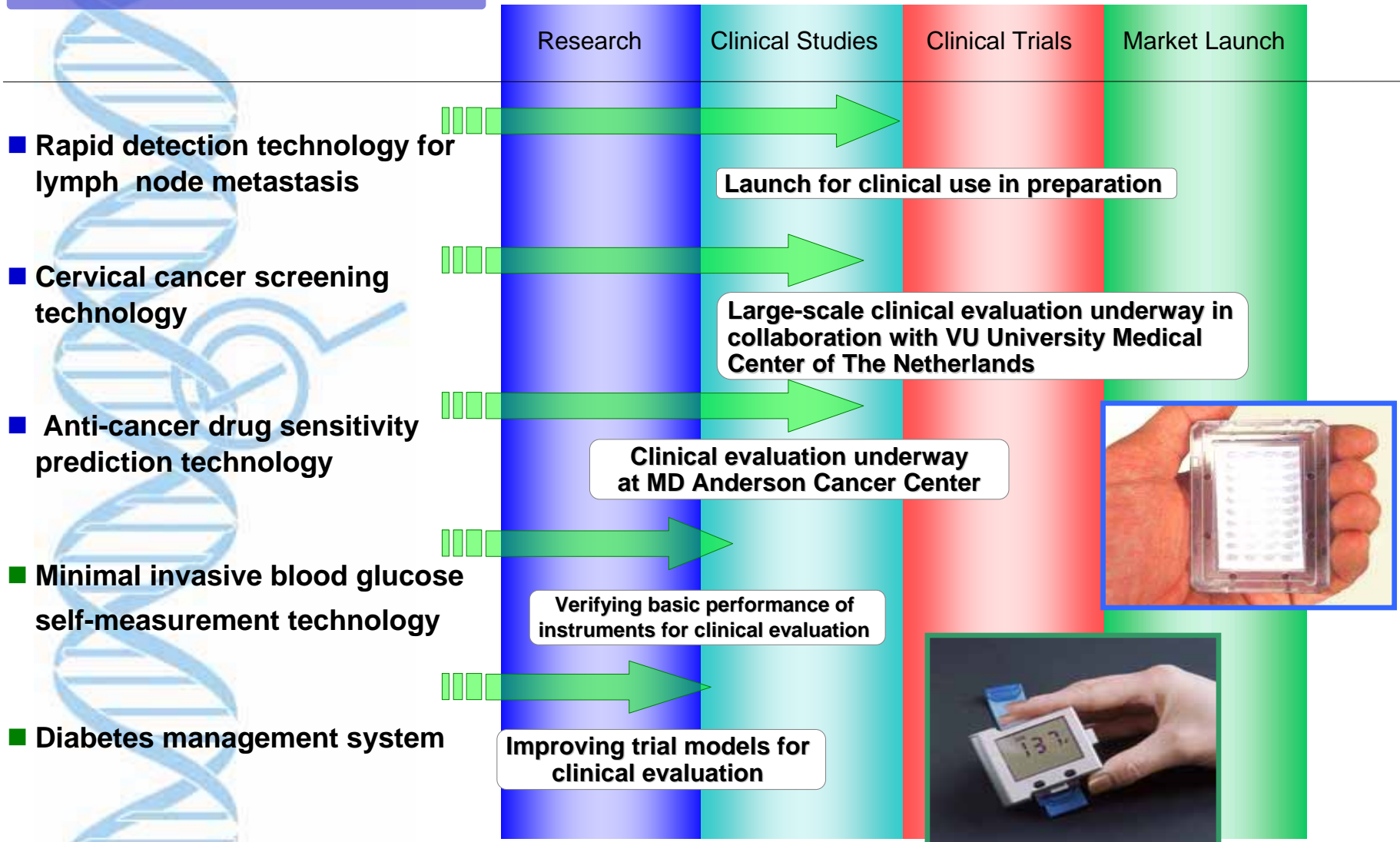


NON INVASIVE BLOOD VESSEL MONITOR *ASTRIUM SU*

Expedite the total solutions business and expand emerging markets

# Objectives in Life Science

## Progress in research themes



# *Device for Rapid detection of lymph node metastasis*

## Progress

- Devices released for research purposes
- Clinical trials planned/arranged
- Clinical evaluation conducted
  - ✓ Medical usefulness for breast cancer is proven  
(Announced in October at the Japan Society of Clinical Oncology)

## GD-100



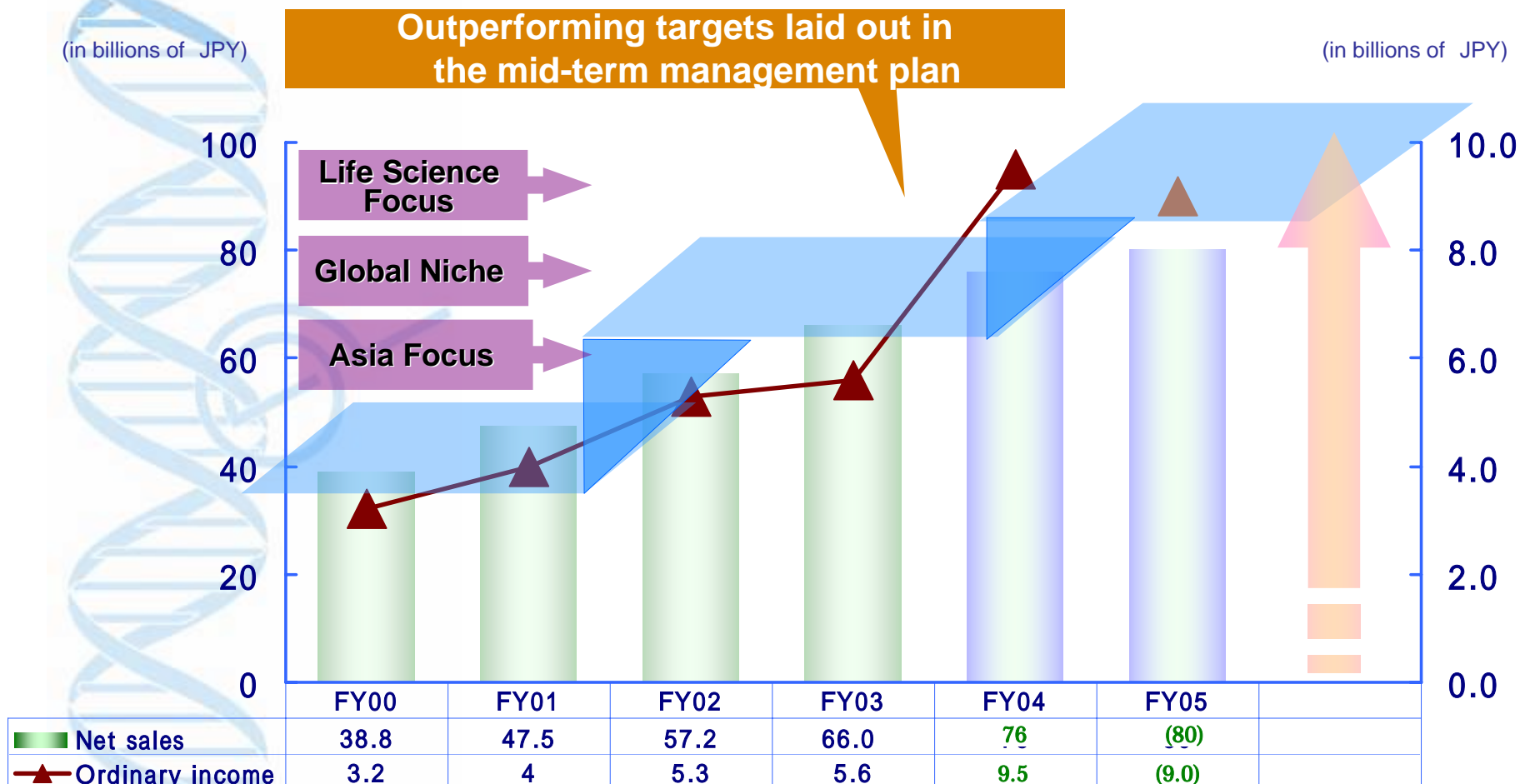
## Future Plans

- Start clinical trials
- Expand indications



# Progress of the Mid-term Management Plan (Consolidated)

## Performance relative to the mid-term management plan



\* Figures in brackets are targets in the mid-term management plan. (Announced in FY2003)

**Start drawing up the next mid-term management plan for a further leap**



**Sysmex**

# Challenge the Frontiers of Healthcare Testing



**SYSMEX CORPORATION**

**END**



### 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 current judgments and assumptions of the Sysmex Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors, including but not limited to: global economic conditions, competitive situations and changes in exchange rates. Such risks, uncertainties and other factors may cause our actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.