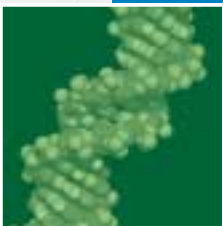


Growing Globally: *Three Core Strategies Lead the Way* >>



Annual Report 2006

For the year ended March 31, 2006



SYSTEMEX CORPORATION



PROFILE

Sysmex Corporation (“the Company”) got its start in 1968 as Toa Medical Electronics, Co., Ltd., a specialist manufacturer of instruments and reagents in the hematology market. In 1998, on the 30th anniversary of its establishment, the Company changed its name to Sysmex Corporation, leveraging a product brand asset developed over many years.

Today Sysmex is a global, comprehensive supplier in the diagnostics field. The Company manufactures and markets hematology analyzers, urinalysis analyzers and other medical diagnostic instruments, as well as reagents and Laboratory Information Systems. Sysmex is a comprehensive manufacturer involved in every aspect of the diagnostics business, from R&D to manufacturing, sales and support. The Company applies a high degree of specialization in the diagnostics field and a strong technological orientation in the uncompromising pursuit of excellence in product development and manufacturing.

Sysmex has earned an excellent reputation among medical institutions around the world by combining technological excellence with the capability to propose solutions that precisely meet customer needs. We have established a particularly strong position as the leading company in our core segment of hematology, in which we hold the highest market share in Japan and rank second in market share worldwide. To provide products and services that satisfy the diverse market needs of different regions, we maintain a global network of R&D facilities, plants, and offices spanning 32 locations in 18 countries. Through this network, we supply products and services to customers in more than 150 countries. Though we are already a global company, we continue to expand our operations and reinforce our technological capabilities through aggressive pursuit of alliances and M&A activities.

Sysmex currently seeks to leverage its extensive business infrastructure to achieve further growth and increase corporate value by expanding its business domain beyond diagnosis and treatment to encompass the broader healthcare field that includes disease prevention and health maintenance. We will fuse original technologies developed in the diagnostics field and new technologies in the life science field and take up the challenge of entering new business fields. And, we will continue to provide high value-added products and services that contribute to improving the quality of life for people everywhere. This is the unchanging corporate posture of Sysmex.

CONTENTS

CORPORATE VISION

With the objective of growing and developing a distinctive global presence, Sysmex has set forth the long-term vision of being “A Unique & Global Healthcare Testing Company.” We aim to be a leading company in the healthcare testing field by providing solutions that leverage our advanced technologies and unique strengths to their full advantage.

Today’s healthcare market has grown to encompass disease prevention and health maintenance, and the public is growing increasingly aware of their benefits. At the same time, we see technological innovations in the life sciences, IT, and nanotechnology. These trends together mean the potential of medical testing is expanding more and more.

Sysmex is leveraging a high degree of specialization in the medical field developed over many years and with sophisticated new technological capabilities to create new businesses. Sysmex aims to create value through advanced technologies and knowledge in order to contribute to the building of a healthy and prosperous society.

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.

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10-year Growth and Highlights

Sysmex Corporation and Subsidiaries

For the years ended March 31,	Millions of Yen			
	1996	1997	1998	1999
For the year :				
Net Sales	¥ 30,942	¥ 33,992	¥ 35,576	¥ 38,337
Operating Income	3,021	3,817	3,178	3,400
Net Income	1,160	1,642	1,555	913
Net Increase (Decrease) in Cash and Cash Equivalents				
Cash and Cash Equivalents, End of Year				4,083
Capital Expenditure		2,104	2,890	2,140
Depreciation		2,130	2,310	2,359
R&D Expenditure		2,989	2,992	2,813
At year-end :				
Total Assets	42,008	42,568	43,172	42,513
Shareholders' Equity	29,241	30,227	31,283	31,680
Interest-bearing Liabilities	3,438	2,274	981	1,328
Per share data :				
Shareholders' Equity (yen)	1,398.5	1,445.7	1,496.1	1,515.1
Net Income (basic) (yen)	59.4	78.5	74.4	43.7
Net Income (diluted) (yen)				
Cash dividends applicable to the year (yen)	20.0	20.0	20.0	22.0
Other data :				
Shareholders' Equity Ratio (%)	69.6	71.0	72.5	74.5
Return on Equity (%)	4.5	5.5	5.1	2.9
Return on Assets (%)	2.8	3.9	3.6	2.1
Price-earnings Ratio (times)	36.2	23.2	15.2	42.1
Price-book Value Ratio (times)	1.5	1.3	0.8	1.2
Number of Employees				

Notes: 1. U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥117 = U.S. \$1, the approximate rate of exchange on March 31, 2006.
 2. Per share data: Certain retroactive adjustments of previously reported per share information have been made to conform with the current method from the year ended March 31, 2003.
 (see Note 2(f). Per Share Information on page 38 of the Notes to Consolidated Financial Statements).

■ Management ■ M&A, Alliance ■ Products ■ Bases

MAR. ■
Signed an agreement with DADE INTERNATIONAL INC. a U.S. based company. (Today's DADE BEHRING INC.) for collaboration in selling coagulation product lines.



NOV. ■
Listed stocks on the 2nd Section of the Osaka Securities Exchange.

NOV. ■
Increased its capital to ¥3,385 million.

NOV. ■
Launch of UF-100, the world's first analyzer of tangible constituents of urine that fully automated inspections of urinary sediments.

1995

JUL. ■
Listed stocks on the 2nd Section of the Tokyo Stock Exchange.



OCT. ■
Hisashi Ietsugu becomes president.



1996

FEB. ■
Launch of the KX-21 compact, easy to maintain automated hematology analyzer.



FEB. ■
Established a Singaporean subsidiary, SYSMEX SINGAPORE PTE. LTD. (Today's SYSMEX ASIA PACIFIC PTE LTD.)



MAY ■
Signed a basic agreement with F. HOFFMANN-LA ROCHE INC. of Switzerland for global collaboration in marketing and joint research and development.



OCT. ■
Company name changed to SYSMEX CORPORATION on the 30th anniversary of the Company's establishment.

1998

FEB. ■
Launch of XE-2100, an automatic multi-item blood cell analyzer developed as a product of the 21st century.



DEC. ■
Signed a sales agency agreement with ROCHE DIAGNOSTICS of Germany for sales of and services related to hematology analyzers and related products in markets outside Japan, especially those of Latin America.

1999

MAR. ■
Promoted to the 1st Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.

MAR. ■
Issued our first unsecured convertible bonds.

JUL. ■
Established the Chinese subsidiary SYSMEX INFOSYSTEMS CHINA, LTD. in Shanghai.

2000

NET SALES

(¥ million)
— 100,000

							Thousands of U.S.Dollars		
2000	2001	2002	2003	2004	2005	2006	2006		
¥ 37,244	¥ 38,817	¥ 47,532	¥ 57,253	¥ 65,970	¥ 76,935	¥ 87,888	\$ 751,179	— 90,000	
3,618	2,975	3,417	5,299	6,615	9,104	10,724	91,658		
1,838	1,363	1,308	3,125	3,157	5,731	7,423	63,444		
5,818	(2,562)	1,842	1,071	3,465	(3,261)	(499)	(4,265)		
9,901	7,338	9,181	10,253	13,718	10,458	9,416	80,479		
3,018	2,098	2,455	2,317	2,451	2,729	5,638	48,188	— 80,000	
2,316	2,541	2,810	3,107	3,203	3,296	3,592	30,701		
3,155	3,527	4,130	4,969	5,549	6,509	8,184	69,949		
49,967	55,219	66,502	66,449	71,983	77,660	87,447	747,410		
33,596	34,103	35,577	43,325	51,096	56,149	62,647	535,444		
5,810	11,020	11,606	10,893	4,175	657	695	5,940	— 70,000	
1,606.8	1,631.0	1,701.5	1,879.5	2,042.7	2,244.9	1,251.8	10.7 (U.S.dollar)		
87.9	65.2	62.6	132.2	132.9	225.1	145.5 *	1.2 (U.S.dollar)		
87.7	60.8	58.4	121.8	123.1	224.0	143.8 *	1.2 (U.S.dollar)		
22.0	22.0	22.0	25.0	30.0	40.0	36.0	0.3 (U.S.dollar)	— 60,000	
67.2	61.8	53.5	65.2	71.0	72.3	71.6			
5.6	4.0	3.8	7.9	6.7	10.7	12.5			
4.0	2.6	2.1	4.7	4.6	7.7	9.0			
36.7	42.6	35.6	15.9	20.3	27.2	35.3			
2.0	1.7	1.3	1.1	1.3	2.7	4.1		— 50,000	
1,392	1,507	1,966	2,128	2,342	2,563	2,741			

*Two-for-one stock split in Nov. 2005

— 40,000

AUG. ■
Acquired a total of 50.8% of shares in INTERNATIONAL REAGENTS CORPORATION (Today's SYSMEX INTERNATIONAL REAGENTS CO., LTD.) through takeover bid in order to make IRC into a consolidated subsidiary.



2001

APR. ■
Consolidated INTERNATIONAL REAGENTS CORPORATION (Today's SYSMEX INTERNATIONAL REAGENTS CO., LTD.) as a wholly-owned subsidiary through a share change.

APR. ■
Increase in capital to ¥5,587 million.

JUL. ■
Conclusion of an agreement with Eiken Chemical Co., Ltd. for the marketing in China of an automated urinalysis analyzer and test strips.



2002

JUN. ■
Consolidation of SYSMEX CORPORATION OF AMERICA and SYSMEX INFOSYSTEMS AMERICA, INC. to establish SYSMEX AMERICA, INC. and started direct sales and support.

2003

MAR. ■
Increase in capital to ¥7,943 million through a 97% conversion of the first series of unsecured convertible bonds.

APR. ■
Acquired 50.8% of the shares in CNA CO., LTD., a medical data systems enterprise, and consolidated as a subsidiary.

2004

APR. ■
Introduction of the Sysmex Executive Officer System.

MAY ■
Established the European subsidiary SYSMEX POLSKA S.P.Z O.O.



AUG. ■
Conclusion of a sales agreement concerning the rapid influenza diagnostic kit with Otsuka Pharmaceutical Co., Ltd.



NOV. ■
A stock split.

2005

JAN. ■
Released the high-performance, compact automated hematology analyzer "XS series".



APR. ■
Introduction in Europe of the RD-100 i gene amplification detector for detecting breast cancer lymph-node metastasis.



APR. ■
Establishment of a subsidiary in South Africa accelerates business development in Africa.



2006

To Our Shareholders

Sysmex engaged in aggressive business development and achieved record-high business performance in the healthcare field, a growth industry in the 21st century. While striving to achieve the objectives of the corporate mid-term plan, Sysmex will accelerate its quest to reach a new stage of development.



Hisashi Ietsugu

President and CEO

In fiscal 2005, (the year ended March 31, 2006), the business environment in Japan was characterized by clear signs of economic recovery. Conditions were similarly upbeat in other countries in which Sysmex does business. The United States, Europe, Asia and elsewhere were all characterized by solid business expansion. In the health-care market, Sysmex's business field, challenging market conditions continue in Japan, Europe, and North America due to factors including the continued implementation of government policies to curb medical expenses. At the same time, demand for medical treatment is expanding globally in a number of forms, including demand arising from the development of sophisticated medical treatment in developed countries and the establishment and development of medical care infrastructure in developing countries.

In this business environment, Sysmex was able to achieve its strongest-ever business performance, recording increases in net sales and operating income for the sixth consecutive year. Consolidated net sales increased by 14.2% year on year to a record-high ¥87,888 million, as sales in Japan increased by 6.0% to ¥35,419 million and sales in overseas markets increased by 20.5% to ¥52,469 million. Sales have risen steadily, increasing by more than 10% for five consecutive years. Sales growth in overseas markets was a robust 20.5%, and the contribution of overseas sales to total sales increased by 3.1 points to 59.7%. This ratio is increasing year by year.

Operating income increased by 17.8% year on year to ¥10,724 million, and the operating income (margin) was 12.2%, up 0.4 points from the previous term. Higher

sales brought a substantial increase in gross profit, and the cost to sales ratio decreased as the increase in gross profit more than offset an increase in selling, general, and administrative expenses, such as higher R&D investment. Return on equity (ROE) was 12.5%, up 1.8 points from the previous term.

In business results by region, Sysmex achieved higher revenues and profits in all regions. In Japan, Sysmex leveraged its market-leading sales and support network, expanded the product portfolio as a comprehensive supplier, and engaged in a solutions business aimed at increasing the efficiency of hospital management. In the U.S., Sysmex worked to increase market share by steadily expanding into the smaller markets of small and medium-sized hospitals, in addition to the large-hospital market. It also strengthened the sales and support structure to win recognition in the commercial laboratory market. In the European region, Sysmex has achieved substantial growth in revenues by actively proposing in solutions that combine instruments, reagents, software, after-sales support and by increasing sales of hematology analyzers in Eastern Europe, Russia, Africa, and other new markets. In the Asia Pacific region, business performance was solid due to factors including: Progress with upgrades to high-performance instruments in China's cities attendant on economic growth, the reinforcement of sales and support bases in the region before competitors, and competitive advantage as a comprehensive supplier.

Sysmex is rapidly advancing toward a new stage in its business development. The next stage will bring consolidated sales of

¥100,000 million yen and global market share leadership in the hematology segment.

With regard to cash dividends for fiscal 2005, seeking to return profits to shareholders linked to advances in business results, Sysmex declared a commemorative dividend of ¥2 per share to commemorate the 10th anniversary of the listing of the Company's ordinary shares on the stock exchange, resulting in an annual dividend of ¥36. As the Company conducted a two-for-one stock split in November 2005, the effective annual dividend is ¥52 on a pre-stock-split basis (prior year dividend: ¥40).

November 2005 marked the 10th anniversary of the listing of Sysmex's shares on the stock exchange. I am deeply grateful to our shareholders and other stakeholders for the support that made this possible.

Sysmex will continue to build on the foundation of continuing growth and earnings increases in the diagnostics business to strengthen our technological capability. This will enable us to continuously create high-value-added products and pursue novel approaches to unlock the potential of the life science field. Sysmex will aim for further increases in corporate value by contributing to the realization of a healthy, prosperous society through its business activities, and the entire Group will join together in continuing the quest to attain a new stage of development.

I request the continued support of our shareholders for our activities.

Hisashi Ietsugu

President and CEO



An Interview with the President



Sysmex is pursuing business development grounded in three basic strategies for further growth. With the aim of becoming the leader in the field of healthcare testing, we are continuing to boldly undertake challenges to reach the next stage of business development.

How do you view the business environment in which Sysmex operates?

I think that the healthcare industry will be a growth industry in the 21st century. The aging of society is progressing rapidly in Japan and other developed countries around the world, and healthcare-related demand is continuously increasing. The trend in healthcare is a shift from treatment to prevention in step with the increasing health consciousness among individuals. Of course, demand for diagnosis and testing is expected to grow further in the future. Medical care infrastructure enhancement is progressing and market expansion can be expected in the BRICs and other emerging countries as well.

At the same time, the business environment poses a number of challenges

for the healthcare industry. In Japan there is a need for streamlining of medical institutions by lowering medical treatment fees and by seeking greater efficiency in hospital management. The situation is similar in Germany and other developed countries in Europe. It is possible that the worldwide trend toward corporate realignment through M&A that is taking place in the pharmaceutical industry will spread to the diagnostic reagents market segment.

With regard to technology, advances in post-genome technology are about to give rise to new innovations such as tailor-made medical treatment. Technological innovation will give rise to even greater changes in the future: for instance, the expansion of hospital collaboration concerning IT-driven information networks. I feel that being among the first to per-

ceive such changes and signs of the times is an extremely important role for a business manager to fulfill.

Under these circumstances, Sysmex will formulate strategies suited to the requirements of the geographical regions in which we operate, while conducting business on the entire world stage.

You have set forth three core strategies for business development. What progress has been made in implementing those strategies?

The first strategy we are pursuing is the “Global Niche No.1 Company.” This involves manifesting strengths that competitors cannot duplicate in niche markets, with the aim of becoming the global market leader. Specifically, we aim to be the global market leader in the

hematology segment. We have already attained market leadership in Japan and the rest of the world except the United States. Our excellent reputation is due to several factors including the building of customer relationships, trust in Sysmex instruments earned over time and the switch to a direct sales structure in 2003. We have made market share leadership in the U.S. a strategic priority. The U.S. is the world's largest market, and we are leveraging our highly reputed customer satisfaction to focus on expansion in two key market segments. The first market segment which we are focusing on is the small and medium-sized hospital market, in addition to large hospitals. We are increasing sales opportunities by enhancing the sales and support structure, and by recently introducing the new XS Series of compact automated hematology analyzers. These products use the same measurement principal as the high-end XE Series, and we aim to achieve competitive product differentiation by means of our comparability of results across our complete hematology product line.

The second market segment focus in the U.S. is the large commercial laboratory market, where we are also reinforcing our proposal activities aimed at winning recognition. We are seeing continuing stable growth in the European region as well. In addition to further increasing mar-

ket share in Europe's developed countries, our market coverage in the region has expanded to Eastern Europe, Russia, and Africa. We are achieving widespread penetration of the Sysmex brand in the global market place built on a solid foundation of high-quality products.

The second strategy is "Focus on Asia." We aim to leverage the competitive advantage gained from being among the first to enter and build a business base in the rapidly expanding markets of the Asian region to become the leading comprehensive supplier in Asia in the diagnostics field. We have nearly completed the task of establishing business bases in

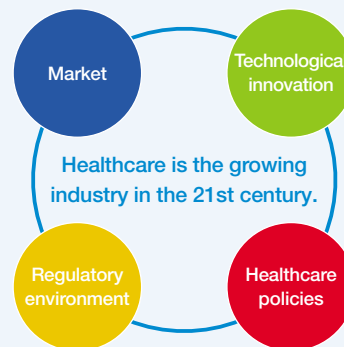
China and the Asia Pacific region and from now on will strive to increase sales by enhancing the product portfolio.

With regard to Japan, although the market environment remains adverse, we will take advantage of our market-leading sales and support structure, focus on the business of proposing high-value-added solutions as a comprehensive supplier, and push to increase sales in new market segments such as the POC "Point of Care" and healthcare-related markets.

With regard to the third strategy, "Focus on Life Sciences," we have at last reached the starting line of commer-

External Changes in the Healthcare Market

- Economic growth in the BRICs (Brazil, Russia, India & China)
- EU expansion (Eastern Europe)
- Aging of population in developed countries
- Growth in cancer and lifestyle-related diseases
- Development of advanced medical care
- Accelerated restructuring of the pharmaceutical industry (Japan)
- Progress in post-genomic technology
- Practical application of advanced technologies including regenerative medicine
- High-speed and broad information network



- Introduction of a new company's act (Japan)
- Focus environmental protection (Europe)
- Tighter governmental medical regulations (China, AP)
- Medical fee reimbursements decreased by 3.16% (Japan)
- Announcement of a draft of the Medical Care System Reform (Japan)
- Converting national hospitals into independent administrative agencies (Japan)
- Adoption of the 11th 5-year Plan (China)
- Self-supporting hospital operations (China)
- The new government's policy to suppress healthcare expenditure increases (Germany)



cialization. Just as information technology has radically changed contemporary society, life sciences have the potential to utterly transform the society of the future. Since establishing the Central Laboratories in 2000, Sysmex has engaged in full-scale R&D. We aim to create high-value-added medical tests that contribute to disease management and we are currently pursuing research projects with a focus on cancer and diabetes. All of these projects are progressing steadily, and in April 2006 we introduced a breast cancer lymph node metastasis rapid diagnosis system in the European market. In the coming years we will fuse original technologies developed in the diagnostics field and the results of our efforts in the life science field to pursue businesses in which we take advantage of Sysmex's strengths.

What is your thinking on initiatives for future growth?

The growth of a company occurs in several stages, and I think that it is essential that we are fully aware of the

stage we are in. From here on, I want to engage in business management and business development adapted to a new stage of development without being overly concerned about the successful experiences of the past. For the management and employees of a company, the period of competence development in preparation for moving to a new stage of development is an extremely rewarding time. I feel that Sysmex is in just such a dynamic period.

Because solid corporate governance is essential for sustainable growth, we moved to increase the speed of decision-making with the executive officer system and to enhance the management supervision role of the corporate auditors. In 2006, we laid out a comprehensive system of internal control. Now, we are working to increase management efficiency and transparency and to strengthen compliance.

As a company grows, it comes to attract public attention. Sysmex seeks to step up to a new level of engagement in corporate social responsibility. To date

we have participated in global disaster relief activities and community rebuilding activities. In 2005, we established the Corporate Social Responsibility Department to define a form of social responsibility befitting Sysmex and we will continue to engage in a unique approach to corporate social responsibility. It will have contributions to society from our business operations as its core and involve environmental conservation and community involvement.

By the same token, business expansion entails risk. For Sysmex, the potential impact of healthcare system reform is especially significant. But, because Sysmex does not merely sell instruments and reagents that increase efficiency and simplify laboratory operation, and also provides after-sales support and IT-driven solutions, there are also risks stemming from raw materials procurement and the use of information systems. Therefore, we engage in risk management while keeping our customers foremost in mind.

On a related subject, interest in hos-

tile takeovers has grown even in Japan, and Sysmex regards the achievement of sustainable increases in corporate value as an element of a takeover defense.

Is there a particular concept you favor in business management?

My philosophy regarding work, I place importance on the concept “Where there’s a will, there’s a way.” This is about not making up one’s mind from the start that things are impossible, but rather thinking long and hard about how to go about accomplishing them. In other words, first set a goal, and then consider a route to reach that goal. Provided one does that, wisdom and resourcefulness are sure to follow. To grow a business, one must constantly look a half step or a step ahead. Our early establishment of business bases in the BRIC countries and other emerging markets reflects this way of thinking.

What are your views on the motivation of the human resources essential to corporate growth?

I believe that recruiting, retaining, and developing human resources is one of the most fundamental of management tasks. Everyone has strengths and weaknesses. Maintaining an environment for drawing out the good points and enabling employees to maximally

demonstrate their abilities is a business manager’s most important work. If globalization advances further, Sysmex will come to accommodate even more individuality within its corporate culture. I believe that globalization is about accepting diversity. In the future I want to assemble even more diverse capabilities and use them as a new source of growth for Sysmex.

What are your views on distribution of profits?

The Company regards returning to our shareholders profits earned as we grow as one of our highest management priorities, and our basic policy is to pay attention to providing regular, stable dividends while ensuring that the distribution of profits is supported by business results. At the same time, because Sysmex remains a company that continues to grow, I request that our shareholders understand that active investment for the purpose of securing further

growth is also essential to Sysmex.

Finally, do you have a message for the shareholders?

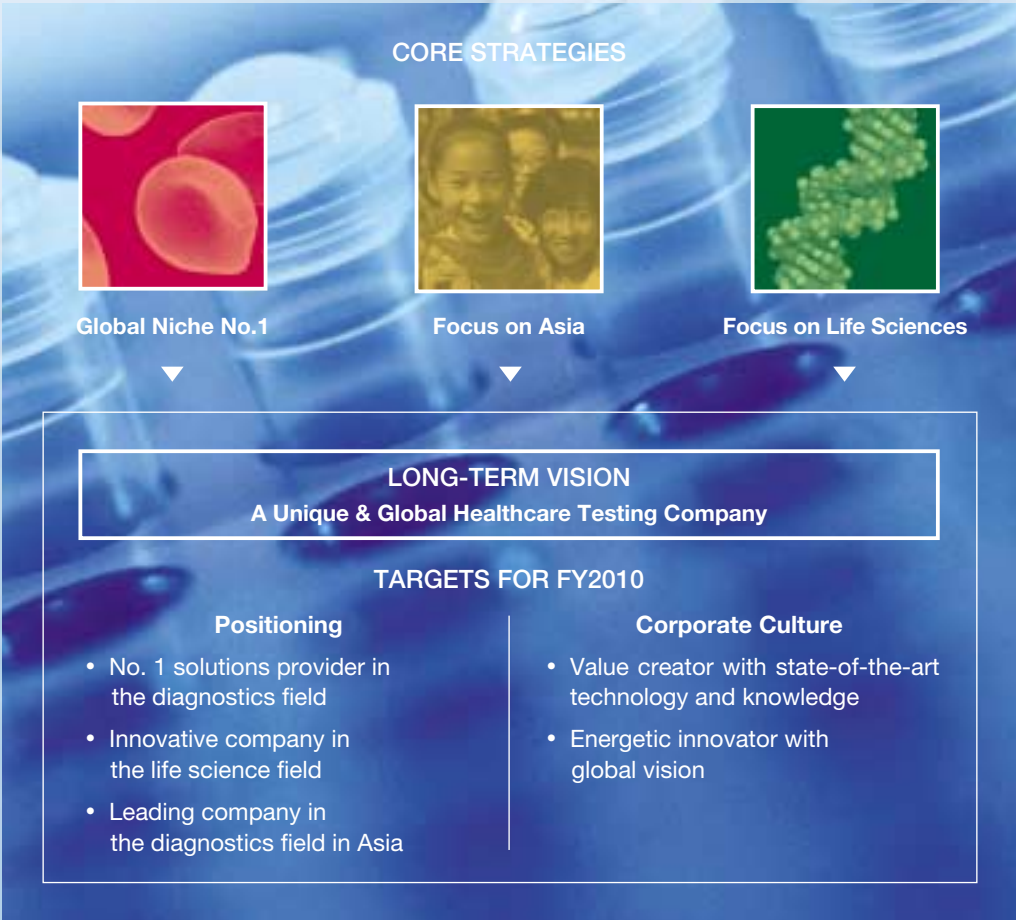
I think that a company must continuously grow and also discharge its responsibility to society. Sysmex is committed to increasing corporate value and meeting the expectations of our shareholders and other investors by working to realize the long-term vision of being a Unique and Global Healthcare Testing Company and contributing to a healthy and prosperous society. I ask that our shareholders view Sysmex’s quest to attain a new stage of growth from a medium-term to long-term perspective and continue to support our endeavors.

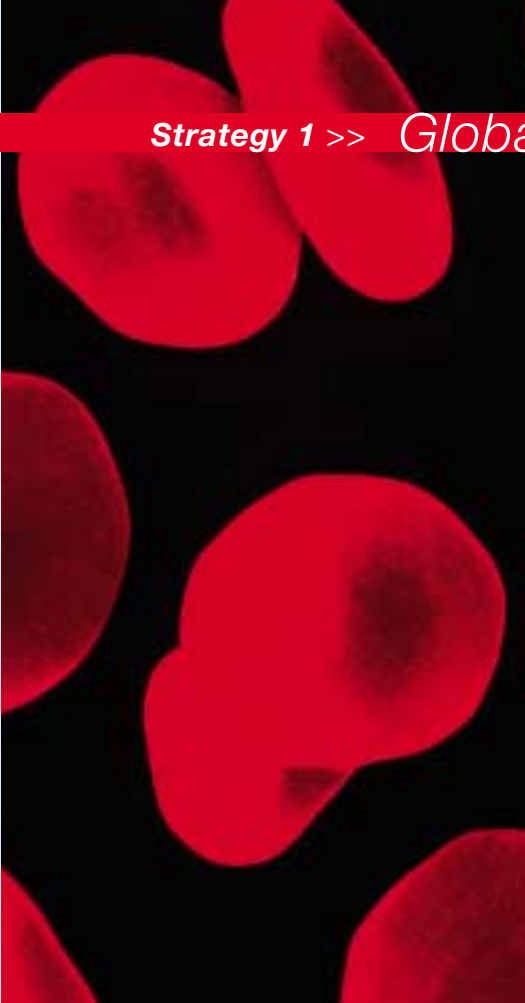
Targets for FY2007 (Announced May 2005)

	FY2005 Results	Targets for FY2007
Net Sales	¥ 87.8 billion	▶ ¥ 110 billion
Operating Income	¥ 10.7 billion	▶ ¥ 15.7 billion
ROE	12.5 %	▶ 13.0 %

Strategies for Future Growth

Sysmex is pursuing three core strategies aimed at bringing about growth on a higher level. These were developed from close examination of the strengths and opportunities of our business throughout the world. Based on this review we have codified three complementary approaches: to become the world's best in our chosen segment of hematology, to focus new growth on the expanding markets of Asia and to develop strong, new markets in life sciences.





Climbing to the Top around the World in Our Chosen Specialty of Hematology

Diagnostics and Sysmex

Diagnostics is a form of clinical testing used in medical diagnosis and treatment and in monitoring the effects of drug administration. There are two types of clinical tests: *in vivo* diagnostics and *in vitro* diagnostics. *In vivo* diagnostics involve direct examination of the body using x-rays, electrocardiograms (ECG) and other tests. *In vitro* diagnostics involve analysis of samples of blood, tissue, urine, and other specimens taken from the body. The size of the worldwide diagnostics market was US\$26,000 million in 2003, and the market is expected to grow at an annual rate of about 7% through 2010.

Diagnostics is broadly divided into categories that include hematology, hemostasis, immunochemistry, and clinical

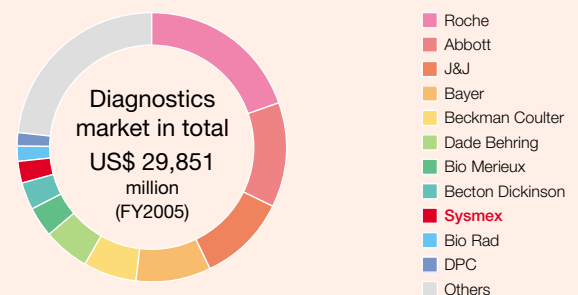
chemistry. Sysmex is a comprehensive manufacturer that supplies products in nearly every diagnostics field, ranking second in global market share in the hematology segment, first in instrument market share in the hemostasis segment, and ninth overall in the diagnostics field. Sysmex is also a comprehensive supplier that provides after-sales support, such as instrument maintenance and quality control. Following this approach, we have constructed a unique business model by which it fills the role of a comprehensive manufacturer.

Sysmex's Strategy in the Hematology Segment

One of Sysmex's core strategies is to become the "Global Niche No.1" company and our first objective is to attain

Diagnostics Market Shares of the Global Majors

(Sysmex estimates)





market share leadership in the hematology segment. Although, in recent years medical system reform has been implemented in developed countries to curb increasing healthcare costs, hematology remains an essential component of basic and screening testing to ascertain the condition of the human body. Also, hematology is required for the establishment and development of medical care infrastructure in developing countries, and future market expansion is anticipated. Continuing growth in Europe and business expansion in the U.S. are essential priorities in Sysmex's mid-term plan, which concludes in fiscal year 2007, and we plan to enhance our sales and support structure in these markets by establishing new business locations and enlarging the organization.

Expanding Existing Markets and Entering Fast-growing New Markets

In Europe, Sysmex has earned an excellent reputation among customers befitting a regional market share leader, and the installed base of instruments is expanding. In the hematology market we have secured stable revenue by implementing a business model involving ongoing sales of specific reagents following the sale and installation of instruments. As this business model makes it possible to secure stable rev-

enues, reagent sales are steadily increasing and we have achieved stable, continuous sales growth. In May 2005, we established our subsidiary Sysmex Polska S.p.zo.o. as one of the operations aiming to increase sales in emerging markets such as Eastern Europe, an area expected to grow rapidly in the coming years. We are aiming to support the sales activities of its distributor, identify customer needs through market research conducted on its initiative, and strive to supply products and solutions that meet the needs of the market in Russia, and have established a representative office there. In April 2006, we established Sysmex South Africa, a wholly owned subsidiary in the Republic of South Africa, an economy marked for BRIC-level growth. In 2007, we will expand the reagent production facility in Germany (the Neumünster Factory) to increase production capacity and efficiency. We will continue to leverage the Sysmex brand to expand geographical sales coverage and solidify our position as the market share leader in Europe.

The U.S. is the world's largest diagnostics market, accounting for 40% of global sales. Sysmex is strengthening marketing with the goal of increasing its share of the U.S. hematology market to 22%. In July 2003, we switched to a direct sales and support structure and

we have steadily enhanced our reputation among customers. In the hospital market, for example, we have focused on increasing market coverage by sales representatives and service engineers. We now utilize distributors and telemarketing in sales activities targeting the small and medium-sized hospital market. Sysmex also actively engages in sales activities targeting commercial laboratories, which account for about one-third of the U.S. diagnostics market. In this market we promote the quality and performance of Sysmex products and make proposals to improve productivity and save valuable laboratory floorspace.

In 2007, we will establish a new plant adjacent to Sysmex America, Inc. to meet increased demand for reagents

through increased production capacity and efficiency. Sysmex aims to capture market share leadership in the U.S. by continuing to promote recognition and penetration of the Sysmex brand and by offering customers a wide range of products that have earned the recognition and trust of customers in Japan, Europe, and Asia.

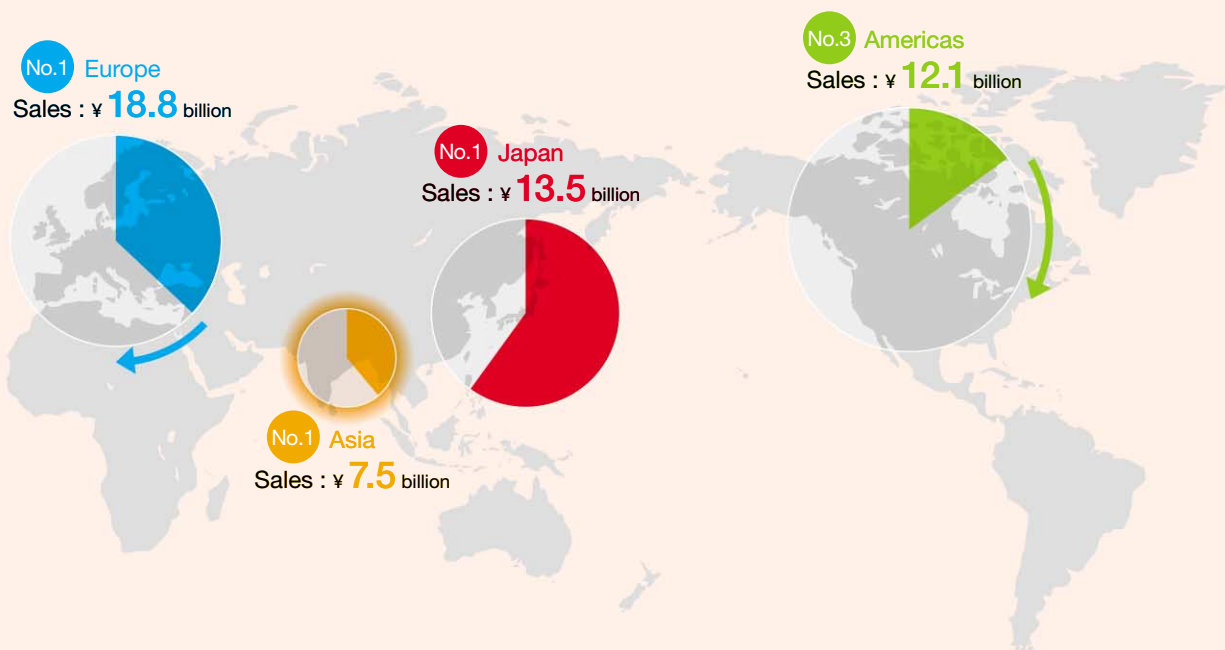
Seeking to become the “Global Niche No.1” Company

Sysmex has grown to the point of realizing its ambition of winning market recognition as the leading company in the hematology segment market. This has been accomplished by further boosting market presence in Japan and Europe, where we already have cap-

tured share leadership, and by increasing market share in the U.S. As the acknowledged leading company in the hematology segment, we will continue to provide added value and propose solutions to customers in these markets. Sysmex is also establishing subsidiaries in all four BRIC countries. There, we provide hematology analyzers and reagents for basic screening testing and support improvements in testing quality and the establishment and development of the medical care infrastructure. By earning an excellent reputation from a broad base of customers in developed and developing countries, Sysmex seeks to solidify its position as the leading company in the hematology segment.

Our Share of the Global Hematology Market

*Figures show our share of each market in FY2005





Building on Our Strong, No.1 Position as a Comprehensive Supplier

Establishment of an Extensive Business Base in Asia

As a comprehensive supplier based in Japan, Sysmex has constructed an extensive business network in Asia that includes sales and support bases, reagent production facilities, and an IT development base. Sysmex launched full-scale business development in Asia in 1995 with the establishment of Jinan Sysmex Medical Electronics Co., Ltd., a reagent production facility in China, beginning construction of a business base in China well ahead of industry competitors. In 1998, we established Sysmex Singapore Pte Ltd. as a sales and support base for the Asia Pacific region. Today, Sysmex operates one of the industry's top-class sales and support networks in Asia, maintaining operations in numerous countries in the Asia Pacific region and utilizing the services of distributors. At the heart of our Asia Pacific operations are 5 subsidiaries in China and 8 in other countries.

Serving Customers as a Comprehensive Supplier

Sysmex's initial business activities in the Asia Pacific region were focused on the

sales and support of instruments and reagents in the mainstay hematology segment and in the hemostasis market segment. Today, Sysmex operates businesses in nearly every diagnostic testing segment. It has earned an excellent reputation among customers as the regional market share leader in the hematology and hemostasis segments.

Sysmex has adopted as one of its three core strategies a focus on Asia. Our goal is to secure a position as the No.1 comprehensive supplier in this region. The Japanese share many similar cultural characteristics with other Asians, and there are few barriers with regard to understanding of business practices or communication. Also, Sysmex is able to secure competitive advantage over Western companies by applying elsewhere in the region knowledge accumulated from its experience and successes in Japan. In addition to working to expand its business in Asia, Sysmex aims to contribute to the qualitative improvement of medical care in the region by providing instruction aimed at standardizing diagnostics.

In China, sophisticated medical care is being provided in their cities, and a

healthcare system is being instituted in rural areas under government direction. Sysmex has put in place a fine-tuned sales and support network adapted to the differing needs of these geographical areas and expanded the product portfolio. We are also entering new business areas, including the clinical chemistry segment.

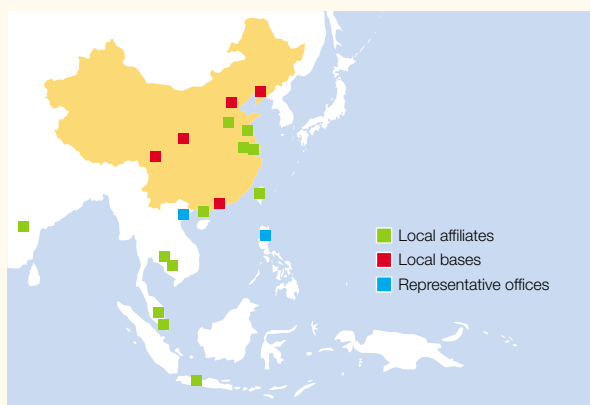
Elsewhere in the Asia Pacific region, customer needs are diverse and, as in China, there is a large gap between the state of healthcare infrastructure in developed areas and developing areas. Sysmex promotes replacement purchases of high-end hematology analyzers in developed areas and works to increase sales of middle and low-end hematology analyzers in developing areas. Future plans call for strengthening the product portfolio in the immunology and clinical chemistry segments and solidifying our position as a comprehensive supplier.

Japan is said to have the world's most adverse business environment for the medical care industry owing to reductions in medical expenses arising from healthcare system reform. Sysmex is upgrading to a sales structure adapted to customer needs and, as a comprehensive supplier capable of providing the laboratory information systems of subsidiary CNA Co., Ltd., instruments, reagents, and after-sales support, is proposing comprehensive solutions aimed at increasing the efficiency and enhancing the quality of medical testing. Furthermore, Sysmex is expanding its product range in the hospital and veterinary market and stepping up marketing activities directed at these markets in addition to conventional marketing activities for point-of-care (POC) products such as influenza testing kits directed at physicians in private practice and clinics. It is also engaging in sales

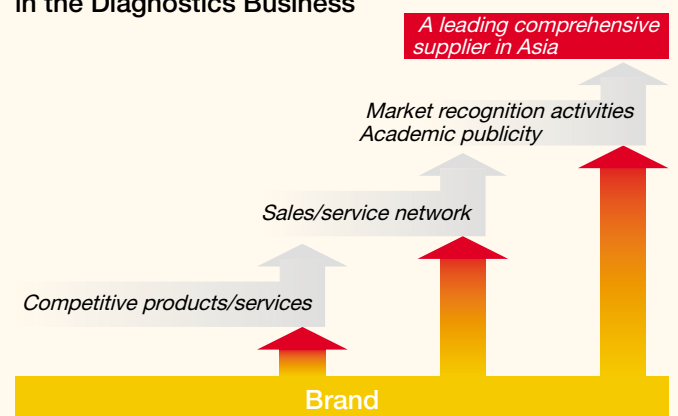
activities through an extensive sales and support network. By expanding the product range and customer base, Sysmex will solidify its position as the most comprehensive supplier in the diagnostics field in Japan.

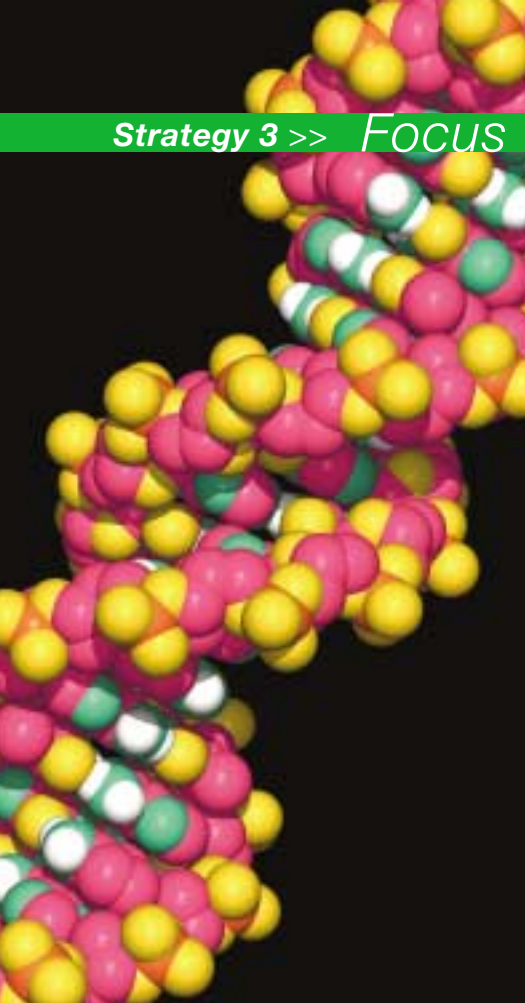
Sysmex was the first manufacturer in the industry to establish a call center in Asia. We will continue to strive to increase customer satisfaction and peace of mind through communications that put the customer first. We will continue to solidify our position as the comprehensive supplier in the diagnostics field by leveraging the Sysmex brand. Through an extensive sales and support network we will offer customers not only our own products, but also products obtained through business alliances.

Sysmex's Operations in Asia



Substantial Sales and Profit Growth in the Diagnostics Business





Creating New Markets through Innovations in Testing Technology

The Importance of Testing in Medical Treatment

The medical treatment industry is widely recognized to be a growth industry owing to advances in gene-related technologies made in recent years, people's desire to live long, healthy lives, and the health improvement boom. Due to rapid population aging in developed countries, medical cost increases have become a social problem. In order to curb increases in medical expenses, governments are shifting healthcare policies from an emphasis on treatment to an emphasis on prevention. In this environment, medical testing is taking on increased importance as a critical health indicator essential to disease management decisions grounded in evidence-based medicine (EBM) and to the monitoring of treatment results. Sysmex aims to create new medical testing techniques and contribute to disease management through the fusion of life science technologies and technologies developed in diagnostics.

Expanding the Scope of Testing through Technological Innovation

Innovation in gene and protein analysis technologies is opening the way to

medical treatment previously unimaginable. In the field of diagnostics, Sysmex's business domain, many manufacturers are stepping up investment in the life science field with the aim of creating new testing techniques. At its Central Research Laboratories, established in 2000, Sysmex pursues R&D grounded in the concept of creating high-value medical tests that contribute to disease management. The term "disease management" refers to the provision of optimal medical care for individual patients to prevent the occurrence, recurrence, or worsening of disease. Sysmex aims to advance the cause of disease management by creating new medical testing techniques at the prevention, screening, confirmed diagnosis, recurrence prevention, and prognosis prediction stages of disease. Sysmex also aims to contribute to the improvement of quality of life, the standardization of medical care, and the optimization of medical costs by providing medical tests that support disease management decisions and diagnosis. Sysmex regards the life science business as a new testing market that will expand in the coming years. Sysmex is engaged

in R&D related to four types of diseases: infectious diseases, blood disorders, cancer and metabolic syndromes. Research projects related to cancer and diabetes are currently in progress.

Commercialization of Life Science Research Projects

In April 2004, Sysmex established the Life Science Business Development Department and began preparing for group-wide entry into the life science business on a global basis. This will involve participation by affiliates in the U.S. and Europe. In April 2006, we introduced a breast cancer lymph-node metastasis rapid diagnosis system in the European market as our first life science product. Since the reputation of a product is important to its commercial success, Sysmex will continue to promote market recognition of the system. Another aim is to obtain insurance cov-

erage for diagnosis using the system. Sysmex's efforts to commercialize research projects besides cancer lymph-node metastasis rapid diagnosis technology are steadily bearing fruit. We will construct clinical development systems and put in place development, production, sales and support structures with a view to begin sequential market introductions to begin in 2006.

Reinforcement of Core Technologies

Sysmex is working to create new testing technologies by fusing technologies it has accumulated in the field of diagnostics with life science technologies. With the aim of strengthening the R&D structure, in February 2005 the reagent development operations of Sysmex International Reagents Co., Ltd. were integrated into Sysmex Corporation. In April 2005, we strengthened R&D man-

agement by establishing the R&D Strategic Planning Department and formulated a new technology strategy. In February 2006, we acquired real estate adjacent to the Techno Center, a key R&D base at Sysmex, with the objective of expanding the R&D function. In the coming years we will continue our efforts to contribute to disease management, carry on with focused investment of management resources in R&D and reinforce our technological underpinnings as a technology-oriented company.



Gene Amplification Detector RD-100i

Progress in R&D (As of May 2006)

	Research	Clinical Study		Application/ Approval	Introduction into the Market	Listing
		(Clinical Research)	(Clinical Trial)			
Rapid lymph node metastasis detection	Expand applications • Types of cancer • Various chemotherapeutic agents	Colon cancer	Breast cancer	Introduced into the European market in April, 2006 Japan: clinical trial underway U.S.: in preparation for clinical trial		
Chemosensitivity prediction		Clinical Research underway				
Recurrence prediction		Clinical Research underway				
Cervical cancer screening		Europe: Clinical Research underway				
Minimally invasive blood glucose self-measurement technology		Clinical Research underway				
Diabetes management system		Clinical Research underway				

Clinical trial: Clinical performance trial to obtain approval

Corporate Governance

Basic Policy on Corporate Governance

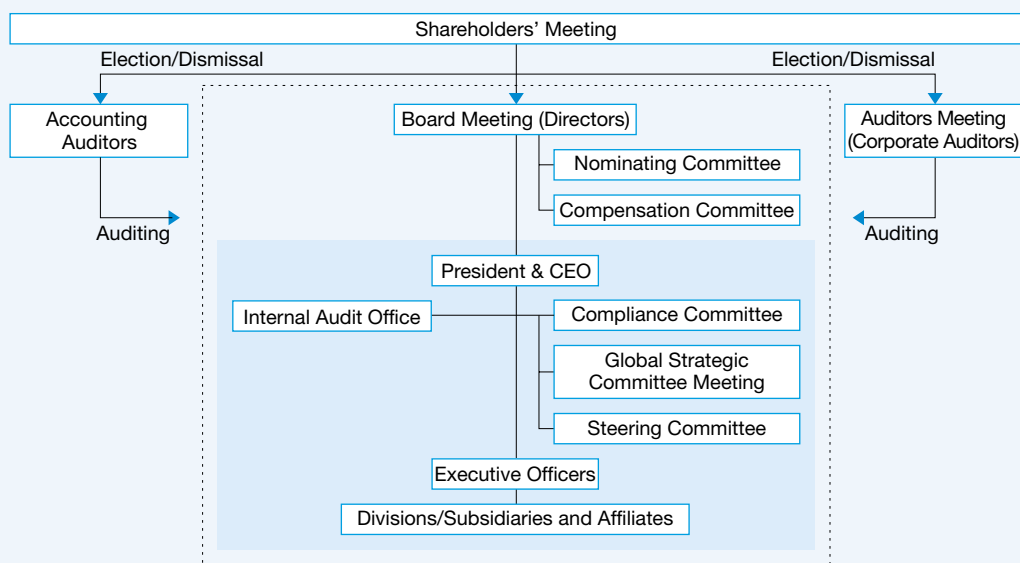
Systemex Corporation regards the strengthening of corporate governance as an important management objective. The Company is maximizing corporate value throughout the Systemex Group by increasing the soundness, transparency, speed, and efficiency of its management.

Status of Implementation of Corporate Governance Measures

The chart below depicts the execution of business, auditing, and internal control at Systemex.

Description of Management Organization

The Company has adopted the corporate auditor system. The current management organization consisting of ten directors, four corporate auditors (including two external auditors), and fifteen executive officers (nine of the fifteen are directors). The Company adopted the executive officer system in April 2005 in order to increase the speed of decision making in the conduct of business and respond quickly to changes in the business environment.



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

The Board of Directors consists of ten directors. 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 president and senior executive officers. As a rule the Committee meets once a month to deliberate on the Group's management direction and important strategic issues.

The Steering Officers Committee consists of the president, senior executive officers, and executive officers. The Committee meets twice a month as a consultative body to the president to deliberate on important matters concerning the Group's business.

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

In the fiscal year ended March 2006 the Board of Directors met 18 times, the Global Strategic Committee met 10 times, the Steering Officers Committee met 26 times, and the Operating Committee met 12 times to address matters relating to management strategy and important issues facing the Group.

The Internal Audit Office, which consists of six employees, confirms and evaluates internal controls, the state of management, and the execution of business from the perspective of the sound development of the Group, issues reports based on the results of its activities, promotes appropriate execution of business through improvements, advice, and proposals, and conducts internal audits to contribute to the sound management of the Group.

The Board of Auditors consists of four corporate auditors, two of whom are external auditors. The corporate auditors attend meetings of the Board of Directors and the Operating Officers Committee and maintain systems for appropriately supervising the conduct of business on the part of the directors. The Board of Auditors will continue to enhance management soundness by engag-

ing in appropriate supervision of the execution of business as stipulated by law. The Board of Auditors works closely with the accounting auditor on the audit plans report (annual) and the audit results reports (each mid-term and final settlement of accounts) and exchanges information and opinions with the accounting auditor as necessary.

The Company has contracted with Deloitte Touche Tohmatsu 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 with several law offices and maintains a structure to solicit and obtain advice on important matters as necessary.

Basic Policy on Internal Control Systems and Their State of Development

1. Systems for ensuring that the execution of duties by directors and employees is compliant with the law and Articles of Incorporation

The Company 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 will maintain a system to ensure compliance as described below.

The Company shall implement and strengthen compliance in the corporate group under the control of a compliance officer and compliance committee. The Company shall rigorously ensure compliance through education and training for directors and employees, promote 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 conduct audits of the compliance structure by means of the Internal Audit Office.

2. Systems for the retention and management of information relating to the execution of duties by directors

The Company shall appropriately retain and manage information relating to the execution of duties by directors in accordance with document management regulations and maintain the information in a state available for inspection as necessary.

3. Regulations concerning the management of risk and other systems

To maintain a company-wide structure concerning risk management, the Company shall establish regulations concerning risk management and establish an organization to engage in the integrated management of risk throughout the Company. The company shall endeavor to discover foreseeable risks, clarify the sections responsible for coping with risks, and engage in measures to mitigate risks.

4. Systems to ensure that directors execute their duties efficiently

The Company has positioned the Board of Directors 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 shall ensure the efficient execution of business in accordance with the organization regulations, scope of authority regulations, and approval procedure. The Company shall establish mid-term plans and annual management plans, periodically confirm the progress made with those plans, and take any necessary measures.

5. Systems to ensure the appropriateness of business activities in the corporate group

The Company shall ensure compliance in accordance with the compliance code applied to all the directors and employees of companies in the corporate group. The Company shall establish regulations with respect to risk management and maintain group-wide risk management systems based on those regulations. The Internal Audit Office shall conduct group-wide internal audits.

With regard to the management of affiliated companies, the Company shall respect the autonomy of the management of affiliated companies and ensure the appropriateness of business activities throughout the corporate group by such means as periodic reporting on the details of the business of affiliated companies and advance discussion concerning important matters.

6. Assignment of employees to assist corporate auditors and the independence of 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 shall provide full-time staff to assist the Board of Auditors. In such case, the directors shall discuss with the corporate auditors in advance matters such as the transfer of such support staff.

7. Systems for reporting to the corporate auditors and systems for ensuring effective and efficient auditing by the corporate auditors

When the directors have discovered a violation of the law or the Articles of Incorporation or a material fact that poses risk of causing significant damage to the Company, they shall promptly report such material fact to the Board of Auditors.

The corporate auditors shall attend meetings of the Board of Directors and other important meetings, read important documents such as approval requests, and request explanations of directors and employees as necessary.

Directors, Executive Officers and Corporate Auditors



Directors

Hisashi Ietsugu

1996 President and CEO

Kenichi Yukimoto

1998 Director and Senior Managing Officer,
Assistant to the President

Mitsuo Waka

1998 Director and Managing Officer,
Administration and CSR Promotion

Tameo Iwasaki

2003 Director and Managing Officer, R&D

Tadashi Nakatani

1995 Director and Executive Officer,
New Business Development

Masayoshi Hayashi

1997 Director and Executive Officer,
Sales & Marketing and Customer Support

Shigenori Ohigashi

1999 Director and Executive Officer,
R&D(Deputy) Regulatory & Quality Assurance

Hiroshi Yamamoto

1997 Director and Executive Officer,
Instrument, Reagent Manufacturing and SCM

Yukio Nakajima

1999 Director and Executive Officer,
Corporate Business Planning

Koji Tamura

2001 Director and Executive Officer, International
Business and IVD Business Development

Executive Officers



Takuji Nishino

2005 Executive Officer, Vice President of Intellectual Property

Katsuo Uhara

2005 Executive Officer, Vice President of SCM

Masami Kitagawa

2005 Executive Officer, Vice President of Sales & Marketing

Michiaki Ishida

2005 Executive Officer, Vice President of Administration

Kazuya Obe

2005 Executive Officer, Executive Vice Chairman and CEO of Sysmex America, Inc.

Mitsuru Watanabe

2005 Executive Officer, Vice President of R&D Planning

Corporate Auditors

Mitsuhiro Aketa

2001 Corporate Auditor

Toyotaro Iwata

2001 Corporate Auditor

Yoshiro Ishida

1995 Corporate Auditor

Hiromu Fujioka

2006 Corporate Auditor



Social Contributions

Sysmex contributes to the advancement of medical care, engages in environmental protection activities, and supports local communities in a manner befitting a global healthcare testing company. In April 2005, Sysmex established the Corporate Social Responsibility Office to plan and implement environmental-protection and socially beneficial activities.

Social Contribution Activities at Sysmex



Source: The Asahi Shimbun Company

Contributions to Medicine

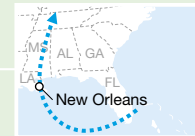
- Establishment of an Endowed Course at Kobe University
- Hematology Seminars (See page 61.)
- Sysmex Scientific Awards
- Support for Pink Ribbon Activity

Environmental Activities

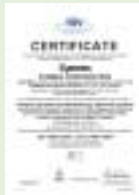
- Establishment of the environmental policy
- ISO 14001 certification program (See page 57.)

Corporate Citizenship

- Support for people and communities damaged by Hurricane Katrina in the U.S.A.
- Support for disaster areas
- Sponsorship of Kobe Luminarie
- Women's Track & Field Team



© Valerio Festi/ I & F Inc./ Kobe Luminarie O.C.



Establishment of an Endowed Course at Kobe University

Since 2004, Sysmex has provided 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. By endowing a course directly connected with its business field at a local university, Sysmex aims to contribute to both healthcare and the local community.

Environmental Protection

Sysmex seeks to contribute to the building of a healthy and prosperous society through its global business activities and regards environmental preservation as an important management task.

Sysmex has acquired certification for the ISO 14001 international standard for environmental management systems at eight business sites, including those of subsidiaries, and is currently implementing and enhancing environmental protection initiatives. In Japan, Sysmex is actively engaging in environmental activities and has adopted a Ministry of the Environment's "Cool-Biz" proposal, a CO₂ reduction program for lowering air conditioning use in offices.

"Try-Yaru Week"

Sysmex values its relationships with host communities. Every year since 1998, the Sysmex Kakogawa Factory, an instrument manufacturing facility, has participated in "Try-Yaru Week," a work-experience program in Hyogo Prefecture. For one week in early June, the factory

opens its doors to enable students from local junior high schools to experience work in a manufacturing plant.

Sysmex Women's Track & Field Team

In December 2005, Sysmex established the Sysmex Women's Track & Field Team. Working with coach Nobuyuki Fujita, who has trained numerous international-caliber athletes, Sysmex will support the Athens Olympic Games marathon gold medalist, Mizuki Noguchi, and support and nurture promising young women athletes training to become world-class competitors. In addition, Sysmex aims to contribute to the creation of a fulfilling and healthy society through the promotion of sports, such as sponsorship of events in local communities.

Management's Discussion and Analysis

Financial Policy

Systemex regards increasing market capitalization with the objective of maximizing corporate value an important management task and also pays sufficient attention to stable cash flow generation.

Systemex believes that to increase market capitalization it is important to share that management objective with all stakeholders, including shareholders, users, business partners, host communities, and employees, and at the same time sustain medium-term to long-term growth. To that end, Systemex practices transparent management for the purpose of communicating with stakeholders on Systemex's current situation and the direction it should pursue. These measures include enhancement of timely disclosure, the website, business reports, financial data, periodic briefings on business results, visits to institutional investors, and briefings for individual investors.

Sustaining medium-term to long-term growth, requires a level of R&D investment sufficient to prevail in global competition. It must continuously create new technologies and products, and stimulate growth of the critical mass to absorb the increases in selling, general, and administrative expenses that come with scale expansion.

In recent years growth in sales in overseas markets has been striking. Systemex has succeeded in increasing sales by about ¥10,000 million each year by means of the integration with International Reagents Corporation (whose name was changed to Systemex International Reagents Co., Ltd. on April 1, 2006) and synergy from the capital and operating tie-up with CNA Co., Ltd. Systemex is aggressively making forward-looking investments not only in the hematology and other diagnostic segments, the current key business domain, but also in new forms of medical testing in the life science field.

Systemex pays attention not only to business scale, but also to asset and capital efficiency and liability and capital soundness. The Company has obtained an issuer rating from Rating & Investment Information, Inc. (R&I) and each year reviews and renews the rating. As a result of the fiscal 2004 review, on January 5, 2005 the Company's rating increased by one notch from A- (Single A Minus) to A (Single A Flat). A rating increase not only reduces the cost of financing when procuring capital on the capital market, it also contributes to increasing confidence among stakeholders and the general public. To maintain and improve the rating in the coming years, Systemex will construct a flexible and more robust financial base, paying attention to expanding business scale while considering the balance between sales and profits and assets, liabilities, and shareholders' equity. Specifically, the Company regards return on assets (ROA)* and return on equity (ROE) as important management indicators and aims to maintain balance between scale and efficiency by ensuring the optimal combination of sales and profits and of assets, liabilities, and shareholders' equity. In the mid-term plan launched in April 2005, the Company has set forth the objective of achieving ¥110,000 million in sales and ROE of 13.0% in the fiscal year ending March 31, 2008.

*ROA = net income/total assets(yearly average) × 100

Results of Operations

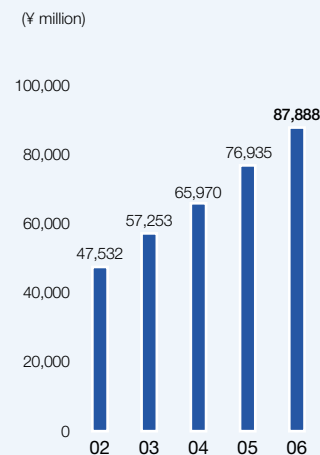
The operating environment for Systemex remains adverse, owing to factors including the continued implementation of government policies to curb medical treatment expenses in Japan, Europe, and North America. At the same time, demand for medical treatment is expanding globally in a number of forms, including demand arising from the development of sophisticated medical treatment in developed countries and the establishment and development of medical care infrastructure in developing countries. For the fiscal year ended March 31, 2006, the first year of the mid-term plan launched in April 2005 and concluding in the fiscal year ending March 31, 2008, Systemex established the key tasks of sustained growth and profit increases in the diagnostics field, the enhancement of technological capabilities and rebuilding of the business structure to ensure the continuous development of high-value-added products, and the realization of growth through entry into the life science field. To achieve those tasks, Systemex engaged in the following initiatives.

Rating Information (As of May 31, 2006)

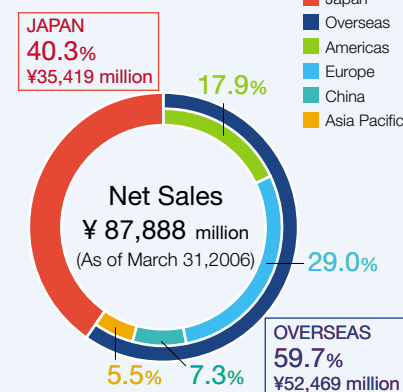
Rating Institution	Rating
Rating & Investment Information Inc.(R&I)	A

Rating Symbols and Definitions:
Rating A; The credit quality is high. It is also accompanied by some excellent factors.

Net Sales

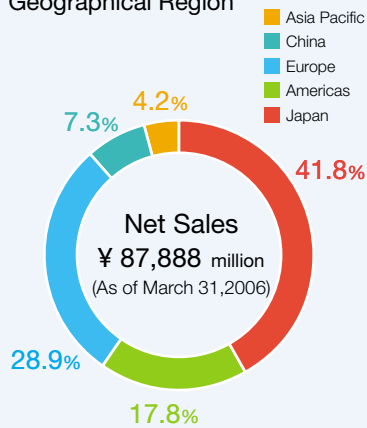


Net Sales by Region

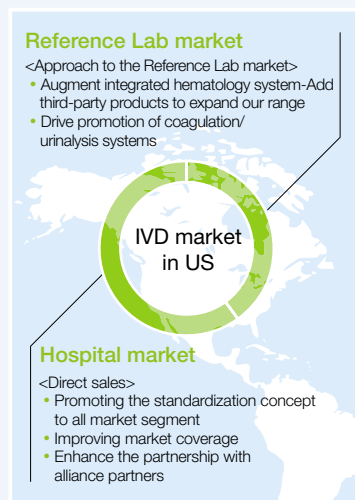


The Net sales by region figure indicates the amount sold by the Systemex Group to customers in the corresponding region. Net sales by geographic region figures indicate the amount sold by Group companies located in the corresponding region.

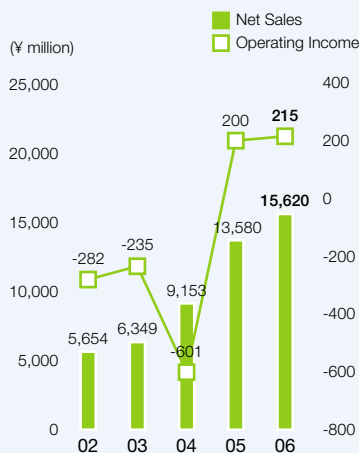
Net Sales by Geographical Region



Our Objectives and Future Opportunities: Americas



Sales and Operating Income by Geographical Region (Americas)



1. Sustained growth and profit increases in the diagnostics field

In addition to enhancing the product portfolio for the diagnostics field by means of the introduction of the new XS Series of compact, highly functional automated hematology analyzers, in Japan Sysmex proposed solutions involving the combination of diagnostic instruments, reagents, and IT products and entered into an alliance with Otsuka Pharmaceutical Co., Ltd. with regard to marketing of the rapid influenza diagnostic kit. Sysmex worked to enhance after-sales support by opening the Solutions Center, into which customer support and academic support activities have been consolidated. Overseas, Sysmex strengthened its marketing structure, changing distribution channels and putting in place a customer information management system in the United States and opening business bases in Eastern Europe and Russia, where high economic growth is expected. In China and the Asia Pacific region, where economic growth continues, Sysmex expanded into the hemostasis and clinical chemistry segments.

2. Enhancement of technological capabilities and rebuilding of the business structure to ensure the continuous development of high-value-added products

At the time Sysmex consolidated the reagent development function of Sysmex International Reagents Co., Ltd. into Sysmex Corporation, the Company implemented a technology strategy and management reform in R&D, establishing the R&D Strategic Planning Department and strengthening collaboration in basic research, instrument development, reagent development, and intellectual property management. As an R&D-oriented comprehensive manufacturer, Sysmex acquired land adjacent to the Techno Center, a key R&D base, with the objective of strengthening the R&D structure. With regard to production, Sysmex engaged in the rebuilding of the global reagent production system to enhance reagent production capacity in line with business expansion. This entailed consolidating the reagent production function of Sysmex Corporation into International Reagents Corporation and the start of a program to strengthen reagent production capacity through means including expansion of reagent facilities in Europe and North America.

3. Realization of growth through entry into the life science field

To enhance patient quality of life and contribute to the lengthening of healthy life expectancy, Sysmex has worked to establish new forms of medical testing with the aim of realizing disease management that makes possible the provision of optimal medical care for individual patients. Sysmex introduced its first clinical instruments and reagents in the life science business in Europe.

Sysmex has engaged in activities based on regional strategies adapted to the characteristics of each geographical region as described below.

The Americas

The U.S. market, the most critical region for achieving the objectives in the mid-term plan, accounts for about 40% of the global diagnostics market. It is divided into the hospital market, centered on Integrated Health Network (IHN), and the commercial laboratory market. In the fiscal year ended March 31, 2006, Sysmex increased sales of hematology analyzers, reagents, and support by changing the reagent distribution channel and enhancing the physical distribution and sales structure, stepping up sales promotion to IHN, Group Purchasing Organization (GPO) and other organizations and by increasing sales to small hospitals and general practitioners. Thanks to the direct sales and support structure established in 2003, Sysmex customers rate the Sysmex brand highly, and excellent communication with customers is being established.

As a result of these developments, net sales in the region increased by ¥2,040 million or 15.0% year on year to ¥15,620 million. With regard to profits, operating income rose by ¥15 million or 7.5% to ¥215 million as the impact of higher revenues compensated for higher selling, general, and administrative expenses.

Sysmex will intensify the effort to expand into the small and medium-size hospital market by increasing the call rate through enhancement of the sales and support structure. Sysmex will reinforce sales promotion directed at commercial laboratories and seek to increase market share in the U.S. To meet increased

demand for reagents due to market expansion, Sysmex will open a new reagent plant, reinforce the reagent supply system, and enhance the sales and support structure.

Europe

In developed countries, cost reductions and greater efficiency are required due to healthcare policies aimed at curbing increases in medical expenses attendant on the aging population. On the other hand, in the emerging areas of Eastern Europe, Russia, and Africa, markets are expanding hand in hand with the establishment and development of their medical care infrastructure. In the fiscal year ended March 31, 2006, Sysmex increased sales of hematology analyzers, reagents, and support services by proposing total solutions in its sales activities. These solutions utilized the Laboratory Information System in developed countries and helped a successful expansion into the small and medium-sized hospital market. In addition, sales of coagulation analyzers, urinalysis analyzers, and reagents developed favorably. At the same time, Sysmex worked to increase sales of compact hematology analyzers in Eastern Europe and Russia by establishing sales and support bases and by working with distributors.

As a result of these developments, net sales in the region increased by ¥4,169 million or 19.7% year on year to ¥25,369 million. With regard to profits, the impact of sharply higher revenues and a reduction in the cost of sales ratio was due to factors including an increase in locally produced reagents. This compensated for an increase in selling, general, and administrative expenses attendant on business expansion, such as the establishment of a subsidiary in Poland. Consequently, operating income increased by ¥719 million or 31.3% to ¥3,014 million.

In the coming years Sysmex will expand its solutions business by helping to solve problems facing customers in smaller markets via distributors. In emerging regions, Sysmex will enhance its sales and support network through such means as the establishment of Sysmex South Africa and promoting increased sales of compact hematology analyzers through distributors.

China

The government is leading a move, fueled by economic growth, to establish and develop the medical care infrastructure, primarily in rural areas. In urban areas, the level of medical care has risen to the point of shifting from infrastructure establishment and development stage to the provision of advanced medical care. In the fiscal year ended March 31, 2006, sales of instruments and reagents alike increased steadily as Sysmex promoted replacement purchases of high-performance instruments in urban areas and engaged in sales activities for compact hematology analyzers in rural areas. Profitability has increased, owing to factors including higher reagent sales attendant on an increase in the number of instruments sold and an increase in the usage of genuine Sysmex reagents due to a trend toward higher functionality. Today Sysmex is highly rated by customers as the regional market share leader in the hematology segment. Sysmex is also engaged in businesses that leverage the Sysmex brand in the hemostasis, urinalysis, and clinical chemistry segments.

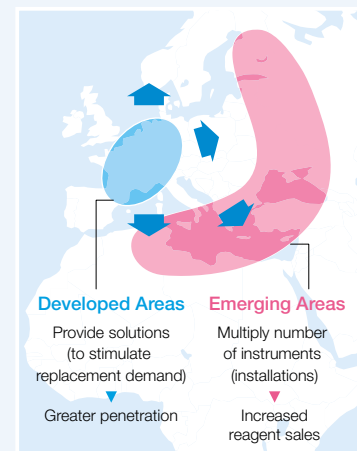
As a result of these developments, net sales in the region increased by ¥1,581 million or 32.8% year on year to ¥6,404 million. With regard to profits, operating income increased by ¥117 million or 23.6% year on year to ¥612 million as the impact of higher revenues coupled with a decrease in the cost of sales ratio owing to a higher contribution to sales from reagents compensated for higher selling, general, and administrative expenses.

Sysmex will expand its business in China by strengthening the product portfolio and enhancing sales and support activities with the aim of being a comprehensive supplier and regional market share leader in the diagnostics field.

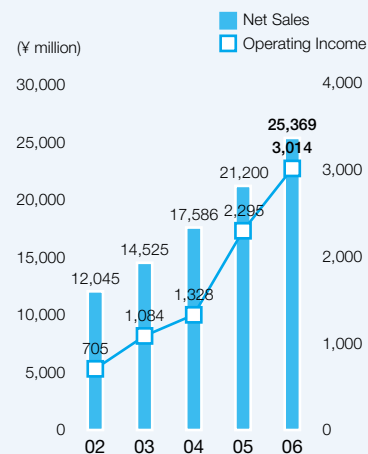
Asia Pacific

The Asia Pacific region can be broadly divided into two markets: a developed region that includes Australia, New Zealand, Singapore, Taiwan, South Korea, and other markets, and an emerging region including India and Indonesia in which market expansion is occurring owing to government-led establishment and development of medical care infrastructure. India, which is attracting worldwide attention as a

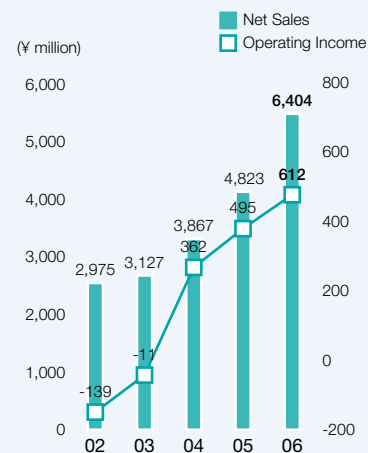
Our Objectives and Future Opportunities: Europe



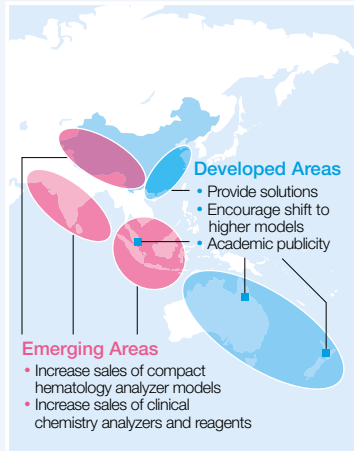
Sales and Operating Income by Geographical Region (Europe)



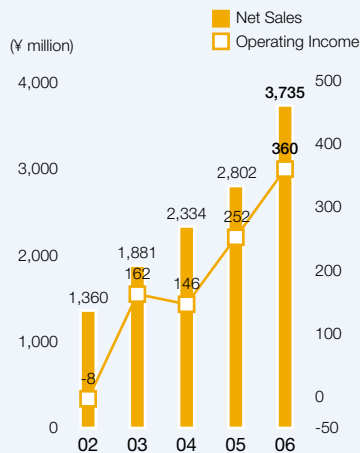
Sales and Operating Income by Geographical Region (China)



Our Objectives and Future Opportunities: China, Asia Pacific

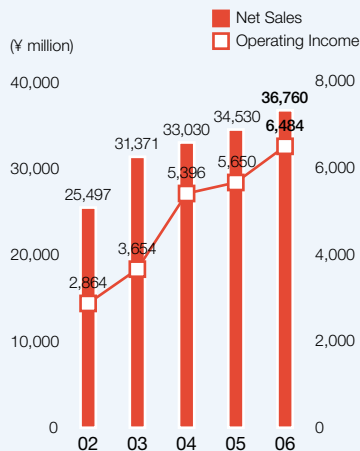


Sales and Operating Income by Geographical Region (Asia Pacific)



Figures do not include net sales and operating income of Korea and Taiwan.

Sales and Operating Income by Geographical Region (Japan)



Figures include net sales from Korea and Taiwan. Figures for operating income include profits from Korea, Taiwan and affiliated companies.

BRICs country, is regarded as an especially promising market that will develop attendant on rapid economic growth.

In the fiscal year ended March 31, 2006, sales of hematology analyzers, coagulation analyzers, and reagents developed favorably in all geographical areas. As a result, net sales in the region increased by ¥933 million or 33.3% year on year to ¥3,735 million. With regard to profits, the impact of higher revenues and improvement in the cost ratio compensated for an increase in selling, general, and administrative expenses. Consequently, operating income increased by ¥108 million or 42.9% year on year to ¥360 million.

In the coming years, Sysmex will engage in a solutions business utilizing the Laboratory Information System in the developed region and work to increase sales of compact hematology analyzers in the emerging Asia Pacific region. Sysmex will develop its business by expanding the product portfolio in new areas such as the clinical chemistry and immunochemistry segments with the aim of being a comprehensive supplier and regional market share leader in the diagnostics field.

Japan

Medical system reform is being implemented to curb rises in medical costs stemming from the rapidly declining birthrate and aging of the population. The streamlining of hospital management and efforts to increase operating efficiency are being implemented in response to the lowering of medical treatment fees. In the fiscal year ended March 31, 2006, Sysmex engaged in sales activities proposing total solutions involving the utilization of clinical testing information systems and ISO certification support to bolster efficiency in hospital operations. Sysmex strove to enhance the product lineup through initiatives such as the alliance with Otsuka Pharmaceutical Co., Ltd. with regard to marketing of the rapid influenza diagnostic kits and with the launch of the new XS Series of compact, highly functional automated hematology analyzers. Sysmex worked to enhance its after-sales support structure by opening the Solutions Center, in which customer support and academic support activities have been consolidated. As a comprehensive supplier, Sysmex engaged in sales activities directed at a broad base of customers to promote sales of a number of products in segments other than hematology.

As a result of these developments, net sales in the region excluding internal sales to overseas affiliates increased by ¥2,230 million or 6.5% year on year to ¥36,760 million. With regard to profits, operating income increased by ¥834 million or 14.8% to ¥6,484 million as the impact of higher revenues including export sales to affiliates compensated for an increase in selling, general, and administrative expenses.

Looking to the future, Sysmex aims to increase sales by engaging in a solutions business, leveraging the market-leading sales and support structure in Japan and enhancing the product portfolio. Sysmex will also work to expand the markets for its products to include the POC and healthcare markets.

As a result of these activities, consolidated net sales for the fiscal year ended March 31, 2006 increased by ¥10,953 million or 14.2% year on year to ¥87,888 million, and net income increased by ¥1,692 million or 29.5% to ¥7,423 million. Efficiency and profitability indicators improved: although the shareholders' equity ratio decreased from 72.3% the previous term to 71.6% due to an increase in total assets, asset turnover increased from 1.03 times the previous term to 1.06 times, ROA increased from 7.7% to 9.0%, and ROE increased from 10.7% to 12.5%.

Net Sales

For the fiscal year ended March 31, 2006, overall sales of hematology analyzers, coagulation analyzers, and reagents developed favorably, and sales of the rapid influenza diagnostic kit and other products in the point-of-care (POC) segment increased. As a result, consolidated net sales increased by ¥10,953 million or 14.2% year on year to ¥87,888 million. As a result of a particularly sharp increase in overseas sales of ¥8,942 or 20.5% to ¥52,469 million, the contribution of overseas sales to total sales was 59.7%, up from 56.6% the previous term.

By overseas geographical region, sales in the Americas were ¥15,620 million (an increase of ¥2,040 million or 15.0% year on year), sales in Europe were ¥25,369 million (an increase of ¥4,169 million or 19.7%), sales in China were ¥6,404 million (an increase of ¥1,581 million or 32.8%), and sales in Asia Pacific were ¥3,735 million (an increase of ¥933 million or 33.3%).

With regard to the impact on sales of exchange rates, the yen depreciated by ¥5.07 against the U.S. dollar from ¥108.24 the previous term to ¥113.31 in the year ended March 2006, resulting in an increase in revenues of ¥691 million. The yen depreciated by ¥3.39 against the euro from ¥134.47 the previous term to ¥137.86, resulting in an increase in revenues of ¥533 million. The total impact of exchange rates for all currencies was an increase in revenues of ¥1,909 million. Foreign exchange sensitivity, the impact on net sales of an exchange rate fluctuation of ¥1, was ¥136 million with respect to the U.S. dollar and ¥157 million with respect to the euro.

Cost of Sales and Selling, General, and Administrative Expenses

The cost of sales increased by ¥3,935 million or 12.0% year on year to ¥36,739 million attendant on the sharp increase in sales. The cost of sales ratio decreased by 0.8 points to 41.8% due to a decrease in production cost and the impact of yen depreciation.

Selling, general, and administrative expenses increased by ¥5,398 million or 15.4% year on year to ¥40,425 million due to factors including reinforcement of the marketing structure attendant on business expansion overseas and an increase in R&D expenses, for which Sysmex, as a comprehensive supplier, has set a benchmark of 10% of sales. The ratio of SG&A expenses to sales rose by 0.5 points from 45.5% the previous term to 46.0%.

Profit and Loss

Operating income increased by ¥1,620 million or 17.8% year on year to ¥10,724 million as the impact of higher revenues compensated for higher SG&A expenses, and the ratio of operating income to sales improved by 0.4 points from 11.8% to 12.2%. Foreign exchange contributed about ¥957 million more profit than in the previous term.

Income before income taxes and minority interests increased by ¥2,664 million or 28.8% year on year to ¥11,902 million as other income improved by ¥1,044 million as a result of factors including a foreign exchange gain of ¥828 million (an increase of ¥387 million year on year).

Net income increased by ¥1,692 million or 29.5% year on year to ¥7,423 million. The change was attributable to the absence of the business restructuring costs for a U.S. subsidiary and the booking of a loss on revaluation of equity securities that occurred the previous term.

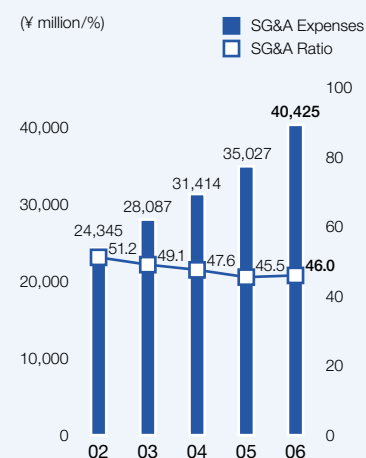
Dividend Policy

The Company regards the distribution of profits to shareholders as one of its most important policy priorities, and the Company's basic policy is to take into consideration the provision of regular, stable dividends while ensuring that the distribution of profit is justified by business performance. A proposal for a regular dividend of ¥14 per share and a commemorative dividend of ¥2 per share to mark the 10th anniversary of the listing of the Company's shares to be paid as a year-end dividend was submitted and approved at the 39th general shareholders' meeting, bringing the annual dividend to a total of ¥36 per share. When the stock split implemented on November 18, 2005 is taken into consideration, this represents an effective dividend increase of ¥6 per share following the stock split. Sysmex plans to continue paying dividends twice yearly on the interim and term-end closing dates even after the Corporation Law goes into effect. Sysmex will continue its efforts to improve business performance and reinforce its business foundations in order to satisfy shareholder expectations.

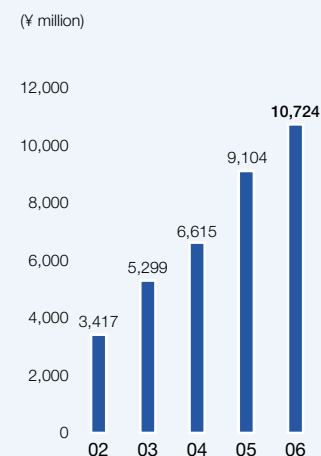
R&D Expenses

Sysmex has set a benchmark of 10% of sales for expenses for the development of new products to enhance the product portfolio in the diagnostics field and for R&D in the life science field, from which future growth is expected. As a result of active R&D, total R&D expenses increased by ¥1,674 million year on year to ¥8,184 million, and the ratio of R&D expenses to sales increased to 9.3% from 8.5% the previous term.

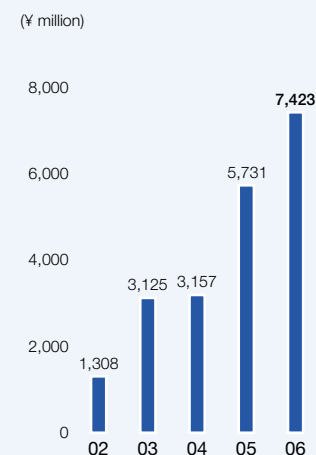
SG&A Expenses and SG&A Ratio



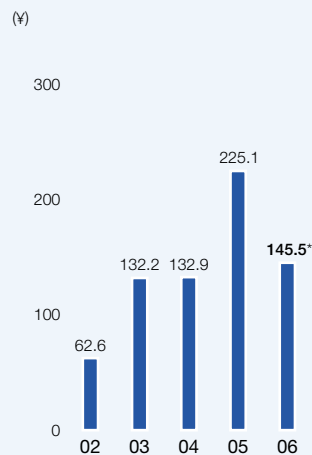
Operating Income



Net Income

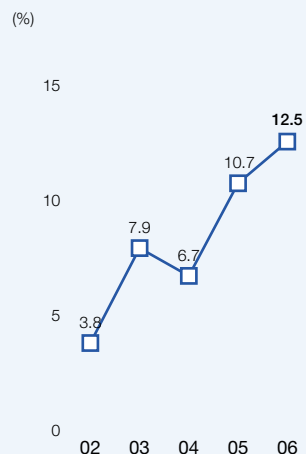


Net Income per Share

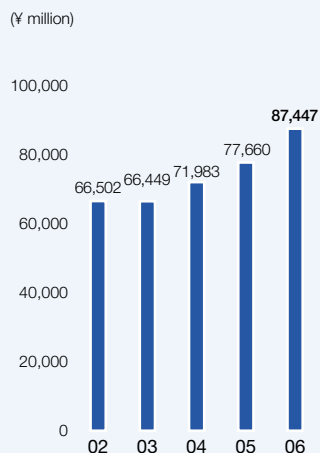


*Two-for-one stock split in Nov. 2005

ROE



Total Assets



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. The consolidated subsidiaries obtain bank loans as necessary to secure working capital. In October 2003 the Company introduced the Cash Management System(CMS) to increase efficiency by unifying financing and capital management at affiliates in Japan.

For long-term capital requirements such as investment in property, plant and equipment, the Company decides the funding method after taking into account the investment recovery period and risk. In the fiscal year ended March 31, 2006, the Company financed capital expenditures and R&D activities primarily from cash provided by operating activities.

Assets, Liabilities, and Shareholders' Equity

Total assets increased by ¥9,787 million or 12.6% from the previous term to ¥87,447 million. Principal reasons for the increase included higher current assets (an increase of ¥4,791 million year on year) owing to increases in trade receivables and inventories attendant on higher sales and higher property, plant, and equipment (an increase of ¥3,482 million year on year) due to increases in land and construction in progress. Liabilities increased by ¥3,230 million from the previous term to ¥23,939 million, primarily due to increases of ¥726 million in income taxes payable and of ¥629 million in trade notes and accounts payable.

Shareholders' equity at the period end increased by ¥6,498 million or 11.6% to ¥62,647 million, mainly due to a sharp increase in retained earnings. However, due to the substantial increase in total assets, the ratio of shareholders' equity to total assets decreased from 72.3% the previous term to 71.6%. As the Company implemented a two-for-one stock split of its ordinary shares on November 18, 2005, shareholders' equity per share was ¥1,251.81 at the term end.

Capital Expenditures and Depreciation

Capital expenditures increased by ¥2,909 million or 106.6% from the previous term to ¥5,638 million. The principal reasons for the increases were the purchase of land adjacent to one of the Company's R&D bases and plant expansion at overseas affiliates. Depreciation increased by ¥295 million or 9.0% to ¥3,592 million.

Cash Flows

During the fiscal year ended March 31, 2006, although cash flow from operating activities rose substantially from the previous term, cash flows from investing activities fell sharply. As a result, cash and cash equivalents (hereinafter "cash") at the term end decreased by ¥1,042 million to ¥9,416 million, following a decrease of ¥3,261 million the previous term.

In this way, as a growth company Sysmex is cycling cash generated from operating activities to investments aimed at further growth. Details of cash flows follow. Diminution in cash and cash equivalents not included in cash flows as a result of a change in the fiscal terms of certain consolidated subsidiaries is ¥543 million.

Cash Flow from Operating Activities

Cash provided by operating activities was ¥8,275 million (an increase of ¥1,583 million year on year). The principal reasons for the change were sharply higher income before income taxes and minority interests of ¥11,902 million (an increase of ¥2,664 million), which compensated for an increase of ¥2,384 million in notes and accounts receivable (following an increase of ¥4,120 million the previous term), and a decrease of ¥753 million in notes and accounts payable (an increase of ¥1,369 million the previous term).

Cash Flow from Investing Activities

Cash used in investing activities was ¥7,859 million (an increase of ¥2,228 million year on year). The change was mainly due to a sharp increase in payments for purchases of property, plant, and equipment,

including the purchase of land adjacent to the Techno Center, a key R&D base, to ¥5,796 million (an increase of ¥3,412 million year on year). Payments for investment in real estate decreased to ¥59 million (a decrease of ¥1,605 million year on year) following acquisition the previous term of investment real estate for the Solutions Center.

Cash Flow from Financing Activities

Cash used in financing activities was ¥1,191 million (a decrease of ¥3,186 million year on year). The change was mainly due to net decrease in short-term bank loans of ¥39 million (a decrease of ¥1,907 million year on year) and ¥19 million in payments for repayment of long-term debt (a decrease of ¥1,573 million year on year).

Operating Risk and Other Risks

Listed below are the main risk factors associated with Sysmex's business that might have a significant effect on operating results or financial position.

Overseas Sales

Sysmex engages primarily in the development, manufacture, and sale of diagnostic instruments and reagents. Sysmex sells to overseas customers through its overseas affiliates and distributors, and the contribution of overseas sales to total sales has increased each year from 51.8% in the fiscal year ended March 2004, to 56.6% in the year ended March 2005, to 59.7% in the year ended March 2006. For this reason, Sysmex has hedges against the risk of currency fluctuations through exchange contracts and other means. Nevertheless, Sysmex's operating results and financial position are affected by foreign exchange fluctuations.

The Impact of Healthcare System Reform

In Japan, against a backdrop of a sharp decline in the birthrate and rapid aging of the population, advances in medical technology, increased patient desire for quality in medical care, and other changes in the healthcare environment, healthcare system reform continues to be implemented for the purpose of optimizing healthcare costs and efficiently providing high-quality healthcare services. It is possible that Sysmex's operating results or financial position will be affected by healthcare system reform.

In an environment where healthcare cost optimization measures will continue and greater efficiency in hospital management, more advanced medical care, and a response to new clinical testing procedures are required, Sysmex will boost investment in the life science field, including testing for definitive diagnosis of cancer, and strive to meticulously respond to diversifying needs by providing total solutions that combine diagnostic instruments and reagents, information technology, and after-sales support.

Raw Material Procurement

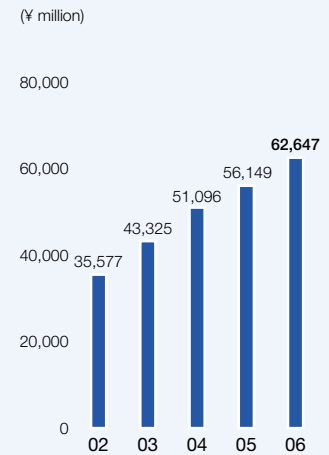
Sysmex manufactures and sells diagnostic instruments, reagents, and other products, procuring the raw materials used in these products from about 300 Japanese companies and about 50 overseas companies. The procurement of important parts and materials may at times become difficult due to matters such as revisions to the laws and regulations of supplier countries, supplier realignment, or quality problems.

Sysmex is constructing a group-wide shared framework for the unified management of information on suppliers and on industry, legal, and regulatory trends necessary to ensure stable procurement. By means of the electronic procurement system (Sysmex Trade Mission or STM) implemented in 2004 as the initial phase in a series of initiatives, Sysmex is constructing a system for responding to unexpected situations by sharing information with suppliers.

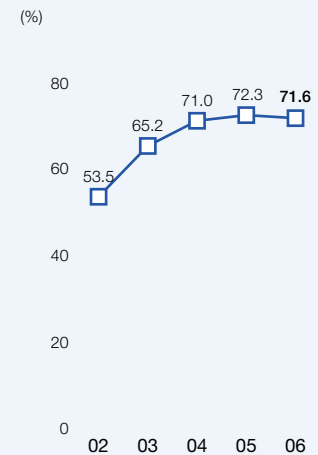
Measures to Counter Risks Associated with Information Systems Use

Sysmex conveys information and handles approval requests and other decision procedures using a computer network, and group-wide utilization of information technology in areas including R&D, purchasing,

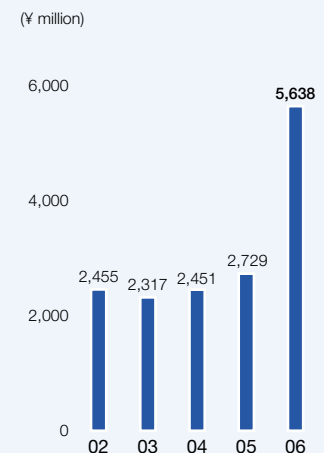
Shareholders' Equity



Shareholders' Equity Ratio



Capital Expenditure



production, sales, planning, and management is advancing. For this reason, any extended computer network failure might seriously affect business operations. For important networks, Sysmex has secured alternate routes through redundancy and other means.

To enhance security, the Company has implemented a double security scheme comprising the installation of anti-virus software in every personal computer and by the use of firewalls at Internet connections to protect personal computers from viruses.

To guard against information leakage from mobile personal computers, a problem that has recently become increasingly prevalent, the Company has made the use of fingerprint authentication devices mandatory for portable computers likely to be taken out of offices to prevent unauthorized access by persons other than the owner.

To guard against unexpected situations the Company has implemented a daily backup procedure that makes it possible to restore important systems that support mission-critical tasks to the state at the close of business the previous day. By separating the server room and the backup data storage location, the Company ensures the safety of backup data even in the event of a server room accident.

To prevent service interruptions and maintain the provision of service to global customers, the Company has installed the servers used for the Sysmex website and e-mail servers, which are critical points of contact between Sysmex and the world, and the servers used for the Sysmex Network Communication System (SNCS), which is a high-value-added customer service, in off-premise service centers where professional engineers monitor system operations 24 hours a day, 365 days a year.

Investor Relations Policy

1. Basic Approach and Goals

Sysmex's basic approach with respect to investor relations is to ensure accountability to shareholders and other investors and to disclose information on business performance, financial position, future vision, and management strategies in a fair, prompt, accurate and easy-to-understand manner in order to obtain correct understanding of and trust in the Company's management and business activities.

2. Information Disclosure Standards

Sysmex discloses information in accordance with applicable laws and ordinances concerning securities trading and the "Rules on Timely Disclosure of Corporate Information" and similar information by the "Issuer of Listed Security and the Like" (the "Timely Disclosure Rules") stipulated by the stock exchange. Sysmex also seeks to disclose fairly and promptly corporate information not required by the Timely Disclosure Rules in order to assist shareholders and other investors in better understanding the Company.

3. Information Disclosure Methods

Sysmex releases corporate information required under the Timely Disclosure Rules via TD-NET, provided by the Tokyo Stock Exchange, and ED-NET, provided by the Osaka Securities Exchange. The Company posts information disclosed through TD-NET and ED-NET on its website as swiftly as possible. The Company also provides corporate information not subject to the Timely Disclosure Rules on its website.

4. Quiet Period

Sysmex observes a quiet period from the day following the closing date of each quarter until the release of earnings statements. During this period, the Company refrains from replying to questions about or commenting on financial projections. However, in the event a projection that varies significantly from the forecast of business results emerges during the quiet period, the Company will disclose such information as it deems appropriate.

Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sysmex Corporation:

We have audited the accompanying consolidated balance sheets of Sysmex Corporation and subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2, effective April 1, 2005, the consolidated financial statements have been prepared in accordance with the new accounting standard for the impairment of fixed assets.

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

Deloitte Touche Tohmatsu

June 23, 2006

Member of
Deloitte Touche Tohmatsu

Consolidated Financial Statements

Consolidated Balance Sheets

Sysmex Corporation and Subsidiaries

March 31, 2006 and 2005	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 9,416	¥ 10,458	\$ 80,479
Short-term investments (Notes 3 and 11)	97	86	829
Receivable:			
Trade notes	3,292	3,180	28,137
Trade accounts	22,650	20,151	193,590
Associated company	205	95	1,752
Others	334	121	2,855
Allowance for doubtful accounts	(419)	(317)	(3,581)
Inventories (Note 4)	15,291	13,497	130,692
Deferred tax assets (Note 8)	2,541	2,005	21,718
Prepaid expenses and other current assets	1,445	785	12,350
Total current assets	54,852	50,061	468,821
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 5)	7,738	6,005	66,137
Buildings and structures (Note 5)	15,872	14,766	135,658
Machinery and equipment	5,781	5,260	49,410
Furniture and fixtures	14,052	13,377	120,103
Construction in progress	1,019	245	8,709
Total	44,462	39,653	380,017
Accumulated depreciation	(23,017)	(21,690)	(196,726)
Net property, plant and equipment	21,445	17,963	183,291
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	3,946	2,471	33,726
Investment in associated company	43	23	368
Goodwill	217	301	1,855
Software	2,921	2,457	24,966
Deposits	965	970	8,248
Investment in real estate	2,174	2,288	18,581
Deferred tax assets (Note 8)	178	453	1,521
Other assets	706	673	6,033
Total investments and other assets	11,150	9,636	95,298
TOTAL	¥ 87,447	¥ 77,660	\$ 747,410

See notes to consolidated financial statements.

March 31, 2006 and 2005	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 128	¥ 55	\$ 1,094
Current portion of long-term debt (Note 5)	18	19	154
Payable:			
Trade notes	1,264	1,061	10,803
Trade accounts	7,605	7,179	65,000
Construction and other	2,525	2,176	21,581
Income taxes payable	2,665	1,939	22,778
Accrued expenses	4,279	3,816	36,573
Deferred tax liabilities (Note 8)	3	—	26
Other current liabilities	2,480	1,917	21,196
Total current liabilities	20,967	18,162	179,205
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	4	22	34
Liability for retirement benefits (Note 6)	446	622	3,812
Guarantee deposits received	1,045	1,062	8,932
Deferred tax liabilities (Note 8)	1,068	767	9,128
Other long-term liabilities	409	74	3,496
Total long-term liabilities	2,972	2,547	25,402
MINORITY INTERESTS	861	802	7,359
CONTINGENT LIABILITIES (Note 11)			
SHAREHOLDERS' EQUITY (Notes 7 and 13):			
Common stock, 149,672,000 shares authorized, 50,005,596 shares issued in 2006 and 25,002,798 shares issued in 2005	7,955	7,955	67,991
Capital surplus	11,185	11,182	95,598
Retained earnings	41,550	36,051	355,128
Unrealized gain on available-for-sale securities	1,235	656	10,556
Foreign currency translation adjustments	873	423	7,462
Total	62,798	56,267	536,735
Treasury stock - at cost: 88,560 shares in 2006 and 40,218 shares in 2005	(151)	(118)	(1,291)
Total shareholders' equity	62,647	56,149	535,444
TOTAL	¥ 87,447	¥ 77,660	\$ 747,410

See notes to consolidated financial statements.

Consolidated Statements of Income

Sysmex Corporation and Subsidiaries

Years Ended March 31, 2006 and 2005	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	2006
NET SALES	¥ 87,888	¥ 76,935	\$ 751,179
COST OF SALES	36,739	32,804	314,008
GROSS PROFIT	51,149	44,131	437,171
SELLING, GENERAL AND ADMINISTRATIVE	40,425	35,027	345,513
OPERATING INCOME	10,724	9,104	91,658
OTHER INCOME (EXPENSES):			
Interest and dividend income	102	89	872
Interest expense	(22)	(44)	(188)
Foreign exchange gain	828	441	7,077
Other — net	270	(352)	2,307
Other income (expenses) — net	1,178	134	10,068
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	11,902	9,238	101,726
INCOME TAXES (Note 8):			
Current	5,010	3,614	42,820
Deferred	(562)	(108)	(4,803)
Total income taxes	4,448	3,506	38,017
MINORITY INTERESTS IN NET INCOME	(31)	(1)	(265)
NET INCOME	¥ 7,423	¥ 5,731	\$ 63,444

Years Ended March 31, 2006 and 2005	Yen		U.S. Dollars
	2006	2005	2006
AMOUNTS PER COMMON SHARE (Note 12):			
Net income	¥ 145.48	¥ 112.53	\$ 1.24
Diluted net income	143.77	111.98	1.23
Cash dividends applicable to the year	36.00	40.00	0.31

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Sysmex Corporation and Subsidiaries

Years Ended March 31, 2006 and 2005	Millions of Yen							
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Shareholders' Equity
BALANCE, APRIL 1, 2004	24,966,378	¥7,943	¥11,171	¥31,245	¥456	¥358	¥(77)	¥51,096
Net income				5,731				5,731
Cash dividends, ¥33.00 per share				(824)				(824)
Bonuses to directors and corporate auditors				(101)				(101)
Repurchase of treasury stock	(10,460)						(41)	(41)
Disposal of treasury stock	162		0				0	0
Exercise of warrants	6,500	12	11					23
Net increase in unrealized gain on available-for-sale securities					200			200
Net change in foreign currency translation adjustments						65		65
BALANCE, MARCH 31, 2005	24,962,580	7,955	11,182	36,051	656	423	(118)	56,149
Net income				7,423				7,423
Cash dividends, ¥45.00 per share				(1,123)				(1,123)
Bonuses to directors and corporate auditors				(113)				(113)
Repurchase of treasury stock	(5,498)						(34)	(34)
Disposal of treasury stock	854		3				1	4
Stock splits, net of treasury stock	24,959,100							
Decrease in retained earnings due to fiscal year-end change for subsidiaries (Note 2.a.)				(688)				(688)
Net increase in unrealized gain on available-for-sale securities					579			579
Net change in foreign currency translation adjustments						450		450
BALANCE, MARCH 31, 2006	49,917,036	¥7,955	¥11,185	¥41,550	¥1,235	¥873	¥(151)	¥62,647

Years Ended March 31, 2006 and 2005	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Shareholders' Equity	
BALANCE, MARCH 31, 2005	\$67,991	\$95,573	\$308,128	\$5,607	\$3,615	\$(1,009)	\$479,905	
Net income			63,444				63,444	
Cash dividends, \$0.38 per share			(9,598)				(9,598)	
Bonuses to directors and corporate auditors			(966)				(966)	
Repurchase of treasury stock						(291)	(291)	
Disposal of treasury stock		25				9	34	
Decrease in retained earnings due to fiscal year-end change for subsidiaries (Note 2.a.)			(5,880)				(5,880)	
Net increase in unrealized gain on available-for-sale securities				4,949			4,949	
Net change in foreign currency translation adjustments					3,847		3,847	
BALANCE, MARCH 31, 2006	\$67,991	\$95,598	\$355,128	\$10,556	\$7,462	\$(1,291)	\$535,444	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sysmex Corporation and Subsidiaries

Years Ended March 31, 2006 and 2005	Millions of Yen		Thousands of
	2006	2005	U.S. Dollars (Note 1)
			2006
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 11,902	¥ 9,238	\$ 101,726
Adjustments for:			
Income taxes - paid	(4,192)	(3,859)	(35,829)
Depreciation and amortization	3,626	3,304	30,991
Loss on disposals of property, plant and equipment	132	94	1,128
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(2,384)	(4,120)	(20,376)
Increase in inventories	(685)	(745)	(5,855)
Increase (decrease) in notes and accounts payable	(753)	1,369	(6,436)
Decrease in liability for retirement benefits, net of provision	(176)	(9)	(1,504)
Other - net	805	1,420	6,881
Net cash provided by operating activities	8,275	6,692	70,726
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(5,796)	(2,384)	(49,538)
Purchases of software and other assets	(1,421)	(1,763)	(12,145)
Purchases of investment securities	(495)	(12)	(4,231)
Payments for investment in real estates	(59)	(1,664)	(504)
Other - net	(88)	192	(753)
Net cash used in investing activities	(7,859)	(5,631)	(67,171)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans - net	(39)	(1,946)	(333)
Repayments of long-term debt	(19)	(1,592)	(162)
Cash dividends paid	(1,123)	(824)	(9,598)
Other - net	(10)	(15)	(86)
Net cash used in financing activities	(1,191)	(4,377)	(10,179)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS CASH AND CASH EQUIVALENTS	276	55	2,359
NET DECREASE IN CASH AND CASH EQUIVALENTS	(499)	(3,261)	(4,265)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,458	13,719	89,385
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO FISCAL YEAR-END CHANGE FOR SUBSIDIARIES	(543)	—	(4,641)
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 9,416	¥ 10,458	\$ 80,479
ADDITIONAL CASH FLOW INFORMATION:			
Interest paid	¥ 17	¥ 21	\$ 145
Assets acquired and liabilities assumed in merger acquisitions:			
Assets acquired	—	1,746	—
Liabilities assumed	—	(144)	—

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sysmex Corporation and Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, 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 2005 financial statements to conform to the classifications used in 2006.

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 ¥117 to \$1, the approximate rate of exchange at March 31, 2006. 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 consolidated financial statements as of March 31, 2006 include the accounts of the Company and 30 (30 in 2005) subsidiaries (together, the "Group").

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

Investment in an associated company is accounted for by the equity method.

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 are carried at cost less accumulated amortization, which is calculated by the straight-line method over 5 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 eliminated.

The majority of December year-end overseas subsidiaries including Sysmex America, Inc. has changed its year-end from December 31 to March 31 or performed a hard close as of March 31, which was effective in the year ended March 31, 2006.

Prior to April 1, 2005, the Company had consolidated the overseas subsidiaries using their December 31 financial statements as allowed by the accounting standards generally accepted in Japan. Instead of consolidating 15 months of operating results in the year ended March 31, 2006 for such subsidiaries, the Company accounted for the financial results of the three month period from January 1 to March 31, 2005 as an adjustment to the beginning retained earnings as of April 1, 2005, which amounted to ¥688 million (\$5,880 thousand).

b. 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 mutual funds investing in bonds, all of which mature or become due within three months of the date of acquisition.

c. Marketable and Investment Securities Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) 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, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and iii) available-for-sale securities, which are not classified as either of the aforemen-

tioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable 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.

d. 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.

e. Inventories Inventories are stated at cost determined by the average cost method for the Company and its domestic subsidiaries, and at the lower of cost, determined by the first-in, first-out method, or market for foreign subsidiaries.

f. Property, Plant and Equipment Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method except that buildings are depreciated by the straight-line method, at rates based on the estimated useful lives of the assets, while the straight-line method is principally applied to the property, plant and equipment of foreign subsidiaries.

The range of useful lives is principally from 31 to 50 years for buildings and structures, and from 7 to 12 years for machinery and equipment.

g. Long-lived Assets In August 2002, the Business Accounting Council (BAC) issued a Statement of Opinion, Accounting for Impairment of Fixed Assets, and in October 2003 the Accounting Standards Board of Japan (ASBJ) issued ASBJ Guidance No. 6, Guidance for Accounting Standard for Impairment of Fixed Assets. These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

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 would be 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.

The effect of adoption of the new accounting standard for impairment of fixed assets had no impact on income before income taxes and minority interests for the year ended March 31, 2006.

h. Software Software to 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 of the software during the current year to the estimated total sales over the estimated salable years or the amount to be amortized using a 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.

i. Investment in Real Estate Investment in real estate mainly consists of a beneficial interest in a trust. Depreciation of investment in real estate is computed according to property, plant and equipment. Accumulated depreciation of the investment in real estate is ¥108 million (\$923 thousand) for the year ended March 31, 2006.

j. Liability for Retirement Benefits The Company has a non-contributory funded pension plan covering substantially all of its employees.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

Unfunded retirement benefits for the Company and certain subsidiaries' directors

and corporate auditors 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 in June 24, 2005. No additional provisions have been recorded for retirement benefits to be paid to the Company's directors and corporate auditors since then. The liability for director and corporate auditor retirement benefits is the amount provided in proportion to the term that present directors and corporate auditors had been in place before June 24, 2005.

k. 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 statements of income to the extent that they are not hedged by forward exchange contracts.

l. 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 shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

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

m. Leases All leases of the Company and certain subsidiaries are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

Finance leases of certain overseas subsidiaries are accounted for as capital leases.

n. Research and Development Research and development costs are charged to income as incurred. Such costs were ¥8,184 million (\$69,949 thousand) and ¥6,509 million for the years ended March 31, 2006 and 2005, respectively.

o. Income Taxes The provision for income taxes is computed based on the pretax income included in the consolidated statements 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 tax laws to the temporary differences.

Certain overseas subsidiaries provide for deferred income taxes relating to temporary differences in accordance with accounting principles generally accepted in each country.

p. Appropriations of Retained Earnings Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

q. Derivatives and Hedging Activities The Group uses foreign exchange forward contracts and interest rate swaps to manage their exposure to fluctuations in foreign exchange and interest rates. The Group does not enter into derivatives for trading or speculative 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 has been made in accordance with internal policies, which regulate the authorization of such transactions.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) 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 statements of income and b) for derivatives used for hedging purposes, if 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.

The interest rate swaps that 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 are recognized and included in interest expense or income.

(Accounting Change)

Prior to April 1, 2005, in cases where the foreign currency forward contracts qualify for hedge accounting, trade receivables covered by these contracts are translated using the contracted rates. Effective April 1, 2005, trade receivables denominated in foreign currencies are translated using the current rates at the balance sheet date. The foreign currency forward contracts employed to hedge foreign exchange exposures are measured at fair value at balance sheet date and the resulting gains (losses) are currently recognized. This change was made to properly reflect the conditions of the derivative transactions. The effect of this change was immaterial.

r. 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 statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. New Accounting Pronouncements

Business Combination and Business Separation In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, Accounting for Business Combinations, and on December 27, 2005 the Accounting Standards Board of Japan (ASBJ) issued Accounting Standard for Business Separations and ASBJ Guidance No. 10, Guidance for Accounting Standard for Business Combinations and Business Separations. These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows 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. These specific criteria are as follows:

- (a) the consideration for the business combination consists solely of common shares with voting rights,
- (b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and
- (c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

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. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock Options On December 27, 2005, the ASBJ issued Accounting Standard for Stock Options and related guidance. The new standard and guidance are applicable to stock options newly 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 non-employees 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 shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to Directors and Corporate Auditors Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, Accounting treatment for bonuses to directors and corporate auditors, which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. SHORT-TERM INVESTMENTS AND INVESTMENTS SECURITIES

Short-term investments and investment securities as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Current:			
Time deposits other than cash equivalents	¥69	¥33	\$590
Investment trust	28	53	239
Total	¥97	¥86	\$829
Non-current:			
Marketable equity securities	¥2,979	¥2,108	\$25,461
Investment trust and other	307	198	2,624
Unquoted equity securities	660	165	5,641
Total	¥3,946	¥2,471	\$33,726

The carrying amounts and aggregate fair values of investment securities at March 31, 2006 and 2005 were as follows:

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,012	¥1,978	¥(11)	¥2,979
Investment trust and other	183	124	—	307
Total	¥1,195	¥2,102	¥(11)	¥3,286
	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥1,012	¥1,107	¥(11)	¥2,108
Investment trust and other	177	21	—	198
Total	¥1,189	¥1,128	¥(11)	¥2,306

	Thousands of U.S. Dollars			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	\$ 8,649	\$16,906	\$ (94)	\$25,461
Investment trust and other	1,564	1,060	—	2,624
Total	\$10,213	\$17,966	\$ (94)	\$28,085

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen	Thousands of U.S. Dollars	
	2006	2005	2006
Available-for-sale - Equity securities	¥660	¥ 165	\$5,641
Held-to-maturity - Commercial paper	—	2,000	—
Total	¥660	¥ 2,165	\$5,641

Commercial paper was classified as cash equivalents.

Proceeds from sales of investment securities for the years ended March 31, 2006 and 2005 were immaterial and ¥36 million, respectively. Gross realized gains, computed on the moving average cost basis, for both of the years ended March 31, 2006 and 2005 were immaterial.

4. INVENTORIES

Inventories at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Finished products	¥ 5,377	¥ 4,384	\$ 45,957
Merchandise	5,233	4,552	44,727
Work in process	1,415	1,355	12,094
Raw materials	2,977	2,996	25,444
Supplies	289	210	2,470
Total	¥15,291	¥13,497	\$130,692

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

Short-term bank loans were principally represented by bank overdrafts. Weighted average per annum interest rates of short-term bank loans at March 31, 2006 and 2005 were 0.5% and 5.0%, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Loans from banks, due through 2009, with interest ranging from 2.0% to 5.0% for 2006 (from 2.0% to 5.0% for 2005):			
Collateralized	¥ 19	¥ 37	\$ 162
Unsecured	3	4	26
Total	22	41	188
Less current portion	(18)	(19)	(154)
Long-term debt, less current portion	¥ 4	¥ 22	\$ 34

At March 31, 2006, annual maturities of long-term debt were as follows:

Year Ending March 31	Thousands of U.S. Dollars	
	Millions of Yen	
2007	¥18	\$154
2008	4	34
Total	¥22	\$188

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2006, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 97	\$ 829
Buildings and structures	173	1,479
Total	¥270	\$2,308

6. RETIREMENT BENEFITS

The Company and its certain 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, as opposed to by retirement at the mandatory retirement age or by death.

Certain subsidiaries have unfunded lump-sum payment plans and certain overseas subsidiaries have defined contribution pension plans.

The liability for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥ 7,332	¥ 7,090	\$ 62,667
Fair value of plan assets	(7,799)	(6,031)	(66,658)
Unrecognized actuarial gain (loss)	629	(736)	5,376
Net liability	¥ 162	¥ 323	\$ 1,385

The components of net periodic retirement benefit costs for the years ended March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥ 920	¥ 805	\$7,863
Interest cost	137	150	1,171
Expected return on plan assets	(178)	(154)	(1,521)
Recognized actuarial loss	288	200	2,461
Amortization of transitional obligation	—	111	—
Net periodic retirement benefit costs	¥1,167	¥1,112	\$9,974

Assumptions used for the years ended March 31, 2006 and 2005 are set forth as follows:

	2006	2005
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.0%	3.0%
Recognition period of actuarial gain/loss	5years	5years
Amortization period of transitional obligation	—	5years

In addition, the Company and certain subsidiaries participate in contributory multi-employer pension plans covering substantially all of their employees. The pension fund and assets available for benefits under these plans were approximately ¥6,914 million (\$59,094 thousand) at March 31, 2006.

The Company also has recorded a liability for an unfunded retirement benefit plan covering all of its directors and corporate auditors in the amount of ¥284 million (\$2,427 thousands), and ¥299 million as of March 31, 2006 and 2005, respectively. Payment of retirement benefits to directors and corporate auditors is subject to approval at the shareholders' meeting.

7. SHAREHOLDERS' EQUITY

Through May 1, 2006, Japanese companies are subject to the Commercial Code of Japan (the "Code").

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as

common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount of 10% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 25% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code was ¥40,161 million (\$343,256 thousand) as of March 31, 2006, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, 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 the Board of Corporate Auditors, 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) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash 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. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also 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 Corporate Law 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 total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law 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 Corporate Law 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 Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity. The Corporate Law 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 shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the Accounting Standards Board of Japan (ASBJ) published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

On June 25, 2004, the Company's shareholders approved a stock option plan for the Company's directors and key employees to purchase up to 550 thousand shares of the Company's common stock in the period from July 1, 2006 to June 30, 2010. On July 1, 2004 the options were granted at an exercise price of ¥1,685 per share. Options are exercisable with respect to all shares on or after July 1, 2006. The Company plans to issue new shares upon exercise of the options. All options expire and are void unless exercised on or before June 30, 2010.

On November 18, 2005, the Company made a stock split by way of a free share distribution at the rate of 2 shares for each outstanding share. As a result, 25,002,798 shares of common stock and 43,698 shares of treasury stock were issued to shareholders of record on September 30, 2005.

8. 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 40.6 % for the years ended March 31, 2006 and 2005. 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 result in deferred tax assets and liabilities at March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of
	2006	2005	U.S. Dollars
Deferred tax assets (Current):			2006
Unrealized intercompany profits	¥1,303	¥ 939	\$11,137
Inventory	194	98	1,658
Accrued bonuses	684	598	5,846
Accrued enterprise tax	205	167	1,752
Tax loss carryforwards	94	68	803
Other	632	406	5,402
Less valuation allowance	(560)	(271)	(4,786)
Total	¥2,552	¥2,005	\$21,812

Deferred tax assets (Non-current):			
Depreciation	¥ 145	¥ 171	\$ 1,239
Liability for retirement benefits	161	156	1,376
Tax loss carryforwards	863	844	7,376
Software	445	287	3,803
Investment securities	371	369	3,171
Other	111	122	949
Less valuation allowance	(880)	(578)	(7,521)
Total	¥1,216	¥1,371	\$10,393

Deferred tax liabilities (Current)	¥14	—	\$ 120
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Deferred tax liabilities (Non-current):			
Net unrealized gain on			
available-for-sale securities	¥ 850	¥ 454	\$ 7,265
Revaluation of land for consolidation	457	459	3,906
Investment loss for subsidiaries capital			
reduction by corporation tax law	384	498	3,282
Other	415	274	3,547
Total	¥2,106	¥1,685	\$18,000
Net deferred tax assets	¥1,648	¥1,691	\$14,085

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2006 is as follows:

	2006	2005
Normal effective statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	1.6	1.5
Per capita levy	0.6	0.6
Research and development tax credit	(4.3)	(4.5)
Tax loss of subsidiaries	(0.3)	(0.4)
Other — net	(0.8)	0.1
Actual effective tax rate	37.4%	37.9%

Certain subsidiaries have tax loss carryforwards available to offset future taxable income as of March 31, 2006 of approximately ¥2,391 million (\$20,436 thousand). These tax loss carryforwards, if not utilized, will expire mainly in years 2020 through 2025.

9. LEASES

(Lessee)

Total lease payments under finance leases that do not transfer ownership of the leased property to the lessee were ¥1,417 million (\$12,111 thousand) and ¥1,664 million for the years ended March 31, 2006 and 2005, respectively.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005, was as follows:

	Machinery and Equipment		
	Millions of Yen		Thousands of
	2006	2005	2006
Acquisition cost	¥5,856	¥6,855	\$50,051
Accumulated depreciation	2,943	3,562	25,154
Net leased property	¥2,913	¥3,293	\$24,897

Obligations under finance leases (including imputed interest expense):

	Machinery and Equipment		
	Millions of Yen		Thousands of
	2006	2005	2006
Due within one year	¥1,203	¥1,370	\$10,282
Due after one year	1,721	1,936	14,709
Total	¥2,924	¥3,306	\$24,991

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Depreciation expense	¥1,406	¥1,638	\$12,017
Interest expense	10	18	85

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2006 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥1,213	\$10,368
Due after one year	4,780	40,854
Total	¥5,993	\$51,222

(Lessor)

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

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 359	\$ 3,069
Due after one year	1,527	13,051
Total	¥1,886	\$16,120

10. DERIVATIVES

The Group enters into foreign currency forward 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.

The Contract or Notional Amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The fair value of the Group's derivative financial instruments at March 31, 2006 is as follows:

	Millions of Yen		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:			
Selling:			
US dollars	¥1,062	¥1,052	¥ 10
Euro	2,537	2,561	(24)
Total	¥3,599	¥3,613	¥(14)

	Thousands of U.S. Dollars		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:			
Selling:			
US dollars	\$ 9,077	\$ 8,991	\$ 86
Euro	21,684	21,889	(205)
Total	\$30,761	\$30,880	\$ 119

Notes: Amounts for forward exchange contracts in the column entitled Fair Value represent the notional amount of the contracts at March 31 forward currency rates.

Foreign currency forward contracts which qualify for hedge accounting for the years ended March 31, 2005 and such amounts which are assigned to the associate assets and liabilities and are recorded on the balance sheets at March 31, 2005 are excluded from disclosure of market value information.

11. CONTINGENT LIABILITIES

At March 31, 2006, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for bank loans of employees and former employees	¥3	\$26

The carrying amounts of assets pledged as collateral for the above contingent liabilities at March 31, 2006, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥30	\$256

12. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2006 and 2005 is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2006:				
Basic EPS				
Net income available to common shareholders	¥7,263	49,921,043	¥145.48	\$1.24
Effect of Dilutive Securities				
Stock option	(0)	593,500	—	—
Diluted EPS				
Net income for computation	¥7,262	50,514,543	¥143.77	\$1.23
For the year ended March 31, 2005:				
Basic EPS				
Net income available to common shareholders	¥5,619	49,934,650	¥ 112.53	\$ —
Effect of Dilutive Securities				
Stock option	—	244,754	—	—
Diluted EPS				
Net income for computation	¥5,619	50,179,404	¥ 111.98	\$ —

13. SUBSEQUENT EVENTS

The following appropriations of retained earnings at March 31, 2006 were approved at the shareholders' General Meeting of the Company held on June 23, 2006:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥16 (\$0.14) per share	¥799	\$6,829
Bonuses to directors	155	1,325

14. SEGMENT INFORMATION

a. Industry Segments

The Group's main operations are to manufacture and sell laboratory testing instruments and reagents used by clinical laboratories around the world. Under Japanese accounting regulations, the Group is not required to disclose industry segment information because its main industry segment represented more than 90% of its operations.

b. Geographical Segments

The geographical segments of the Group for the years ended March 31, 2006 and 2005 are summarized as follows:

	Millions of Yen							
	2006							
	Japan	Americas	Europe	China	Asia Pacific	Total	Eliminations/ Corporate	Consoli- dated
Sales to customers	¥36,760	¥15,620	¥25,369	¥6,404	¥3,735	¥ 87,888	¥ —	¥ 87,888
Interarea transfer	22,622	176	300	10	109	23,217	(23,217)	—
Total sales	59,382	15,796	25,669	6,414	3,844	111,105	(23,217)	87,888
Operating expenses	52,898	15,581	22,655	5,802	3,484	100,420	(23,256)	77,164
Operating income	¥ 6,484	¥ 215	¥ 3,014	¥ 612	¥ 360	¥ 10,685	¥ 39	¥ 10,724
Total assets	¥68,546	¥ 7,954	¥14,555	¥4,376	¥2,997	¥ 98,428	¥(10,981)	¥ 87,447

	Millions of Yen							
	2005							
	Japan	Americas	Europe	China	Asia Pacific	Total	Eliminations/ Corporate	Consoli- dated
Sales to customers	¥34,530	¥13,580	¥21,200	¥4,823	¥2,802	¥76,935	¥ —	¥76,935
Interarea transfer	18,942	158	353	12	97	19,562	(19,562)	—
Total sales	53,472	13,738	21,553	4,835	2,899	96,497	(19,562)	76,935
Operating expenses	47,822	13,538	19,258	4,340	2,647	87,605	(19,774)	67,831
Operating income	¥ 5,650	¥ 200	¥ 2,295	¥ 495	¥ 252	¥ 8,892	¥ 212	¥ 9,104
Total assets	¥64,531	¥ 6,113	¥10,101	¥3,285	¥2,303	¥86,333	¥ (8,673)	¥77,660

	Thousands of U.S. Dollars							
	2006							
	Japan	Americas	Europe	China	Asia Pacific	Total	Eliminations/ Corporate	Consoli- dated
Sales to customers	\$314,188	\$133,504	\$216,829	\$54,735	\$31,923	\$751,179	\$ —	\$ 751,179
Interarea transfer	193,350	1,505	2,564	85	932	198,436	(198,436)	—
Total sales	507,538	135,009	219,393	54,820	32,855	949,615	(198,436)	751,179
Operating expenses	452,120	133,171	193,632	49,589	29,778	858,290	(198,769)	659,521
Operating income	\$ 55,418	\$ 1,838	\$ 25,761	\$ 5,231	\$ 3,077	\$ 91,325	\$ 333	\$ 91,658
Total assets	\$585,863	\$ 67,983	\$124,402	\$37,402	\$25,615	\$841,265	\$ (93,855)	\$747,410

c. Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
	Americas	¥15,762	¥13,633
Europe	25,438	21,234	217,419
China	6,411	4,824	54,795
Asia Pacific	4,858	3,836	41,521
Total	¥52,469	¥43,527	\$448,453

Milestones of Growth

● Management ● R&D ● Production ● Marketing

Era of Dramatic Advances

2000 JAN. ●

Founded a Shanghai subsidiary, SYSMEX SHANGHAI LIMITED.

2000 MAR. ●

Promoted to the 1st Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.

2000 MAR. ●

Issued our first unsecured convertible bonds.

2000 MAR. ●

Opened Central Research Laboratories in the Techno Center.



2002 APR. ●

Consolidated INTERNATIONAL REAGENTS CORPORATION (Today's SYSMEX INTERNATIONAL REAGENTS CO., LTD.) as a wholly-owned subsidiary through a share change.

2002 NOV. ●

Start of joint development with Matritech of the U.S. concerning a method of detecting cancer of the cervix.

2003 APR. ●

SYSMEX and TOSHIBA announce development of minimal-invasive blood glucose self-measurement technology that does not require blood sampling.

2003 JUN. ●

Consolidation of SYSMEX CORPORATION OF AMERICA and SYSMEX INFOSYSTEMS AMERICA, INC. to establish SYSMEX AMERICA, INC. Rebuilding of the sales and support structure in the U.S.

2004 JAN. ●

Release for research purposes of the GD-100, an instrument incorporating the independently developed OSNA method that detects cancer lymph node metastasis in one-third of the time of conventional methods.



2004 JAN. ●

Announcement of joint development of an E-CELL-based support system for determining diabetes diagnosis and treatment methodologies.

2004 JAN. ●

Development of the world's first multi-protein analysis chip capable of simultaneous measurement of activities and amounts of up to 20 proteins.

2004 MAR. ●

Increased capital to ¥7,943.18 million through a 97% conversion of the first unsecured convertible bonds.

Rapid Growth Period

1987 MAR. ●

Launch of the PAMIA-10 immunochemistry analyzer, which utilized an original immunoassay method that combined the latex agglutination method and particle measuring technology, marks entry into the immunochemistry field.



1988 AUG. ●

Launch of the world's first Automated reticulocyte Analyzer "R-1000".

1990 AUG. ●

Launch of an integrated hematology system that fully automated the entire process from the counting of blood cells, leukocytes, and reticulocytes through preparation of smear samples.



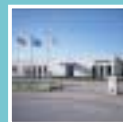
1991 FEB. ●

Opened the Ono Factory in Ono-shi, Hyogo Prefecture, and transferred the reagent production division there.



1993 JUL. ●

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

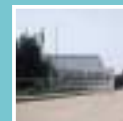


1995 MAR. ●

Signed an agreement with DADE INTERNATIONAL INC. a U.S. based company. (Today's DADE BEHRING INC.) for collaboration in selling coagulation product lines.

1995 JUN. ●

Established a joint venture, JINAN DONGYA MEDICAL ELECTRONICS CO., LTD. (Today's JINAN SYSMEX MEDICAL ELECTRONICS CO., LTD.) in China.



1995 NOV. ●

Listed stocks on the 2nd Section of the Osaka Securities Exchange.

1995 NOV. ●

Launch of UF-100, the world's first analyzer of tangible constituents of urine that fully automated inspections of urinary sediments.



1996 JUL. ●

Listed stocks on the 2nd Section of the Tokyo Stock Exchange.

The Early Years

1963 ●

Successfully developed and commercialized Automated Hematology Analyzer "CC-1001" first blood cell counter in Japan.

1968 FEB. ●

TOA ELECTRIC CO., LTD. founded TOA MEDICAL ELECTRONICS CO., LTD. as the affiliated sales agency of its medical electronics devices and equipment at a capitalization of ¥2 million.

1975 OCT. ●

Launch of the first fully Automated Hematology Analyzer developed in Japan, "CC-710."



1978 FEB. ●

Launch of the Sysmex brand to mark the 10th anniversary of the Company's founding.

1979 OCT. ●

Established a U.S. subsidiary, TOA MEDICAL ELECTRONICS (USA), INC. (Today's SYSMEX AMERICA, INC.)

1980 OCT. ●

Established a European subsidiary, TOA MEDICAL ELECTRONICS (DEUTSCHLAND) GMBH. (Today's SYSMEX EUROPE GMBH)

1984 OCT. ●

Launch of the CA-100 automated coagulation analyzer marks entry into the hemostasis field.



1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985

NET SALES

Note: 1 Sales from 1963 to 1968 are not counted as Sysmex sales.

2 Figures from 1969 to 1994 are non-consolidated basis, and consolidated basis from 1995.

(¥ million)

— 90,000

2004 APR. ●

Acquired 50.8% of the shares in CNA CO., LTD., a medical data systems enterprise, and consolidated as a subsidiary.

2004 JUN. ●

Established the R&D bases at the Business Support Center for Biomedical Research Activities (BMA) on Port Island Second Stage, off shore from Kobe.

2004 AUG. ●

Formed a marketing alliance with Fuji Photo Film Co., Ltd. For the compact dry-chemistry testing system in China.

2004 DEC. ●

Receipt of the Japan Investor Relations Association's IR Award for Excellence for 2004.



2005 JAN. ●

Sysmex develops technology to diagnose the risk of post-operative recurrence of early-stage cancer.

2005 APR. ●

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

2005 MAY ●

Establishment of the Solutions Center in Nishi-ku, Kobe and concentration of the marketing planning, customer support, and academic support functions.



2005 AUG. ●

Conclusion of a sales agreement concerning the rapid influenza diagnostic kit with Otsuka Pharmaceutical Co., Ltd.

2005 NOV. ●

A stock split.

2006 JAN. ●

Released the XS Series, the world's smallest automated hematology analyzers, which require only minute quantities of blood.



2006 APR. ●

Introduction in Europe of the RD-100i gene amplification detector for detecting breast cancer lymph-node metastasis.



1996 OCT. ●

Hisashi Ietsugu becomes president.



1998 FEB. ●

Established a Singaporean subsidiary, SYSMEX SINGAPORE PTE. LTD. (Today's SYSMEX ASIA PACIFIC PTE LTD.)

1998 MAY ●

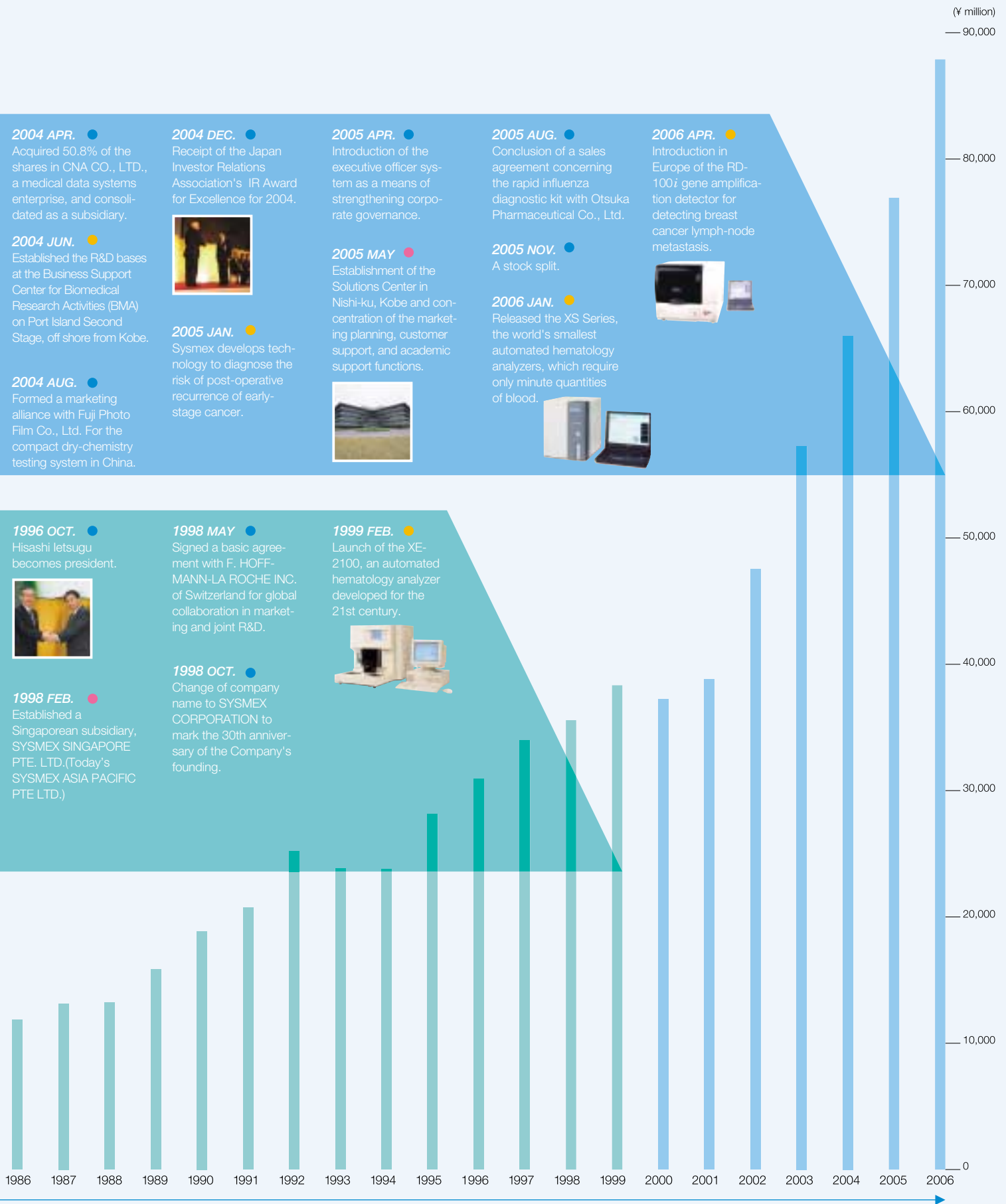
Signed a basic agreement with F. HOFFMANN-LA ROCHE INC. of Switzerland for global collaboration in marketing and joint R&D.

1998 OCT. ●

Change of company name to SYSMEX CORPORATION to mark the 30th anniversary of the Company's founding.

1999 FEB. ●

Launch of the XE-2100, an automated hematology analyzer developed for the 21st century.



Technology Progress in Hematology

The Technology-Oriented Company — The Evolution of Hematology Technology

Sysmex tirelessly engages in advanced technology development, continuing to evolve to open the way to a bright future.

The Early Years

The Development of Japan's First Hematology Instrument

Sysmex's involvement in the medical electronic instruments field began in 1961 when TOA Electric Co., Ltd. (today's TOA Corporation), a manufacturer of megaphones, entered the hematology segment. Utilizing megaphone technology for converting sounds into electrical signals and amplifying weak electrical signals, TOA Electric successfully developed Japan's first hematology instrument. The measurement principal used at the time was called the capacitance method¹, a technology that can be called the starting point of today's Sysmex.

¹ A method for ascertaining the number and type of blood cells by detecting the change in capacitance that occurs when blood cells, which are insulators, pass between a pair of electrodes



Automated Hematology Analyzer CC-1001

Electrical Resistance Method — The Basic Principal for Detecting Changes in the Electrical Signals of Microscopic Blood Cells

The next measurement principal Sysmex applied to hematology instruments was the electrical resistance method, which has a simpler structure than the capacitance method. The basis for the electrical resistance method is Ohm's Law (Voltage = Current × Resistance). Blood cells are resistors that do not conduct electricity, and changes in electrical resistance occur when blood cells pass through a detection aperture (a minute hole) in a liquid through which electricity is passed. Counting the number of these changes indicates the blood cell "count." As greater changes in electrical resistance occur when large blood cells pass through the aperture, it is possible to distinguish blood cell types according to the magnitude of resistance.

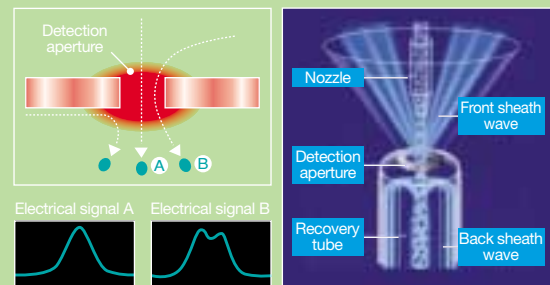
Measuring blood cell counts by means of electrical signal detection using the capacitance method and electrical resistance method made the automation of blood cell counts measurement possible. This development made it possible to measure dozens of times more blood cells than is possible by means of manual counting. These technologies dramatically increased the accuracy of measurement results and contributed greatly to the modernization of testing and medical care (medical testing).

The Pursuit for More Accurate Blood Cell Count Measurement by Means of the Sheath Flow DC Detection Method

In their pursuit of more accurate measurement results from hematology instruments, the engineers at Sysmex developed hematology instruments that employ the sheath flow DC detection method. This method contributed to instrument processing capacity by making it possible to simplify fluid system processes, for instance by diluting automatically within instruments. This method was incorporated into numerous products as a technology suited to customer needs for greater speed and efficiency in medical testing and remains in wide use in improved form today.

Sheath Flow Detection Method

The creation of sheath flow in the area where blood cells are counted permits greater accuracy by aligning the cells in single file for measurement. Blood cells enter the flow of front sheath liquid flowing in the direction of the detector and pass through the center of the detection aperture. The blood cells that pass through the detection aperture enter the rear sheath flow and are discharged in a single direction.



(A) Accurate signal from a particle that passes through the center
(B) Signal from a particle that passes near a wall surface

Rapid Growth Period

Sysmex Reagent Development Technology Supports Cell Measurement Technology to Pave the Way for Automatic Classification of White Blood Cell

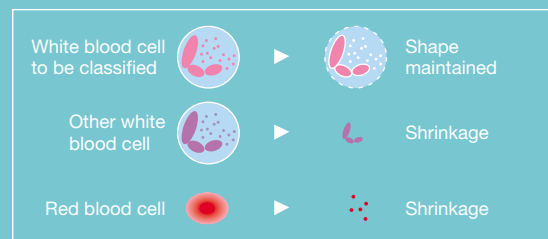
Depending on blood cell type, anywhere from several thousand to several million blood cells exist per microliter of blood. To accurately measure the number of these blood cells, specific reagents are required for preprocessing to dilute the blood to an appropriate concentration and to hemolyze other blood cells that are not to be counted.² Hematology analyzers provide accurate measurement results by using these specific reagents.

Mature white blood cells are subdivided into five types, each with its own function. For this reason, the type of blood cell that shows abnormal values varies according to the patient's disease. In the past, when abnormalities occurred in white blood cell counts, visually distinguishing the blood cells using a microscope involved enormous amounts of time and labor. At that time, Sysmex reinforced its reagent development technology and succeeded in developing a hematology analyzer for automatically classifying white blood cells. This involved the development of an instrument that made white blood cell classification possible by utilizing appropriate reagents for each blood cell type.

² The phenomenon by which a red blood cell membrane is breached and the hemoglobin in a cell is discharged

Example of a White Blood Cell Classification Mechanism

A surface-active agent hemolyzes blood cells other than the type to be classified. Classification is performed based on differences in volume between the white blood cells to be classified and the other blood cells.



Era of Dramatic Advances

Applying the Flow Cytometry Method to Upgrade Routine Hematology Analyzers to Contain Both Routine and Diagnostic Capability.

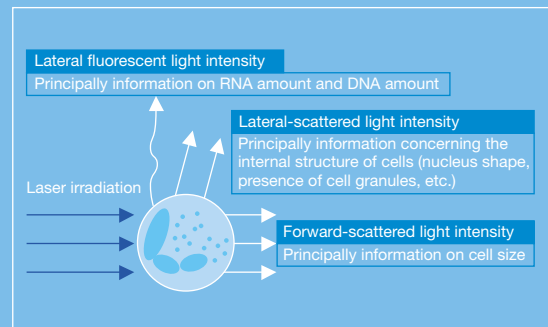
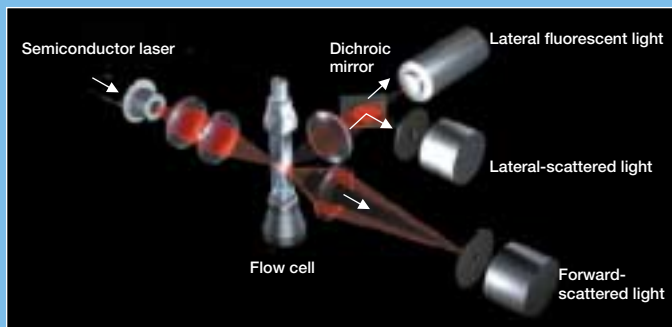
Hematology is evolving from simple blood cell count measurement to hematology analyzers that analyze the substances in blood. These instruments make high-value-added medical testing possible by detecting abnormal cells in addition to measuring the five types of white blood cells and performing the eight basic hematology tests.

Sysmex's XE-2100 model is a representative example of a hematology analyzer. Sysmex was the first company in the world to commercialize the application of the flow cytometry method, which involves the use of semiconductor lasers, to a hematology analyzer. Dyeing blood cells using specified reagents has dramatically increased the amount of information that can be obtained from a single cell.

FCM 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.



Business Domain

Sysmex offers a broad range of products and after-sales support for *in vitro* diagnostics (the examination of blood, urine or cell samples taken from the body). These range from individual instruments and reagents to full Laboratory Information Systems (LIS).

The global diagnostics market, which was valued at ¥ 3,000 billion in 2005, is projected to expand at an annual rate of 7.0% over the coming five years. In 2003, Sysmex ranked 9th in the world in the diagnostics field. Sysmex commands the second-highest share of the global hematology segment and the highest share of the Japanese market.

Diagnostics

Hematology

Hematology is a form of screening testing that measures the number of white blood cells and red blood cells in the blood to determine whether a more detailed examination is necessary. Because hematology is commonly performed around the world not only at times of illness, but also during routine health checkups, the total number of examinations is extremely high. Since hematology is performed using an instrument and specific reagents, demand for the reagents is continuous. The size of the global hematology segment is ¥180 billion (Sysmex estimate). Three major global suppliers command a very high share of the market: Sysmex, Beckman Coulter, and Abbott.

Hemostasis

Hemostasis is testing for coagulation, an important function of the blood. By testing specimens of blood plasma it is possible to diagnose hemophilia and thrombosis and to examine hepatic (liver) functions. As a rule, hemostasis can be performed using general-purpose reagents, rather than specific reagents. As test results vary slightly depending on the reagent type and manufacturer, reagents that are used by many customers are desirable due to quality control requirements.

The size of the global hemostasis segment is ¥120 billion (Sysmex estimate). Since 1995, Sysmex has maintained a distribution agreement with Dade Behring, the global leader in hemostasis reagents. Sysmex is the global market share leader in coagulation analyzers.

Immunochemistry

Immunochemistry is performed on blood serum, the supernatant fluid isolated after blood separates, to detect antigen-antibody reactions. For example, it is used to test for the presence of the hepatitis virus or other infections and for cancer. Manufacturers of analyzers apply their own measurement principles, and specific reagents are used. The need for immunochemistry and its importance are increasing, owing to worldwide outbreaks of HIV and other infectious diseases.

The size of the global immunochemistry market is ¥700 billion (Sysmex estimate), and the market is expected to expand in the coming years.

Clinical Chemistry

Clinical chemistry entails examining the body's nutritional status and liver and kidney function and testing for contraction of hyperlipidemia and arterial sclerosis by chemically examining the enzymes, sugars, and proteins in blood serum or plasma. Like hematology, clinical chemistry is commonly performed around the world not only at times of illness, but also in routine health checkups, and the total number of examinations is extremely high.

The size of the global clinical chemistry market is ¥750 billion (Sysmex estimate). Sysmex has a high market share in Japan for the quality control serum used with various types of general-purpose reagents.

Urinalysis, Fecal Occult Blood Testing

Urinalysis entails testing for signs of sugar, protein, or blood in urine and can be broadly divided into two types: qualitative urinalysis and quantitative urinalysis. Urinalysis is an important screening test that typically yields clues for diagnosing a number of diseases. Sysmex introduced the world's first urine sediment analysis system that uses the flow cytometry method, which, in combination with qualitative testing, contributes greatly to the automation of diagnostic routines and greater efficiency.

Fecal occult blood testing is used to test for blood from the digestive track. Fecal occult blood testing is an extremely important method of screening for colon cancer. In Japan, the aging of the population and dietary changes have brought an increase in fecal occult blood testing, and market expansion is expected.

IT

Laboratory Information Systems

The healthcare industry is moving towards the establishment of IT-driven medical information networks, which contribute to more effective diagnoses by collecting and analyzing data from clinical tests and consolidating this information into a convenient database. In the future, Sysmex will continue to make use of IT to promote the establishment of local healthcare networks made up of hospitals and clinics and develop remote medical care capabilities.

POC Testing

POC is an abbreviation for point-of-care. POC testing can be carried out in operating rooms, intensive care units or at the patient's bedside, rather than in central laboratories, making possible rapid diagnosis and treatment.

New Business

Scientific Measurement and Healthcare

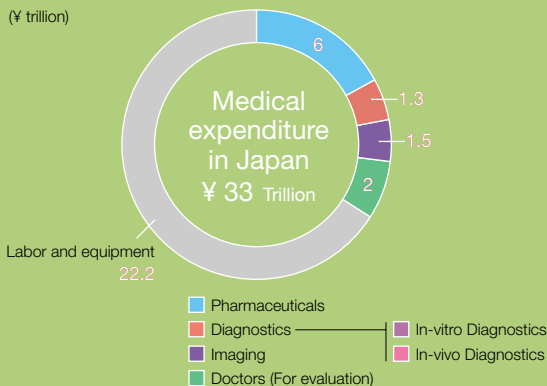
The scientific measurement segment is a new business area in which Sysmex focuses on industrial applications for its particle-analysis technology, which was developed from within the core hematology business. This technology is used in many industrial processes including research and quality control of copier toner and ceramic particles.

Life Sciences

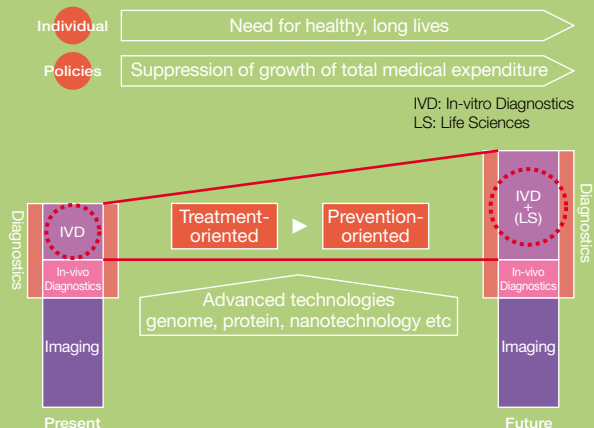
Aging Societies and the Shift to Preventive Healthcare

Japan and other developed countries undergoing population aging are devising healthcare policies to enable people to live long, healthy lives: in other words, to extend healthy life expectancy. As a result, a shift to preventive medical care is progressing on a global scale. Along with the advancement of preventive medical care, what will be regarded as important is the realization of preventive medicine and prognosis prediction to increase patients quality of life. For this reason, the role of testing (diagnosis) is expected to increase in importance. Sysmex is working to create new testing technologies by means of the fusion of diagnostics and the life sciences and aims to continue to contribute to the realization of quality improvement and greater efficiency in healthcare through testing.

Breakdown of Medical Expenditure in Japan (Sysmex estimates)



Creating New Markets with New Technologies



Major Products

Diagnostics

HEMATOLOGY


Specialization ↑

Information Diversity ↓

Efficiency and Handling Capability →

Scale of Laboratory →


XS
Low End



XS Series

These compact, highly functional models share the same measurement principle, reagents, and operability as the XE-2100 and XT-2000 *i* high-end models. These analyzers offer the ability to analyze five types of white blood cells in a space-saving size, as well as excellent measurement data interchangeability. For this reason, they are suitable not only for use in hospital laboratories, but also for POC testing at clinics and emergency laboratories.

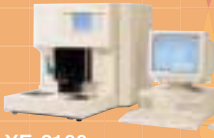
XT
Middle



XT-2000 *i*

This basic, compact model is supported by the Sysmex Network Communication System (SNCS), and features a viewer-friendly screen and an easy-to-use operating system.

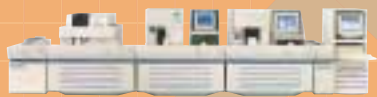
XE
High End



XE-2100


The XE-2100 is Sysmex's flagship model, offering networking capability, ability to coordinate with other Sysmex products, high expandability, and potential for functional enhancement through software upgrades.

SYSTEM



HST


The HST series offers fully automated blood cell counting, including white blood cell differentials, reticulocyte analysis, preparation of smears and staining. Multiple system configurations are available to meet the needs of individual laboratory requirements.



XE-Alpha N

Fully automated blood cell counting, white blood cell differentials, reticulocyte analysis, preparation of smears and staining are carried out by a compact system, ensuring efficient workflow and improved test precision. The SP-1000 Slide Preparation Unit (to the left in the photograph) is a network-capable system for automatically preparing hematology slides.


POC



pocH-100 *i*

Featuring compact size and easy operation, this counter allows high-precision measurement results and makes it possible to perform hematology simply in diagnostic and therapeutic settings.


KX



KX-21

Featuring compact sized and easy operation, this analyzer provides valuable blood test data such as the white blood cell, three-part differential in less than one minute.

REAGENTS



A full lineup of reagents is available for all diagnostic needs, including hematology, hemostasis, immunochemistry, urinalysis, and biochemistry.

HEMOSTASIS



CA-7000

The top of the CA series product line makes possible ultra-fast throughput of 500 tests/hour possible (for simultaneous measurement of PT/APTT). The Secure Reagent System (SRS) allows control of reagent names, lot numbers, and expiry dates through automatic barcode reading.



CA-1500

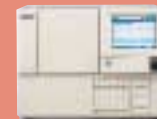
This stand-alone unit incorporates the clotting time method, the chromogenic substrate method, and the turbidimetric immunoassay method. Optimal processing capacity for mid-sized laboratories ensures efficient testing.



CA-500 Series

These compact, fully automated analyzers offer advantages of the CA series such as high precision and ease of use. Operation is simple, making these analyzers ideal for emergency laboratories and for use at small and mid-size institutions that test infrequently.

IMMUNOCHEMISTRY




PAMIA-40 *i*

The PAMIA-40*i* uses Sysmex's independently developed whole-blood measurement technology. As preparation time needed to separate blood serum is unnecessary, infectious disease tests that previously required 30 minutes are possible in only 15 minutes.


Sales Composition by Business and Products

URINALYSIS/FECAL OCCULT BLOOD TESTING



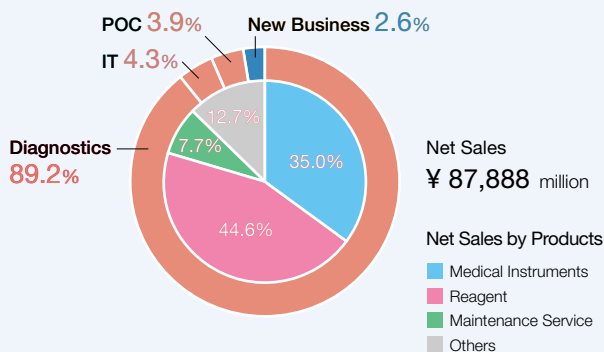
UF-1000i

The UF-1000i offers fully automated, high precision, quantitative analysis of urine sediment using Sysmex's proprietary technology utilizing flow cytometry, further improving the reliability of urinalysis.



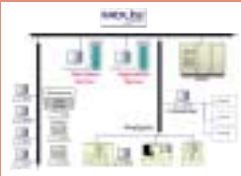
Hemo-LIAS200

This fully automated fecal occult blood testing analyzer uses biodegradable containers for stool samples, offering convenience for both the person performing and the person undergoing the test.




IT

INFORMATICS




MOLIS

The MOLIS Laboratory Information System forms the core of Sysmex's total solutions package. It not only increases efficiency, but also optimizes all aspects of laboratory operation, including patient services.



CNA-Net


CNA-Net is a laboratory-information system provided by Sysmex subsidiary CNA Co., Ltd. The system consists of independently operable subsystems for clinical chemistry, hematology, general urinalysis, and immunology testing. When used as an independent system, CNA-Net is configured to encompass all processes from examination reception to routine testing and test results reporting.



LAFIA


This system files blood images together with patients' demographic information. Network compliant, the system allows access to the image database from anywhere in the hospital through a network.

POC Testing



POCTEM Influenza A/B


POCTEM Influenza A/B is a rapid influenza diagnostic kit that employs the immunochromatography method. Samples extracted from the body are dropped on test paper that can simultaneously determine the presence of Influenza A and B.



CA-50

This semi-automated and compact system is suitable for point-of-care testing. It features four independent detection blocks, making four simultaneous independent test analyses possible.

Life Sciences



RD-100i

This gene amplification detector, which extracts and amplifies genes in lymphatic tissues in order to detect lymph-node metastasis, is the first commercial offering for clinical-use from the company's life science line.

New Business

PARTICLE ANALYSIS FOR INDUSTRIAL APPLICATIONS



FPIA-3000

The FPIA-3000 is a highly advanced particle measuring analyzer that incorporates a CCD camera. The analyzer not only measures particle size distribution, it also provides a great deal of information on particle size and shape and makes it possible to evaluate particulate matter that was previously difficult to analyze.

SHEATH FLOW ELECTRICAL RESISTANCE PARTICLE SIZE DISTRIBUTION



SD-2000

Through a combination of the electric resistance method and sheath flow technology, particle distribution is obtained without complex correction and analysis and the sizes and numbers of particles are determined more accurately.

HEALTHCARE



ASTRIM SU

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.

Research and Development



A pioneer in diagnostics and a challenger in the life science field, Sysmex fuses diverse constituent technologies to establish unique core technologies.

Sysmex is passionate about excellence in product development and manufacturing, and the source of this excellence and the most important facet of operations is research and development (R&D). Each year Sysmex invests about 10% of sales in its leading-edge R&D. Sysmex's greatest strength lies in the possession of a diverse portfolio of electronics, mechanical, biological, chemical, and IT technologies and the fusion of these constituent technologies to create unique core technologies. Building on our success in diagnostics, Sysmex is working to create advanced testing technologies in the life science field.

On the Global Cutting Edge in Diagnostic

Instrument Development

Sysmex's inimitable R&D activities began in 1963 when we became the first company in Japan to commercialize hematology analyzers. Since that time we have explored the possibilities of microscopic diagnostics and established core technologies such as particle measurement technologies and bioreaction measurement technologies by fusing diverse original technologies. In the diagnostics field, Sysmex has developed a number of world-first technologies, including a urinalysis system that automatically measures urine sediment, an immunochemistry system that reduces the time required to test for infection to one third by testing whole blood, and systems products that com-

bine several types of analyzers with laboratory information systems.

Sysmex is leveraging the diverse technologies nurtured in previous product development to evolve new products that bring efficiency to the increasingly complicated diagnostic testing environment. For instance, in 2006, we launched the XS series of automated hematology analyzers, the world's smallest¹, which use the same measurement principle as the high-end XE-2100 and require only minute quantities of blood. Our aim is to utilize networks to contribute to increasing efficiency and lowering costs not only in the testing laboratory, but also throughout the entire hospital for customers ranging from large medical institutions such as community health centers to small clinics.

¹ In comparison with 5-part WBC differential hematology analyzers (based on our data)

The application of Sysmex's technologies is expanding into fields other than diagnostics. One example is non-invasive measurement technologies. Sysmex has led the way in the development of technology for measuring blood hemoglobin concentrations without drawing blood, technology expected to be applied in sports medicine and in medical checkups for children and pregnant and parturient women. We are also actively applying technologies in various industrial segments, for instance the fusion of particle measurement technologies and image processing technologies.

Strengthening Reagent R&D Capabilities

Sysmex conducts broad-based R&D of reagents, products closely connected with the performance of diagnostic instruments. In 2002, Sysmex made International Reagents Corporation a wholly owned subsidiary, fusing International Reagent technology development capabilities in clinical chemistry and immunology with Sysmex's strengths in hematology and hemostasis to construct one of the most advanced reagent development organizations in Japan. In 2005, Sysmex absorbed the reagent development unit of International Reagents Corporation and is pursuing leading-edge R&D through close collaboration between the reagent development and instrument development units.

Comprehensive IT-Driven Testing Systems

An essential consideration in diagnostics is a mechanism for accurately and rapidly providing test data to physicians. Sysmex has long focused attention on the introduction of information technology into testing operations and has developed a comprehensive blood testing system that combines analyzers with software for managing test data. In this market segment, Sysmex possesses highly specialized technologies unmatched by any other company. We have established an organization for providing localized software by setting up software development units in Belgium, Slovakia, the U.S., China, and New Zealand.

Innovative Cancer Diagnostic Technologies and Other World-first Technologies

To develop new core competencies that complement those in the diagnostics field, Sysmex is actively pursuing R&D by fusing technologies developed in the diagnostics field and technologies in the life science field. In 2000, we established the Central Laboratories as the principal location for these activities. There, we are engaged in the creation of new diagnostic technologies grounded in cutting-edge technologies, including life science technologies, IT, and nanotechnology. We are currently engaged in research of infectious diseases, blood disorders, cancer, and metabolic syndrome.

In 2002, we developed the One Step Nucleic Acid Amplification (OSNA) method of amplifying and detecting genetic information without extracting and refining genes, and in January 2006, we introduced into the European market a breast cancer lymph node metastasis rapid diagnosis system incorporating this technology as our first life science product. In addition, we succeeded in developing the world's first protein chip that can simultaneously measure twenty types of proteins for use in predicting the effects of anticancer drugs. A clinical study conducted jointly with Osaka University revealed that a cell-cycle profiling technique that uses this protein chip makes the early prediction of recurrence of breast cancer possible. Sysmex has been conducting a clinical study of the prediction of sensitivity to anticancer drugs using this protein chip jointly with the University of Texas MD Anderson Cancer Center, widely regarded as the leading clinical cancer institution in the U.S. We are also conducting a clinical performance evaluation of automated cervical cancer screening technology at VU University in The Netherlands.

Sysmex is engaged in joint development with Toshiba Corporation of technology for minimally invasive self-monitoring of blood glucose (SMBG) to lighten the burden on diabetes patients. We are also engaged in joint research with Osaka Medical Center for Cancer and Cardiovascular Diseases, and with Keio University into a Diabetes Management System based on the E-CELL cell-simulation program.

Intellectual Property Activities

1. Basic Concept for Intellectual Property Activities

Sysmex has established the Basic Principles of Intellectual Property Activities for the purpose of sharing a basic concept for intellectual property activities throughout the Sysmex Group and fully demonstrating the Group's strengths in step with business domain expansion and global development. Specific activity policies are indicated in the Basic Policy on Intellectual Property.

Basic Principles of Intellectual Property Activities

The goal of Sysmex's intellectual property activities is to secure flexibility in R&D and business development and contribute to the management of the Group's business.

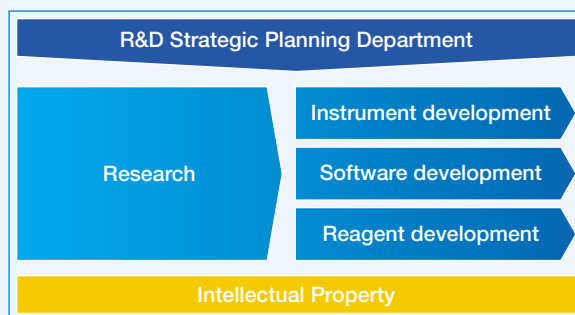
Basic Policy on Intellectual Property

Sysmex ensures global competitive advantage and sustains stable growth by maintaining an environment that supports employee intellectual creation activities, by actively securing and utilizing rights to valuable intellectual property created in the activities of all Group companies, and by respecting the intellectual property of third parties.

2. The Organizational Structure of R&D Systems and the Intellectual Property Division

The Intellectual Property Division collaborates with the Central Research Laboratories, Reagent Development Division, Diagnostics System Development Division, New Business Development Division, and other development units, devises a patent application strategy, engages in invention identification activities, and conducts research into third-party intellectual property. It actively engages in intellectual property awareness activities and maintains an organizational structure for rapidly converting intellectual property created in development activities into valuable intellectual property.

Unified Management System Extending from Research to Product Development



3. Remuneration System

Sysmex provides remuneration applicable to patents that contribute to the Group's business and strives to enhance incentives for inventors. Patent remuneration is provided based on rankings in accordance with the magnitude of the contribution using an original calculation formula based on examination of factors including sales of products to which the invention has been applied and royalty income in accordance with Sysmex's employee commendation regulations.

4. External Awards and Commendation

Sysmex was awarded the Japan Patent Office Commissioner's Incentive Award in the 2005 Kinki Local Commendation for Invention for Patent No. 3485436, Reagent and Method for Measuring Reticulocyte. The technology was recognized for the capability of ascertaining the therapeutic affect of medication to increase red blood cells in the treatment of anemia patients and its contribution to ensuring fair competition by means of EPO doping testing at the Athens Olympic Games and the Tour de France.



The Japan Patent Office Commissioner's Incentive Award

R&D Facilities

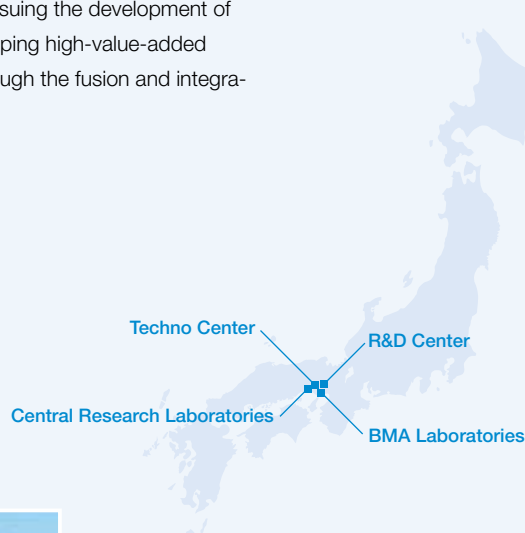


Techno Center

The Techno Center is a key location for the pursuit of excellence in product development and manufacturing at Sysmex. The Center is involved in instrument, reagents, and software product development in the diagnostics field and in new technology development in the life science field. The Techno Center is also involved with industrial applications of particle measurement technologies and image processing technologies developed in diagnostics. In February 2006, Sysmex acquired real estate adjacent to the Techno Center for expansion purposes. As an R&D-oriented comprehensive manufacturer, Sysmex is pursuing the development of innovative technologies for use in developing high-value-added products and creating new markets through the fusion and integration of diverse technologies.

Central Research Laboratories

Sysmex established the Central Research Laboratories in 2000 as a base for R&D in the life science field. The Laboratories pursue research into new diagnostic technologies grounded in leading-edge life science technologies, information technology, nanotechnology, and bioinformatics, with a primary focus on the segments of cancer diagnostics and diabetes. The Laboratories are fully equipped with multipurpose halls, an electronic library, and other facilities to support technology exchange, joint research, and technical assistance in addition to high-level research facilities.



R&D Center

The R&D Center is the reagent development unit Sysmex absorbed from International Reagents Corporation in April 2005. The Center principally engages in the R&D of reagents for clinical chemistry and immunochemistry.



BMA Laboratories

In June 2004, Sysmex opened the Sysmex BMA Laboratories at the Business Support Center for Biomedical Research Activities (BMA) on Kobe Port Island. The BMA is the core institution in the Kobe Medical Industry City Concept, which is being promoted under the leadership of the City of Kobe. The Laboratories engage in research into new detection techniques involving nanotechnology and is expected to serve as Sysmex's point of contact for collaboration with other companies, government agencies, and universities.

Production



Rigorous adherence to quality control and environmental conservation standards, while boosting cost-competitiveness at a global network of production bases

The ultimate in quality is required of the diagnostic products that provide essential support for medical care. Sysmex has established rigorous quality control and environmental protection systems to govern the production of instruments and reagents. The Kakogawa Factory in Japan serves as the primary location for the manufacture of instruments that require sophisticated, specialized technologies. This plant has introduced leading-edge production and quality control technologies, including an independently developed process management system. Sysmex has designated two plants in Japan owned by subsidiary Sysmex International Reagents Co., Ltd. as the core production facilities for reagents, products for which continuous supply is required. We are transferring to our overseas production bases and localizing the production technologies and quality control systems developed at the factories in Japan to achieve a high-quality, low-cost global production system and ensure a stable supply of reagents to customers.

Producing Instruments Incorporating Elaborate Technologies and Systems Possible Only in Japan

Sysmex follows a policy of producing diagnostic instruments in Japan. The Kakogawa Factory, the principal production base for instruments, engages in total control of materials receiving, materials inspection, unit assembly, device assembly, production, inspection, and final adjustment using Sysmex's independently developed IT-driven production management system. We apply proprietary technological capabilities to in-house production of important components and optical units, for which high accuracy is required. We achieve cost

competitive manufacturing based on a high-quality, flexible production system. Sysmex's strengths in production are the rapid startup of production of new products achieved by means of collaboration with the development units and production technology capabilities for the manufacture of sophisticated medical instruments.

To boost cost competitiveness through rigorous cost reductions, strengthen business operations, and increase customer satisfaction, Sysmex has introduced global supply chain management that extends to overseas sales bases and encompasses everything from materials procurement to production.

Global Reagent Production System Centered on Production Bases in Japan

To ensure the stable, low-cost provision of high-quality diagnostic reagents, Sysmex maintains a global production system comprising ten production bases in seven countries. The two core facilities are the Ono Factory and Seishin Factory of our subsidiary, Sysmex International Reagents Co., Ltd. To increase global cost competitiveness, we have undertaken facilities expansion and production line rebuilding at these two plants, achieving tremendous reduction in production lead times, product cost reductions, and inventory reductions. We pursue production that capitalizes on the characteristics of each plant by dividing production items to take advantage of their specialties: we engage in the mass production of reagents using automated facilities at the Ono Factory and the production of

bulk biological reagents requiring advanced specialized knowledge at the Seishin Factory.

Sysmex is automating and otherwise upgrading the production facilities of the Ono Factory, a facilities-driven plant, and accumulating production technology expertise at the Seishin Factory, a knowledge-driven plant. We have positioned these two facilities as the Group's mother plants and seek to strengthen and expand the global production system by actively transferring expertise developed at these plants to overseas reagent production bases.

Introduction of Strict Quality Control Systems Based on International Standards

Sysmex is focusing effort on the establishment of rigorous quality control systems and environmental protection at its production facilities in Japan and overseas. The Kakogawa Factory and Ono

Factory engage in rigorous quality control based on Good Manufacturing Practice (GMP), a quality control standard applicable to medical instruments and pharmaceuticals, the ISO 9001 international quality control standard, and the ISO 13485 international quality-assurance standard for medical devices. The Kakogawa Factory, Ono Factory, subsidiary Sysmex Medica, and the Neumünster Factory of Sysmex Europe have obtained certification for the ISO 14001 international standard for environmental management systems. The Seishin Factory has obtained ISO 9001 certification and is actively working to obtain ISO 14001 certification. As these efforts to obtain certification in quality control and environmental management standards indicate, Sysmex regards quality control and environmental conservation as top priorities and will continue to implement rigorous measures throughout the Group.



An instrument production line in the Kakogawa Factory

Production Bases



Kakogawa Factory

The Kakogawa Factory is a production base for diagnostic instruments that supplies a wide range of products to markets around the world. In 2002, Sysmex launched a large-scale expansion of this facility, greatly increasing production capacity and putting in place a flexible manufacturing system. Sysmex has also expanded production lines at the subsidiary in Japan that manufactures instruments along with the Kakogawa Factory. This expansion has doubled the previous production capacity. We have introduced world-leading Japanese manufacturing technologies and quality control systems throughout the factory and produce highly reliable instruments based on GMP, ISO 9001, and other quality control standards and the laws and regulations of destination countries.



Ono Factory

The Ono Factory of Sysmex International Reagents Co., Ltd. is one of Sysmex's principal reagent production facilities. The plant is dedicated to the high-volume production of about 400 reagents. The production lines are divided into four types, according to capacity, and the factory seeks to simultaneously increase quality, reduce costs and mass-produce by optimizing input and automation system in each process from raw materials supply, weighing, preparation, filling, packing and final inspection.



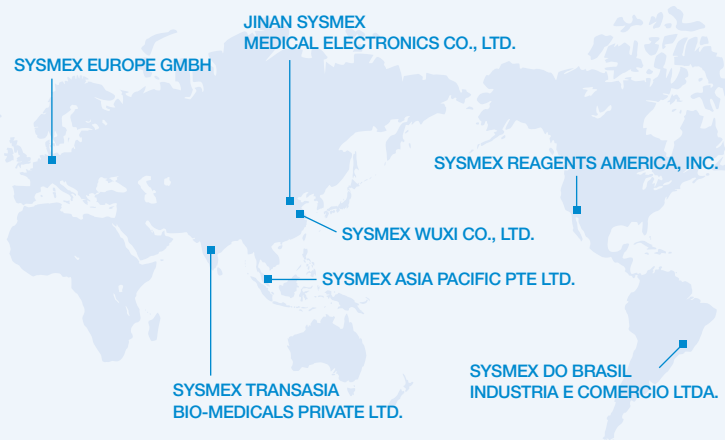
Seishin Factory

The Seishin Factory of Sysmex International Reagents Co., Ltd. is the Group's second key reagent factory. This plant is mainly responsible for the production of bulk biological reagents and draws on wide-ranging production technologies to produce a line of more than 1,000 products spanning everything from clinical chemicals to immunology reagents, hemostasis reagents, fibrinolysis reagents, and control materials. The factory has also constructed a flexible production system to meet requirements for high-mix, low-volume manufacturing. The factory is currently constructing a new administration building scheduled for completion in August 2006. This will upgrade the factory's production management capabilities and expand the reagent production area.



Overseas Reagent Production Bases

Diagnostic reagents are products that underpin the reliability of instruments. For this reason, stable and speedy supply is essential. Sysmex operates reagent production facilities in Germany, the U.S., Brazil, China, and Singapore and is working to further strengthen its overseas production capabilities. We currently have begun construction of a new reagent factory to cope with increased demand for reagents on the grounds of Sysmex America, Inc. in Chicago. In Europe, we have begun expansion of the Neumünster Factory in Germany. Completion of these projects, scheduled for early in 2007, will roughly double our current reagent production capacity.



Customer Relations

Flexible Sales Structure

Systemex adapts its business activities to local requirements with the aim of being the number one global solutions provider in the diagnostics field.

Throughout its history, Systemex has always set its sights on overseas markets and adapted its business activities to the requirements of markets in diverse geographical regions. Today we engage in R&D, production, sales and support activities at 32 locations around the world and supply products to customers in more than 150 countries. We have already established our position as the market leader in the hematology segment in Japan, Europe, and Asia and we are making an aggressive bid to become the leading global solutions provider in the segment by rebuilding our business structure and working to expand market share in the U.S., the world's largest market.

1991 — Winning Customers with Direct Sales and Support

The establishment of U.K. subsidiary Systemex U.K. Limited in May 1991 marked a major breakthrough in Systemex's global business development. The Company had already established subsidiaries in the U.S. in 1979 and in Germany in 1980, and achieved business expansion in Europe and North America by engaging in indirect sales and support under distributor agreements. However, as nearly all manufacturers had adopted direct sales systems in the U.K., Systemex experienced great difficulty in expanding its business through a local distributor. Seeking further growth, Systemex decided to commence direct sales and support through a local subsidiary. Although this marked the first time for Systemex to undertake

direct communication with customers in an overseas market, the start of operations at the subsidiary brought immediate improvement in business performance. Today Systemex is the market share leader in hematology and hemostasis in the U.K.

This success in the U.K. marked a turning point in the direction of Systemex's international business strategy. We subsequently implemented an overseas business model adapted to local characteristics that involves a mixture of indirect sales through distributors



SYSTEMEX UK LIMITED



and direct sales and support. Today we are constructing a direct sales and support system even in the U.S., a vast country and the world's largest market.

1995 — New Markets through Global Alliances

In 1995, Sysmex entered into a business alliance agreement with Dade International of the U.S. (now Dade Behring), the world's leading manufacturer of reagents in the hemostasis segment. This global alliance was significant in that it opened wide the door to the world's markets for Sysmex. Although Sysmex possessed advanced technologies in the hematology and hemostasis segments, at that time it was regarded as nothing more than a creative Asian company. Working together in worldwide partnership, the two companies established the number one global brand in the hemostasis segment. The partnership represented a major turning point for Sysmex, which joined the ranks of global companies active not only in the hemostasis segment, but also in the diagnostics market as a whole, and enhanced its status in the eyes of the world.

This period marked the beginning of acceleration in Sysmex's global alliances. In 1998, Sysmex entered

into distribution agreement in hematology with Roche of Switzerland, one of the world's leading healthcare companies. As a result of this alliance, Sysmex's hematology analyzers were included in Roche's global product range. Over the years the two companies have maintained an excellent relationship as long-germ global alliance partners who cooperate in the marketing of one another's products and jointly develop new products, sharing business that leverages the strengths of both partners.

1995 — Acceleration of a Market-driven Asia Strategy

1995, the year Sysmex entered into the alliance with Dade Behring, was also a major turning point in our Asian strategy. To strengthen the business structure in China, a market of enormous hidden potential, we established subsidiary Jinan Sysmex Medical Electronics Co., Ltd. as a reagent pro-



JINAN SYSMEX MEDICAL ELECTRONICS CO., LTD.

duction base. Two years later, in 1998, we established subsidiary Sysmex Singapore Pte Ltd. in Singapore. Since that time we have established subsidiaries in a number of other countries and engaged in full-scale business activities throughout the region with the aim of becoming the leading company in the diagnostics market in Asia.

Seeking to Become the "Global Niche No.1" Company

One of Sysmex's basic strategies is to become the "Global Niche No.1" company and we are engaged in global business activities with the aim of attaining market share leadership in hematology. We are currently the market share leader in every region of the world except the U.S., and enjoy an excellent reputation among customers. We aim to become the global market leader in the hematology segment by leveraging experience obtained in overseas markets since the successful switch to direct sales and support in the U.K. in 1991, by expanding market share in the U.S., the world's largest market.

After-sales Support

Sysmex is enhancing its locally based after-sales support operation to increase added value in the form of peace of mind and confidence.

Sysmex operates a network of seven branches and thirteen sales offices in Japan and has established a sales and support structure second to none in the diagnostics market. We do not merely engage in the sales of diagnostic instruments and reagents, but propose multifaceted solutions involving after-sales support that take full advantage of this extensive network. We have established locally based, meticulous after-sales support structures in overseas markets by rolling out this highly specialized, high-value-added after-sales support.



The Customer Support Center

24-hour, Comprehensive Support Provided by Consummate Professionals

In Japan, the Customer Support Center responds to customer inquiries or problems with Sysmex products around the clock. Knowledgeable specialists answer questions not only about instruments and reagents, but also about scientific matters such as measurement results. To ensure that customers can use our products with confidence at all times, Sysmex has established a rapid support system by stepping up cooperation between the Customer Support Center and Sysmex branches and sales offices across Japan. We have further enhanced after-sales support by consolidating the customer after-sales support function in the Solutions Center, which opened in 2005.

In the U.S., where Sysmex has converted to a direct sales and support structure, we have put in place a system for rapidly responding to customer

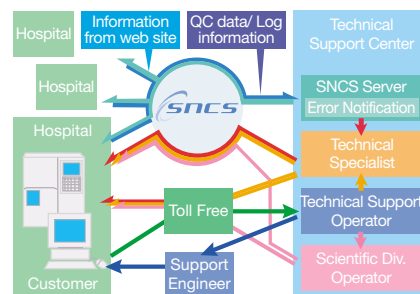
requests by upgrading our Call Center and other service systems and ensuring close cooperation between the Call Center and local service engineers. In China, another geographically vast market, we have implemented a service structure similar to that in the U.S. to achieve differentiation from competitors.

Improving Support via Advanced Networked Services

In Japan, the Sysmex Network Communication System (SNCS) is a support service for the online provision of remote instrument maintenance and quality control by connecting the Customer Support Center and customers' products via the World Wide Web. Unique to Sysmex, the SNCS is used by many customers in Japan and has earned a strong reputation. Building on the success of the SNCS in Japan, Sysmex is rolling out the system globally, sequentially introducing it in the U.S., Europe, China and Asia Pacific markets.

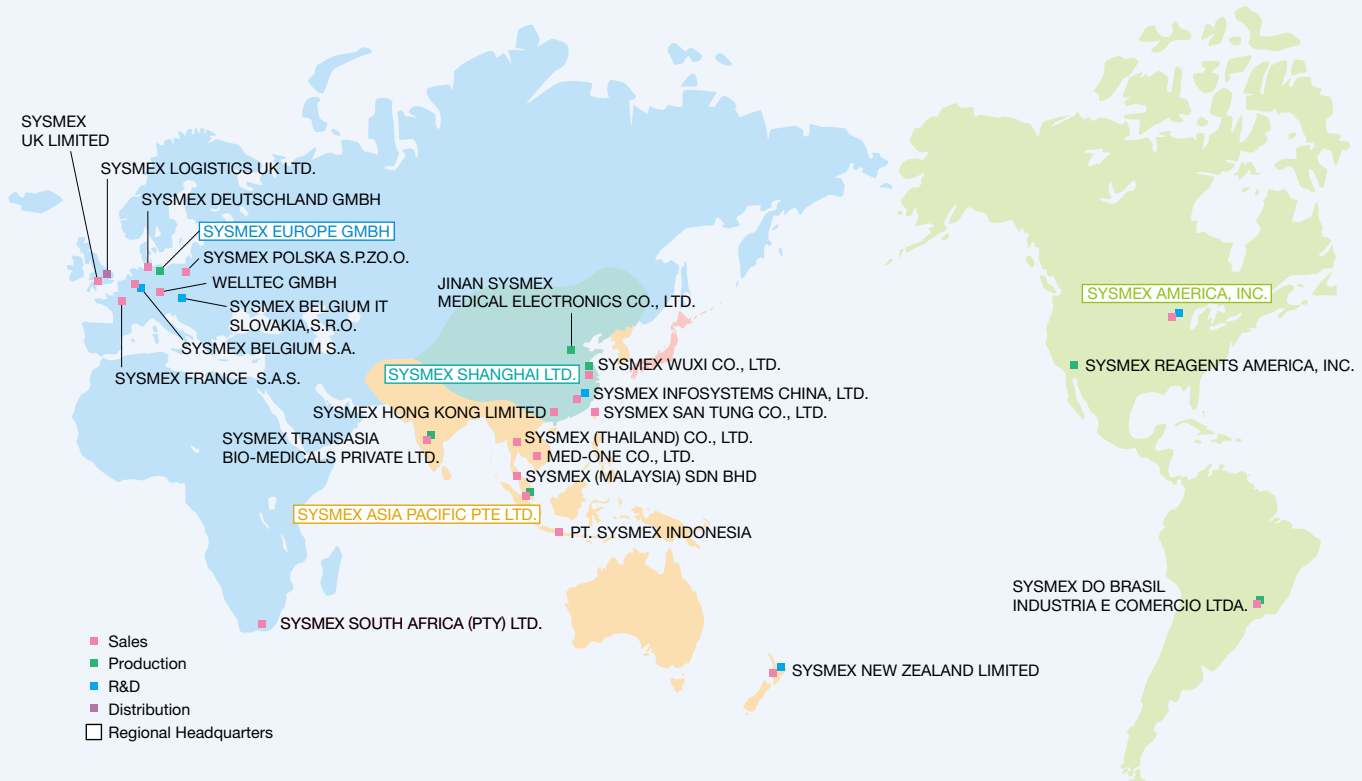
Sponsoring Scientific Seminars for Advancement of Healthcare

To provide customers with the latest information and keep them abreast of trends in hematology, in 1978 Sysmex began to hold an annual Sysmex Hematology Seminar in Japan, in which many physicians and laboratory technologists now participate. In 1998, Sysmex began similar scientific seminars in China, and now, the company also holds seminars and other activities which contribute to the development of laboratory diagnostics in Thailand, Indonesia, India and other areas of Asia. Sysmex also holds symposiums in Europe and North America, and it will continue to make academic contributions in the healthcare field in the coming years.



Sysmex On-line Quality Control & Support

Global Network



Europe

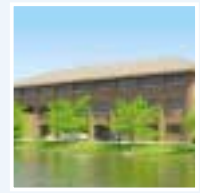
Since establishing subsidiary Sysmex Europe GmbH in Germany in 1989, Sysmex has steadily expanded its business in Europe by setting up sales and support bases and constructing a distribution network centered on Western Europe. In 2005, we established subsidiary Sysmex Polska S.p.zo.o. in Poland to expand our sales and support network in Eastern Europe, an area expected to grow rapidly in the coming years. We established our second business base in Africa, wholly owned subsidiary Sysmex South Africa, in the Republic of South Africa, an economy marked for BRIC-level growth, and will enhance sales and support activities in this region.



SYSMEX EUROPE GMBH

Americas

Sysmex began to engage in indirect sales and support in the U.S. in 1999. This was on the basis of a sales distributor agreement with Roche Diagnostics of the U.S., covering the hematology segment. To reinvigorate its business structure and take advantage of its unique strengths in this important market, in July 2003 Sysmex constructed a direct sales and support system. We integrated a sales subsidiary and an IT development subsidiary, to provide total solutions that combine instruments, reagents, after-sales support and IT. We are achieving penetration of the Sysmex brand through direct communications with customers. In 2004, Sysmex strengthened its business infrastructure in Central and South America by expanding the reagent production plant in Brazil.



SYSMEX AMERICA, INC.

China

In 1995, Sysmex established a reagent production facility in China, a market expected to show tremendous growth, and has secured market share leadership in both hematology and hemostasis. We also entered the clinical chemistry business in March 2003. In August 2003, we strengthened our local production structure by establishing Sysmex Wuxi as our second reagent production base in China. We have built a solid sales and support network to cover this geographically enormous market together with local distributors, and we maintain sales offices in Shanghai, Beijing, Shenyang, Xian, Chengdu, and Guangzhou.



SYSMEX SHANGHAI LTD.

Asia Pacific

Sysmex aggressively engages in business in Asia with the aim of being the leading comprehensive supplier in the diagnostics market in the region. In July 2002, we established PT. Sysmex Indonesia. We operate sales and support units in Taiwan, India, Singapore, Malaysia, Thailand, the Philippines, Vietnam, New Zealand and Indonesia. We also operate reagent factories in Singapore and India to engage in business activities closely aligned with the requirements of local markets.



SYSMEX ASIA PACIFIC PTE LTD.

Investor Information

SYSMEX CORPORATION (As of March 31, 2006)

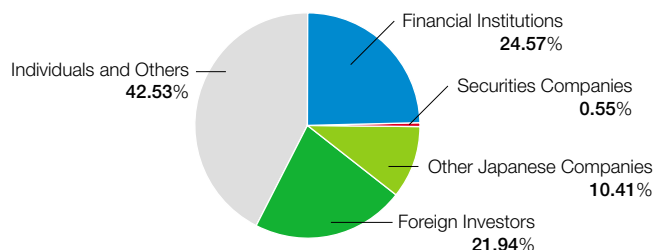
Established February 20, 1968
Number of Employees 3,333 (consolidated basis)
 1,650 (non-consolidated basis)
 * Including part-time employees
Fiscal Year April 1 - March 31
 Annual meeting held in June

Common Stock

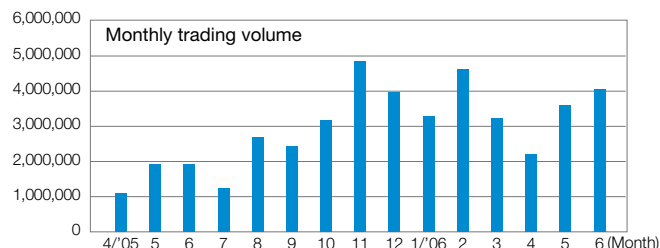
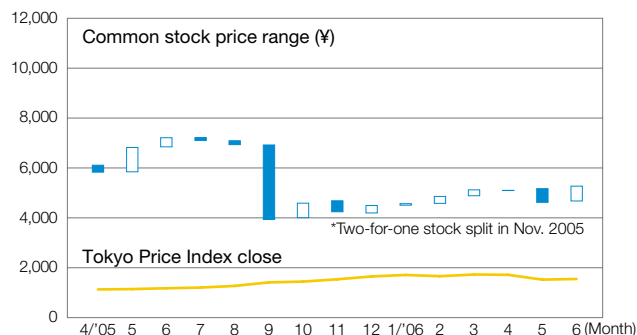
Authorized: 149,672,000 shares
Issued: 50,005,596 shares
Paid-in Capital: ¥7,954 million
Listings: Tokyo Stock Exchange, First Section
 Osaka Securities Exchange, First Section
November 1995: Listed on Osaka Securities Exchange, Second Section
July 1996: Listed on Tokyo Stock Exchange, Second Section
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
Rating: A (Rating and Investment Information, Inc (R&I))
Indexes: Russell/Nomura Japan Equity Indexes
 FTSE Japan Index



Composition of Shareholders (As of March 31, 2006)



Stock Price Range & Trading Volume



OFFICES (As of June 30, 2006)

Head Office: 1-5-1, Wakinojima-kaigandori, Chuo-ku, Kobe, Hyogo 651-0073, Japan
 Tel: (+81) 78-265-0500
 Fax: (+81) 78-265-0524
Solution Center: 1-3-2, Murotani, Nishi-ku, Kobe, Hyogo 651-2241, Japan
 Tel: (+81) 78-992-5860
Techno Center: 4-4-4, Takatsukadai, Nishi-ku, Kobe, Hyogo 651-2271, Japan
 Tel: (+81) 78-991-1911
R&D Center: 1-1-2, Murotani, Nishi-ku, Kobe, Hyogo 651-2241, Japan
 Tel: (+81) 78-991-2212
Kakogawa Factory: 314-2, Kitano, Noguchi-cho, Kakogawa, Hyogo 675-0011, Japan
 Tel: (+81) 79-424-1171
Sendai Branch 4-6-1, Chuo, Aoba-ku, Sendai 980-6024, Japan
 Tel: (+81) 22-722-1710

Kitakanto Branch: 4-261-1, Kishiki-cho, Oomiya-ku, Saitama 330-0843, Japan
 Tel: (+81) 48-600-3888
Tokyo Branch: 1-24-1, Hongo, Bunkyo-ku, Tokyo 113-0033, Japan
 Tel: (+81) 3-3814-5046
Nagoya Branch: 1-603, Kamiyashiro, Meito-ku, Nagoya 465-0025, Japan
 Tel: (+81) 52-775-8101
Osaka Branch: 17-1, Enoki-cho, Suita, Osaka 564-0053, Japan
 Tel: (+81) 6-6337-8300
Hiroshima Branch: 3-17, Fukuro-machi, Naka-ku, Hiroshima 730-0036, Japan
 Tel: (+81) 82-248-9070
Fukuoka Branch: 4-9-24, Hakata Eki Minami, Hakata-ku, Fukuoka 812-0016, Japan
 Tel: (+81) 92-411-4314
Japanese Sales Offices: Sapporo, Morioka, Nagano, Niigata, Chiba, Yokohama, Shizuoka, Kanazawa, Kyoto, Kobe, Takamatsu, Okayama, Kagoshima

Consolidated Subsidiaries and Affiliates

Japan

SYSMEX INTERNATIONAL REAGENTS CO., LTD.

HEAD OFFICE/SEISHIN FACTORY
4-3-2, Takatsukadai, Nishi-ku, Kobe, Hyogo
651-2271, Japan
Tel: (+81) 78-991-2211
Fax: (+81) 78-991-1311

ONO FACTORY

17 Takumidai, Ono, Hyogo 675-1322, Japan
Tel: (+81) 794-62-7001
Fax: (+81) 794-62-7005

Equity Ownership by Group: 100%
Established: December 1969

SYSMEX MEDICA CO., LTD.

323-3 Miyaoki, Yumesaki-cho, Himeji, Hyogo
671-2121, Japan
Tel: (+81) 79-335-2080
Fax: (+81) 79-337-2806

Equity Ownership by Group: 100%
Established: March 1978

TOA MEDICAL CO., LTD.

1-3-2, Murotani, Nishi-ku, Kobe, Hyogo
651-2241, Japan
Tel: (+81) 78-992-5883
Fax: (+81) 78-992-5884

Equity Ownership by Group: 100%
Established: July 1992

SYSMEX LOGISTICS CO., LTD.

17 Takumidai, Ono, Hyogo 675-1322, Japan
Tel: (+81) 794-64-2326
Fax: (+81) 794-64-2310

Equity Ownership by Group: 100%
Established: December 1997

SYSMEX RA CO., LTD.

1850-3 Hirookanomura, Shiojiri, Nagano
399-0702, Japan
Tel: (+81) 263-54-2251
Fax: (+81) 263-54-2254

Equity Ownership by Group: 96.4%
Established: March 1978

CNA CO., LTD.

2-3-7, Hakata Eki Mae, Hakata-ku, Fukuoka
812-0011, Japan
Tel: (+81) 92-476-1121
Fax: (+81) 92-476-1131

Equity Ownership by Group: 50.8%
Established: February 1996

Americas

SYSMEX AMERICA, INC.

1 Nelson C. White Parkway,
Mundelein, IL 60060, U.S.A.
Tel: (+1) 847-996-4500
Fax: (+1) 847-996-4505

Equity Ownership by Group: 100%
Established: June 2003

SYSMEX REAGENTS AMERICA, INC.

10716 Reagan Street, Los Alamitos,
CA 90720, U.S.A.
Tel: (+1) 562-799-4001
Fax: (+1) 562-799-9702

Equity Ownership by Group: 100%
Established: December 1993

SYSMEX DO BRASIL INDUSTRIA E COMERCIO LTDA.

Rua Joaquin Nabuco, 615 Sao Jose dos
Pinhais, Parana, CEP, 83040210, Brasil
Tel: (+55) 41-2104-1314
Fax: (+55) 41-2104-1300

Equity Ownership by Group: 100%
Established: December 1998

Europe

SYSMEX EUROPE GMBH

Bornbarch 1, 22848 Norderstedt, Germany
Tel: (+49) 40-527260
Fax: (+49) 40-52726100

Equity Ownership by Group: 100%
Established: October 1980

SYSMEX DEUTSCHLAND GMBH

Bornbarch 1, 22848 Norderstedt, Germany
Tel: (+49) 40-5341020
Fax: (+49) 40-5232302

Equity Ownership by Group: 100%
Established: March 1995

WELLTEC GMBH

Rheingaustrasse 190-196, 65203 Wiesbaden,
Germany
Tel: (+49) 6119-628-823
Fax: (+49) 6119-628-824

Equity Ownership by Group: 75.2%
Established: March 2002

SYSMEX UK LIMITED

Sysmex House, Garamonde Drive, Wymbush,
Milton Keynes, MK8 8DF, U.K.
Tel: (+44) (0) 870-902-9210
Fax: (+44) (0) 870-902-9211

Equity Ownership by Group: 100%
Established: May 1991

SYSMEX LOGISTICS UK LTD.

Unit 4 IO Centre, Fingle Drive, Stonebridge, Milton
Keynes, MK13 0AT, Buckinghamshire, U.K.
Tel: (+44) (0) 870-902-9230
Fax: (+44) (0) 870-902-9231

Equity Ownership by Group: 100%
Established: December 2003

SYSMEX BELGIUM S.A.

Rue Pres Champs 25B, 4671 Barchon, Belgium
Tel: (+32) 4-387-9393
Fax: (+32) 4-387-9394

Equity Ownership by Group: 100%
Established: September 1997

SYSMEX FRANCE S.A.S.

Paris Nord II, 22, avenue des Nations, B.P.
50414 Villepinte, 95944 ROISSY-CDG Cedex,
France
Tel: (+33) 1-48-170190
Fax: (+33) 1-48-632350

Equity Ownership by Group: 100%
Established: February 2000

SYSMEX BELGIUM IT SLOVAKIA, S.R.O.

Drobneho 27, 841-01 Bratislava, Slovakia
Tel: (+42) 126-453-3201
Fax: (+42) 126-428-1651

Equity Ownership by Group: 76%
Established: March 2001

SYSMEX POLSKA S.P.Z O.O.

Kopernik Office Building, Al. Jerozolimskie 176,
02-486 Warszawa, Poland
Tel: (+48) 22-57284-00
Fax: (+48) 22-57284-10

Equity Ownership by Group: 100%
Established: May 2005

SYSMEX SOUTH AFRICA (PTY) LTD.

Fernridge Office Park, Block 2; 5 Hunter
Avenue; Ferndale; Randburg 2194 RSA

Equity Ownership by Group: 100%
Established: April 2006

China

JINAN SYSMEX MEDICAL ELECTRONICS CO., LTD.

7493 Airport Road, Yaoqiang Town, Licheng District, Jinan City, Shandong Province, China; PC.250107
Tel: (+86) 531-8873-4440
Fax: (+86) 531-8873-4442

Equity Ownership by Group: 100%
Established: June 1995

SYSMEX HONG KONG LIMITED

Rm. 1509, 15/F., Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong
Tel: (+852) 2543-5123
Fax: (+852) 2543-5181

Equity Ownership by Group: 100%
Established: December 1999

SYSMEX SHANGHAI LTD.

9th Floor, Azia Center, 1233 Lujiazui Ring Road, Shanghai, 200120, China
Tel: (+86) 21-6888-2626
Fax: (+86) 21-6888-2625

Equity Ownership by Group: 100%
Established: January 2000

SYSMEX INFOSYSTEMS CHINA, LTD.

9th Floor, Azia Center, 1233 Lujiazui Ring Road, Shanghai, 200120, China
Tel: (+86) 21-6888-2606
Fax: (+86) 21-6888-2605

Equity Ownership by Group: 100%
Established: July 2000

SYSMEX WUXI CO., LTD.

#8-9, No.93, Science Technology Stand-up Park, Wuxi National Hi-Tech. District Development Zone, Wuxi City, Jiangsu Province, 214028, China
Tel: (+86) 510-8534-5837
Fax: (+86) 510-8534-3896

Equity Ownership by Group: 100%
Established: August 2003

Asia Pacific

SYSMEX ASIA PACIFIC PTE LTD.

2 Woodlands Sector 1, #01-06 Woodlands Spectrum, Singapore 738068
Tel: (+65) 6221-3629
Fax: (+65) 6221-3687

Equity Ownership by Group: 100%
Established: February 1998

SYSMEX (MALAYSIA) SDN BHD

Lot 928, Block A, Kelana Centre Point, Jln SS 7/19 Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia
Tel: (+60) 3-78041799
Fax: (+60) 3-78047821

Equity Ownership by Group: 100%
Established: April 1998

SYSMEX TRANSASIA BIO-MEDICALS PRIVATE LTD.

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
Fax: (+91) 22-2836-5068

Equity Ownership by Group: 51%
Established: July 1998

SYSMEX (THAILAND) CO., LTD.

14 Soi Ramkamhaeng 43/1, Ramkamhaeng Road, Wangthonglang, Bangkok 10310, Thailand
Tel: (+66) (0)-2949-0899
Fax: (+66) (0)-2949-0808

Equity Ownership by Group: 51%
Established: May 1999

MED-ONE CO., LTD.*

14 Soi Ramkamhaeng 43/1, Ramkamhaeng Road, Wangthonglang, Bangkok 10310, Thailand
Tel: (+66) (0)-2949-0899
Fax: (+66) (0)-2949-0808

Equity Ownership by Group: 49%
Established: May 1999

SYSMEX SAN TUNG CO., LTD.

1ST Fl., 11, Lane 6, Sec. 1, Hangchow S. Rd., Taipei, Taiwan R.O.C.
Tel: (+886) 2-2341-9290
Fax: (+886) 2-2341-9275

Equity Ownership by Group: 51%
Established: May 2000

SYSMEX NEW ZEALAND LIMITED

382-386 Manukau Road, Epsom, Auckland 1030, New Zealand
Tel: (+64) 9-630-3554
Fax: (+64) 9-630-8135

Equity Ownership by Group: 100%
Established: October 2001

PT. SYSMEX INDONESIA

Menara Hijau, Suite 1005 Jl. MT. Haryono Kav. 33, South Jakarta, 12770 Indonesia
Tel: (+62) 21-7986005
Fax: (+62) 21-7986007

Equity Ownership by Group: 100%
Established: March 2002

*Company under the application of the equity method

(As of June 30, 2006)

Topics

- SYSMEX HOLDING BELGIUM S.A.
Dissolved and liquidated in August 2005.
- SYSMEX INTERNATIONAL REAGENTS CO., LTD.
The reagent production unit transferred from Sysmex Corporation in a corporate separation in April 2006.
- SYSMEX SOUTH AFRICA (PTY) LTD.
Established in April 2006.

SYSMEX CORPORATION

1-5-1 Wakinohama-Kaigandori, Chuo-ku, Kobe, Hyogo 651-0073, Japan

URL: www.sysmex.co.jp



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