

Summary of Consolidated Financial Results for the 1st Quarter Ended June 30, 2008

August 4, 2008

Listed company name : Sysmex Corporation
 Code : 6869
 Listed stock exchanges : Tokyo Stock Exchange
 Osaka Securities Exchange
 Head office : 1-5-1 Wakinohama-kaigandori, Chuo-ku, Kobe
 Company representative : Hisashi Ietsugu, President and CEO
 Contact : Michiaki Ishida, Executive Officer, Administration
 Phone : 078(265)-0500
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(unit: million yen)

1. Results for the 1st Quarter Ended June 30, 2008

(1) Operating results

(% changes as compared with the corresponding period of the previous fiscal year)

	Net Sales		Operating income		Ordinary income	
1st quarter FY2008	26,157	—	2,012	—	2,770	—
1st quarter FY2007	23,649	13.5%	1,700	4.3%	2,522	44.1%

	Net income		Net income per share(Yen)		Diluted net income per share(Yen)	
1st quarter FY2008	1,407	—	27.52		27.47	
1st quarter FY2007	1,345	77.7%	26.40		26.28	

(2) Financial condition

	Total assets	Net assets	Equity Ratio	Net assets per share (Yen)
1st quarter FY2008	122,670	78,332	63.5%	1,523.36
FY2007	109,027	79,117	72.2%	1,540.95

Note:

Equity capital: 1st quarter FY2008 77,878 million yen; FY2007 78,753 million yen

2. Dividends

	Dividend per share				
	1st quarter (Yen)	2nd quarter (Yen)	3rd quarter (Yen)	Year-end (Yen)	Annual (Yen)
FY2007	—	20.00	—	28.00	48.00
FY2008	—	—	—	—	—
FY2008(Forecast)	—	24.00	—	24.00	48.00

Note:

Revision of dividends forecast for this period: No

3. Business Forecast for the Year Ended March 31, 2009

(% changes as compared with the corresponding period of the previous fiscal year)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share(Yen)
2nd quarter FY2008 (cumulative)	56,000	—	7,000	—	7,000	—	4,200	—	82.16
Annual	118,000	6.6%	16,000	6.4%	15,800	8.6%	9,600	5.1%	187.79

Note:

Revision of business forecast for this period: No

4. Other Information

- (1) Changes in significant subsidiaries: No
- (2) Application of simplified accounting method and special accounting policy for quarterly financial reporting: Yes
- (3) Changes in accounting procedures
 - 1) Changes based on revisions of accounting standard: Yes
 - 2) Other changes: Yes
- (4) Number of shares outstanding (Ordinary shares)
 - 1) Number of shares outstanding at the end of each fiscal period (including treasury stock):
1st quarter FY2008 51,219,108 shares; FY2007 51,203,108 shares
 - 2) Number of treasury stock at the end of each fiscal period:
1st quarter FY2008 96,073 shares; FY2007 95,891 shares
 - 3) Average number of outstanding stock for each period (cumulative):
1st quarter FY2008 51,118,739 shares; 1st quarter FY2007 50,962,120 shares

※ Note

The above estimates are based on information available to the company on the date of the report's announcement. Due to unforeseen circumstances, however, actual results may differ from such estimates.

Financial performance

1. Performance analysis

During this fiscal quarter (from April 1 to June 30, 2008), the Japanese economy has decelerated further as growth in business investment and consumer spending began to slow amid the soaring prices of crude oil and other raw materials. The US economy is experiencing a prolonged recession due to the combination of the subprime mortgage crisis and the surge in crude oil and food prices, which resulted in low consumer spending and business restructuring as corporate earnings deteriorated. The European economy, on the other hand, has continued to grow steadily, despite concerns about rising inflationary pressures. The Asian economy as a whole also continued to grow rapidly, led by high growth in China and India.

On the healthcare segment, in April 2008 the Ministry of Health, Labour and Welfare of Japan (MHLW) obliged health insurance associations to have their members undergo specific health examinations and specific health guidance with a view towards early detection of “metabolic syndrome.” Part of the government’s ongoing healthcare system reform, this marked a major shift in their healthcare policy from disease treatment to preventive medicine, and is thus expected to create new demand for healthcare investment.

Overseas, while developed countries in Europe and North America continue to curb their healthcare expenditures through healthcare system reform, some Asian countries including China are promoting the development of their healthcare infrastructures as their economies grow.

Under these circumstances, the Sysmex Group acquired approval from the MHLW for manufacture and sale of our in vitro diagnostic reagent used for detection of breast cancer lymph node metastasis. During surgery for early-stage breast cancer, it has been standard procedure to determine whether or not the cancer has metastasized to the lymph node by performing a histopathological diagnosis based on microscopic observation. By integrating the use of this reagent with our dedicated analyzer this procedure can now be performed automatically in Japan for the first time.

Also, Sysmex became the first Japanese company to obtain permission from the Ministry of Agriculture, Forestry and Fisheries for production and sale of kits for the rapid examination of chickens for influenza viruses. Preparations are underway for market introduction.

Meanwhile, the Mongolian Ministry of Health decided to adopt our hematology analyzers as standard instruments for use in their blood tests. The analyzers are to be applied to an external quality control program which is being promoted by the Ministry among medical institutions nationwide. This is a testament to their recognition of the reliability of our products and our preparations for quality control and related know-how that we have accumulated in Japan and other developed countries. The Chinese and Thai governments have followed suit, and are using our products as standard instruments for use in blood tests. We will continue to strengthen our presence in emerging countries, while at the same time assisting them in enhancing the quality of healthcare through academic publicity and other means.

In the Japanese market, we continued to focus on providing solutions amid a difficult business environment. As a result, our net sales were 6,882 million yen (up 9.0% from the same quarter of the previous fiscal year). Starting in April 2008, we began sales and customer service activities for bioMérieux of France, a world leader in the field of in vitro diagnostics, following our equity participation in their Japanese subsidiary.

In the Americas, we are maintaining high growth thanks to the expansion of direct sales territories and support networks. In the Latin American market, our business is expanding with successful bids and our systems sales faring well. In Europe, we accelerated the switchover to the direct sales and support system in France. We also worked to increase our penetration into emerging markets in the Middle East and Africa. In China and the Asia Pacific region, we promoted development of the direct sales and support system and the solution business. As a result, our overseas sales were 19,274 million yen (up 11.2% from the same quarter of the previous fiscal year), despite the erosion of revenues due to the yen’s appreciation against the dollar. The overseas sales ratio was 73.7% (up 0.4 percentage points from the same quarter of the previous fiscal year).

Our consolidated performance for this fiscal quarter was: net sales of 26,157 million yen (up 10.6% from the same quarter of the previous fiscal year), operating income of 2,012 million yen (up 18.3%), ordinary income of 2,770 million yen (up 9.8%), and net income of 1,407 million yen (up 4.6%).

Performance by geographical segment

(1) Japan

As we continued to offer solutions catered to specific customer demands, we recorded net sales of 7,322 million yen (up 11.0% from the same quarter of the previous fiscal year).

Operating income was 736 million yen (down 18.2% from the same quarter of the previous fiscal year), as the increase in sales including exports to overseas affiliates was offset negatively by the increase in selling, general and administrative expenses.

(2) The Americas

Now that our direct sales territories and support networks are expanded, we have been awarded a high rating in a third-party customer satisfaction survey. Based on high product reliability and customer satisfaction, we focused on offering better after-sale support and expanding the customer base, which resulted in the growth of the hematology business. Despite the negative impact caused by the appreciation of the yen, we recorded net sales of 5,932 million yen (up 22.2% from the previous first quarter).

Operating income was 214 million yen (up 22.2% from the same quarter of the previous fiscal year), as the increase in selling, general and administrative expenses was more than offset by sales growth.

(3) Europe

The switchover to the direct sales and support system helped to increase sales in France. We also achieved sales expansion in the Middle East and Africa. By segment, the hematology and urinalysis businesses fared well. As a result, we recorded net sales of 9,843 million yen (up 4.6% from the same quarter of the previous fiscal year).

Operating income was 1,401 million yen (up 27.9% from the same quarter of the previous fiscal year), with a sales increase and cost reduction offsetting the increase in selling, general and administrative expenses.

(4) China

Due to the brisk performance of the hematology and urinalysis businesses, we recorded net sales of 1,855 million yen (up 4.4% from the same quarter of the previous fiscal year).

Operating income was 196 million yen (up 34.2% from the same quarter of the previous fiscal year), with sales growth offsetting the increase in selling, general and administrative expenses.

(5) Asia Pacific

With the hematology, coagulation, and urinalysis businesses all faring well, we recorded sales of 1,202 million yen (up 19.2% from the same quarter of the previous fiscal year).

Operating income was 208 million yen (up 112.2% from the same quarter of the previous fiscal year), as sales increased while selling, general and administrative expenses decreased.

2. Balance sheet and cash flow

(1) Total assets, total liabilities, and equity

Total assets increased by 13,643 million yen to 122,670 million yen compared to the previous fiscal year end, mainly due to a 10,100 million yen increase in tangible fixed assets, including the new R&D facility Sysmex Techno Park and recording of the leased asset.

Liabilities increased by 14,427 million yen to 44,338 million yen, mainly due to a 6,902 million yen increase in short-term loans.

Total equity decreased by 784 million yen to 78,332 million yen. This is mainly due to a 1,972 million yen reduction of earned surplus from the beginning balance upon recording of the existing leased asset and liabilities on the consolidated balance sheet when accounting principles at overseas subsidiaries were unified, as well as a 1,173 million yen increase in foreign currency translation adjustments.

The equity ratio was 63.5%, a decrease of 8.7 point from 72.2% at the previous fiscal year end.

(2) Cash flows

The balance of cash and cash equivalents (hereinafter, "Cash") at the end of this fiscal quarter increased by 1,161 million yen to 10,841 million yen compared with that at the previous fiscal year end. Following are major cash flow movements by different activities and their factors.

(Operating cash flow)

Cash flow from operating activities was 808 million yen, 313 million yen more than that of the same quarter of the previous fiscal year due to income before income tax for 2,471 million yen (68 million yen less than the same quarter of the previous fiscal year), depreciation and amortization for 1,771 million yen (762 million yen less than the same quarter of the previous fiscal year), decrease of notes and accounts receivable for 2,642 million yen (535 million yen less than the same quarter of the previous fiscal year), and increase of inventories for 964 million yen (189 million yen less than the same quarter of the previous fiscal year).

(Investing cash flow)

Cash outflow as a result of investing activities was 4,840 million yen, increase of 3,391 million yen from the same quarter of the previous fiscal year. This is mainly due to an increase in payment by 3,133 million yen to 4,227 million yen for purchases of tangible fixed assets for the construction of the Sysmex Techno Park.

(Financing cash flow)

Cash inflow as result of financing activities was 4,775 million yen, (938 million yen spent at the end of the same quarter of the previous fiscal year) due to 6,852 million yen increase in short-term loans (2 million yen reversal at the end of the same quarter of the previous fiscal year), and dividend paid for 1,431 (419 million yen less than the same quarter of the previous fiscal year).

3. Note for consolidated financial forecast

In this fiscal quarter, we achieved both sales and profit growth over the same quarter of the previous fiscal year. However, since we expect our performance during the rest of this fiscal year to be in line with our original guidelines, we maintain our second quarter and full-year financial forecasts which were announced on May 8, 2008.

Consolidated Balance Sheets

(unit: million yen)

Items	Previous 1st quarter		Current 1st quarter		Change		Previous year	
	(As of June 30,2007)		(As of June 30,2008)				(As of March 31,2008)	
	Amount	%	Amount	%	Amount	%	Amount	%
(Assets)								
I Current assets								
Cash and deposits	11,265		10,868		-397		9,694	
Notes and accounts receivable-trade	29,562		31,807		2,244		32,965	
Short-term investment securities	29		100		71		71	
Inventories	18,801		20,166		1,365		18,341	
Others	5,549		7,086		1,536		5,850	
Total current assets	65,208	63.5	70,030	57.1	4,821	7.4	66,923	61.4
II Noncurrent assets								
Total Property, plant and equipment	24,444	23.8	39,182	31.9	14,738	60.3	29,082	26.7
Total Intangible assets	5,309	5.2	5,655	4.6	346	6.5	5,795	5.3
Total Investments and other assets	7,693	7.5	7,801	6.4	108	1.4	7,226	6.6
Total Noncurrent assets	37,447	36.5	52,640	42.9	15,192	40.6	42,103	38.6
Total assets	102,655	100.0	122,670	100.0	20,014	19.5	109,027	100.0
(Liabilities)								
I Current liabilities								
Notes and accounts payable-trade	9,690		11,415		1,724		11,247	
Short-term loans payable	65		7,448		7,383		546	
Others	15,306		16,987		1,680		14,447	
Total current liabilities	25,062	24.4	35,851	29.2	10,788	43.0	26,241	24.1
II Noncurrent liabilities								
Long-term loans payable	82		1		-80		13	
Provision for retirement benefits	149		402		252		354	
Others	3,033		8,083		5,049		3,300	
Total Noncurrent liabilities	3,265	3.2	8,486	6.9	5,221	159.9	3,668	3.3
Total liabilities	28,327	27.6	44,338	36.1	16,010	56.5	29,910	27.4
(Net assets)								
I Shareholders' equity								
Capital stock	8,550		8,664		113		8,651	
Capital surplus	13,488		13,602		114		13,588	
Retained earnings	48,971		53,741		4,770		55,737	
Treasury stock	-168		-186		-17		-185	
Total shareholders' equity	70,841	69.0	75,821	61.8	4,980	7.0	77,791	71.4
II Valuation and translation adjustments								
Valuation difference on available-for-sale securities	862		272		-589		351	
Foreign currency translation adjustment	2,447		1,784		-662		610	
Total valuation and translation adjustments	3,309	3.2	2,057	1.7	-1,252	-37.8	962	0.9
III Subscription rights to shares	-		325	0.3	325		236	0.2
IV Minority interests	177	0.2	128	0.1	-48	-27.6	127	0.1
Total net assets	74,328	72.4	78,332	63.9	4,004	5.4	79,117	72.6
Total liabilities and net assets	102,655	100.0	122,670	100.0	20,014	19.5	109,027	100.0

(Note) fractions of one million yen are rounded off

Consolidated Statements of Income

(unit: million yen)

Items	Previous 1st quarter		Current 1st quarter		Change		Previous year	
	(Ended June 30,2007)		(Ended June 30,2008)				(Ended March 31,2008)	
	Amount	%	Amount	%	Amount	%	Amount	%
I Net sales	23,649	100.0	26,157	100.0	2,507	10.6	110,724	100.0
II Cost of sales	9,649	40.8	9,708	37.1	59	0.6	45,396	41.0
Gross profit	14,000	59.2	16,448	62.9	2,447	17.5	65,327	59.0
III Selling, general and administrative expenses	12,300	52.0	14,436	55.2	2,135	17.4	50,293	45.5
Operating income	1,700	7.2	2,012	7.7	311	18.3	15,033	13.6
IV Non-operating income								
Interest and dividends income	61		48		-13		225	
Foreign exchange gains	675		691		16		-	
Others	149		172		23		655	
Total non-operating income	885	3.8	912	3.5	26	3.0	880	0.8
V Non-operating expenses								
Interest expenses	6		108		101		33	
Foreign exchange losses	-		-		-		1,048	
Others	57		45		-11		287	
Total non-operating expenses	63	0.3	153	0.6	90	142.1	1,369	1.3
Ordinary income	2,522	10.7	2,770	10.6	248	9.8	14,545	13.1
VI Extraordinary profits	28	0.1	50	0.2	21	75.3	40	0.1
VII Extraordinary loss	10	0.0	349	1.3	338	3092.6	661	0.6
Income before income taxes and minority interest	2,540	10.8	2,471	9.5	-68	-2.7	13,924	12.6
Income taxes-current	1,391	5.9	1,437	5.5	45	3.3	5,245	4.8
Income taxes-deferred	-217	-0.9	-371	-1.4	-154	70.8	-428	-0.4
Minority interest	21	0.1	-1	0.0	-22	-	-24	-0.0
Net income	1,345	5.7	1,407	5.4	61	4.6	9,131	8.2

(Note) fractions of one million yen are rounded off

Consolidated Statements of Cash Flows

(unit: million yen)

Items	Previous 1st quarter (Ended June 30,2007)	Current 1st quarter (Ended June 30,2008)	Previous year (Ended March 31,2008)
I Net cash provided by (used in) operating activities			
Income before income taxes	2,540	2,471	13,924
Depreciation and amortization	1,008	1,771	3,958
Decrease (increase) in notes and accounts receivable-trade	3,178	2,642	-2,462
Decrease (increase) in inventories	-1,153	-964	-1,917
Increase (decrease) in notes and accounts payable-trade	-1,923	-1,147	1,468
Others	-1,073	-1,798	2,878
Subtotal	2,575	2,975	17,849
Interest and dividends received	60	42	218
Interest expenses paid	-4	-102	-18
Income taxes paid	-2,136	-2,107	-6,415
Net cash provided by (used in) operating activities	495	808	11,634
II Net cash provided by (used in) investment activities			
Purchase of property, plant and equipment	-1,094	-4,227	-8,265
Purchase of intangible assets	-438	-271	-2,460
Others	84	-342	-2,157
Net cash provided by (used in) investment activities	-1,449	-4,840	-12,883
III Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	-2	6,852	491
Repayment of long-term loans payable	-19	-14	-66
Cash dividends paid	-1,011	-1,431	-2,031
Others	94	-630	290
Net cash provided by (used in) financing activities	-938	4,775	-1,316
IV Effect of exchange rate change on cash and cash equivalents	344	418	-479
V Net increase (decrease) in cash and cash equivalents	-1,547	1,161	-3,044
VI Cash and cash equivalents at beginning of term	12,714	9,679	12,714
VII Increase of cash and cash equivalents due to fiscal year-end change for subsidiaries	8	-	8
VIII Cash and cash equivalents at end of term	11,175	10,841	9,679

(Note) fractions of one million yen are rounded off

Segment Information

1. Information about operations by geographic area 1st quarter FY2007(ended June 30,2007)

(unit: million yen)

	Japan	Americas	Europe	China	Asia Pacific	Total	Eliminations/ Corporate	Consolidated
Sales and Operating income								
Sales								
Net Sales to outside customers	6,594	4,856	9,411	1,777	1,009	23,649	-	23,649
Inter-area transfer	6,665	4	102	1	59	6,833	(6,833)	-
Total net sales	13,260	4,861	9,513	1,779	1,068	30,483	(6,833)	23,649
Operating expenses	12,359	4,685	8,417	1,633	969	28,066	(6,117)	21,949
Operating income	900	175	1,095	146	98	2,416	(716)	1,700

1st quarter FY2008(ended June 30,2008)

(unit: million yen)

	Japan	Americas	Europe	China	Asia Pacific	Total	Eliminations/ Corporate	Consolidated
Sales and Operating income								
Sales								
Net Sales to outside customers	7,322	5,932	9,843	1,855	1,202	26,157	-	26,157
Inter-area transfer	7,890	0	156	1	50	8,099	(8,099)	-
Total net sales	15,213	5,933	10,000	1,856	1,253	34,256	(8,099)	26,157
Operating expenses	14,476	5,718	8,598	1,660	1,044	31,498	(7,354)	24,144
Operating income	736	214	1,401	196	208	2,757	(745)	2,012

2. Net Sales to Foreign Customers

1st quarter FY2007(ended June 30,2007)

(unit: million yen)

	Americas	Europe	China	Asia Pacific	Total
Net Sales to Foreign Customers	4,870	9,414	1,777	1,274	17,337
Consolidated Sales	-	-	-	-	23,649
The rate of net sales to foreign customers to	20.6%	39.8%	7.5%	5.4%	73.3%

1st quarter FY2008(ended June 30,2008)

(unit: million yen)

	Americas	Europe	China	Asia Pacific	Total
Net Sales to Foreign Customers	5,944	9,863	1,855	1,610	19,274
Consolidated Sales	-	-	-	-	26,157
The rate of net sales to foreign customers to	22.7%	37.7%	7.1%	6.2%	73.7%