

Moving to the Next Stage

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 now hold the highest 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 33 locations in 19 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.

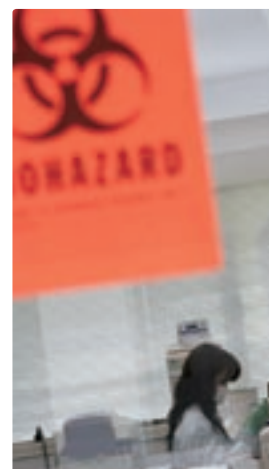
Forward-looking Statements

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.



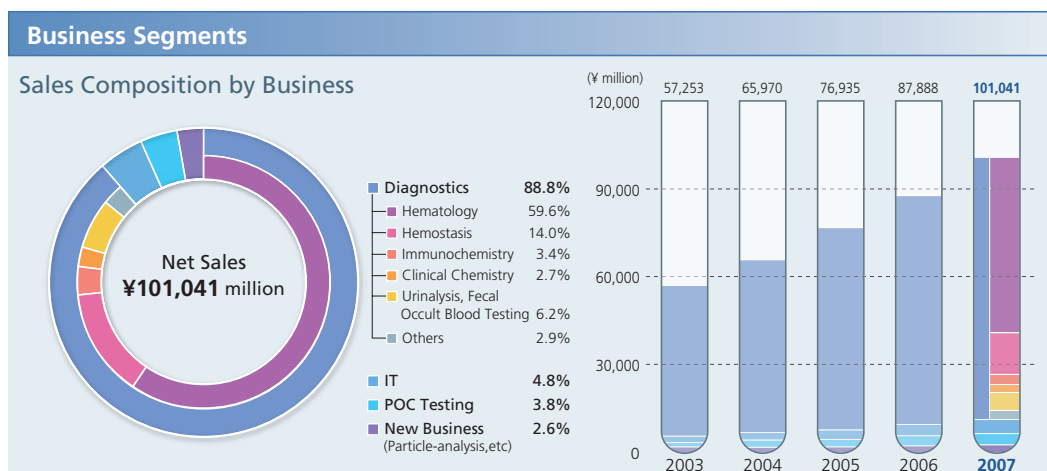
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A Synopsis of Sysmex

Sysmex at a Glance



Sysmex derives approximately 90% of its revenues from the business of testing samples of human body fluids, such as blood and urine, with hospital and commercial laboratories as its principal customers. More specifically, our main field of business is hematology, which involves measuring the number and type of white and red blood cells. This business accounts for around 60% of net sales.

Hematology uses specific reagents, and the sale of hematology instruments leads to an automatic and sustainable source of revenue through the sales of reagents.

There are synergies between this business and the field of diagnostics, where in testing information systems and other types of information technology are used to form medical informa-

(¥ million)

	2003	2004	2005	2006	2007
Diagnostics	51,625	59,109	69,183	78,306	89,758
Hematology	30,920	37,643	44,176	52,118	60,216
Hemostasis	8,860	8,925	11,195	12,150	14,145
Immunochemistry	5,133	4,712	4,613	4,061	3,400
Clinical Chemistry	2,751	2,751	3,179	3,008	2,760
Urinalysis, Fecal Occult Blood Testing	2,879	3,681	4,748	5,142	6,295
Others	1,082	1,397	1,272	1,825	2,938
IT	2,222	2,569	3,222	3,812	4,807
POC Testing	1,460	2,457	2,578	3,444	3,823
New Business (Particle-analysis, etc.)	1,946	1,834	1,952	2,325	2,652

-tion networks. We also provide such products as influenza testing kits for point-of-care use in operating rooms, general practices and clinics.

Applying the specialties it has cultivated in the diagnostics business, Sysmex is also expanding into sports and industrial business categories that employ particle-analysis technology.

Breakdown of Diagnostics

Hematology

Hematology utilizes screening testing by measuring the number of white blood cells and red blood cells in the blood, in order to determine whether a more detailed examination is necessary.

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) function.

Immunochemistry

Immunochemistry is performed on blood serum, the supernatant fluid isolated after blood separates, to detect antigen-antibody reactions. It is used to test for the presence of the hepatitis virus or other infections, and for the contraction of cancer.

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.

Urinalysis, Fecal Occult Blood Testing

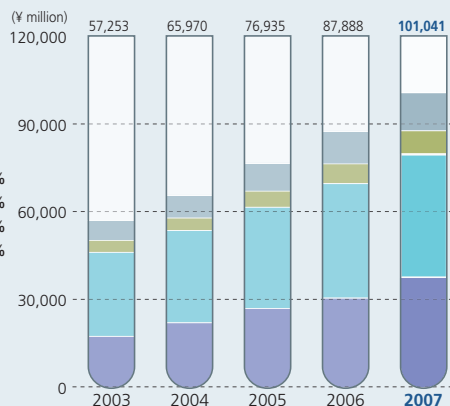
Urinalysis entails testing for signs of sugar, protein, and blood in urine and can be broadly divided into two types: qualitative urinalysis and quantitative urinalysis. Urinalysis is an important screening test that typically yields clues for diagnosing a number of diseases.

Product Segments

Sales Composition by Products



Medical Instruments	37.5%
Reagent	41.6%
Maintenance Service	8.0%
Others	12.9%

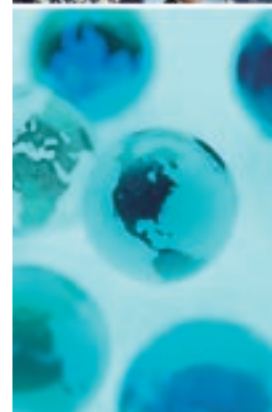
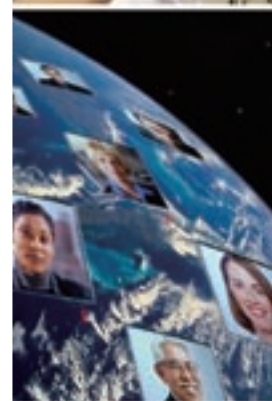


Sysmex sells the instruments needed for in vitro diagnostics, offers the specific reagents needed for long-term testing and provides support and maintenance services, in what is essentially a stock type of business. Sales of specific reagents and the provision of maintenance services and others account for approximately 60% of net sales. This configuration enables steady growth and should allow high levels of stable growth to continue well into the future.

Sales of reagents deliver a higher profit margin than do instruments. As reagent usage

	¥ million				
	2003	2004	2005	2006	2007
Medical Instruments	17,679	22,330	27,244	30,790	37,847
Reagent	28,762	31,551	34,635	39,141	42,038
Maintenance Service	4,072	4,266	5,486	6,773	8,127
Others	6,738	7,822	9,569	11,182	13,027

volume increases in line with an increase in the number of examinations, this segment provides an increasingly stable source of revenues and profits.

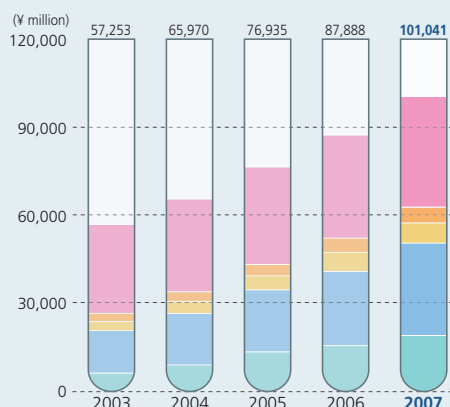


Geographical Segments

Sales Composition by Region



Americas	19.0%
Europe	31.3%
China	6.8%
Asia Pacific	5.4%
Japan	37.5%



Sysmex supplies products and services to customers in more than 150 countries. Net sales are well balanced among three key geographic regions—Japan, Europe and North America. We are also accelerating business development in China and the Asia Pacific in anticipation of stable sales growth in these rapidly expanding markets.

	¥ million				
	2003	2004	2005	2006	2007
Americas	6,376	9,182	13,633	15,762	19,227
Europe	14,549	17,628	21,235	25,438	31,659
China	3,142	4,066	4,824	6,411	6,848
Asia Pacific	2,732	3,309	3,836	4,857	5,432
Japan	30,452	31,784	33,407	35,418	37,872

Business Domains

Testing Essential to the Realization of a Healthy Society

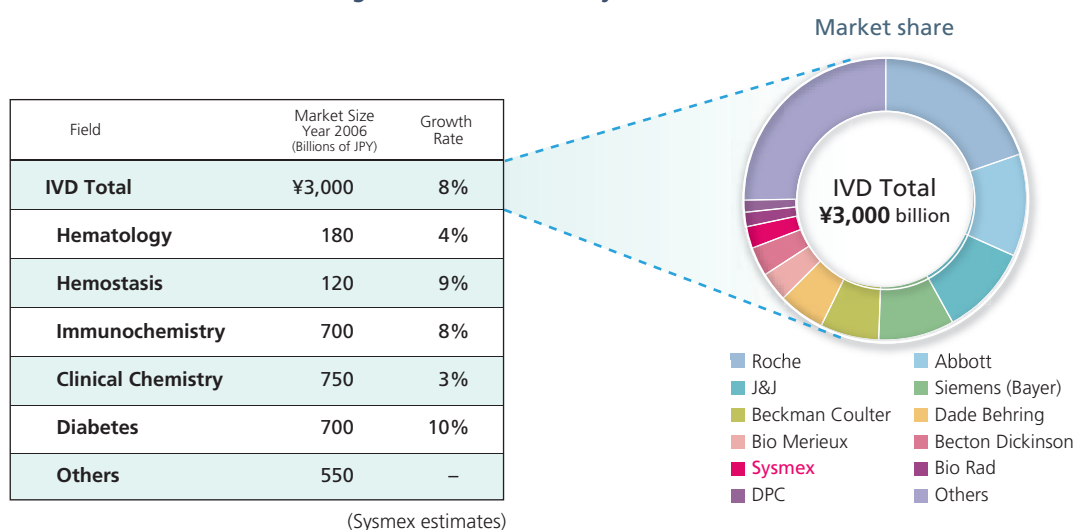
Sysmex offers a broad range of products and after-sales support services for *in vitro* diagnostics (the examination of blood, urine or cell samples taken from the body). Clinical testing, which is used in medical diagnosis and treatment and in monitoring the effects of drug administration, is essential to the realization of a healthy society. The global diagnostics market, which was valued at ¥3,000 billion in 2006, is projected to expand at an annual rate of 8.0%

over the next 5 years.

Sysmex provides a wide variety of products and support services, ranging from individual instruments and reagents for *in vitro* diagnostics to full laboratory information systems.

In 2006, Sysmex ranked 9th in the world in the diagnostics field. We now command the leading share of the global hematology segment.

Diagnostics Market and Sysmex's Position



Diagnosics

Hematology

Hematology is performed using an instrument and specific reagents, so demand for the reagents is continuous. The size of the global hematology segment is ¥180 billion (Sysmex estimates). Three major global suppliers command a very high share of the market: Sysmex, Beckman Coulter, and Abbott.

Hemostasis

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 estimates). 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

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 estimates), and the market is expected to expand in the coming years.

Clinical Chemistry

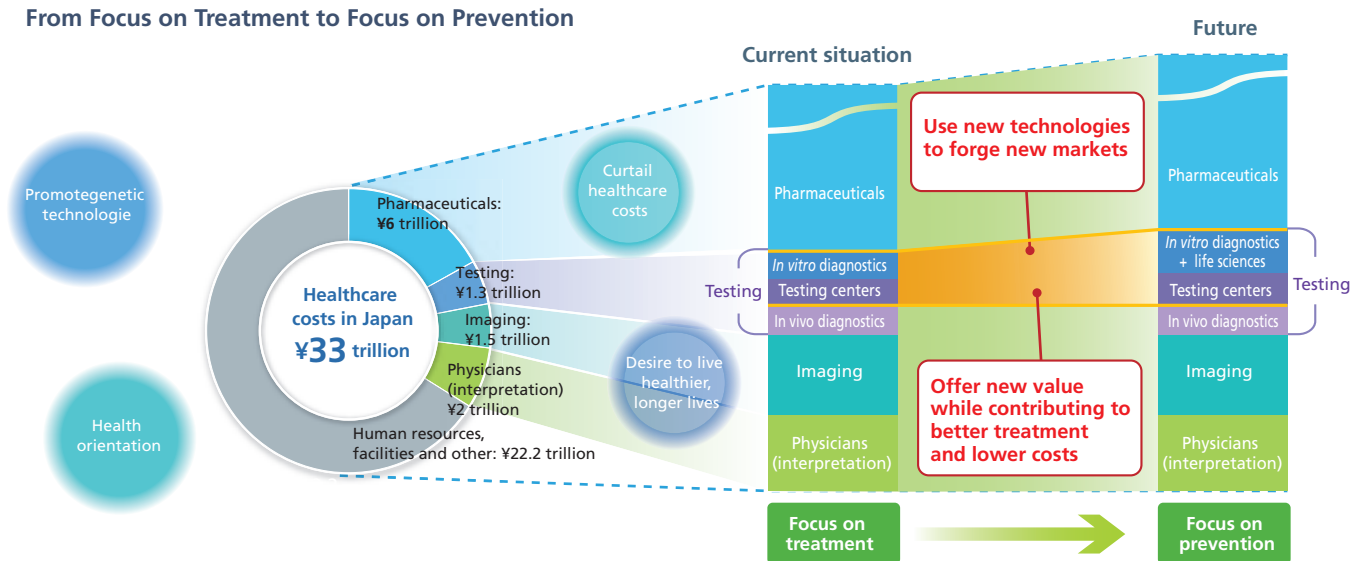
Like hematology, clinical chemistry is commonly performed around the world not only at times of illness, but also in routine health checkups, and the total number of examinations is extremely high. The size of the global clinical chemistry market is ¥750 billion (Sysmex estimate). Sysmex has a high market share in Japan for the quality control serum used with various types of general-purpose reagents.

The Shift to an Aging Society and Preventive Medicine

As the societies of Japan and other advanced countries age, countries are implementing healthcare reforms to extend the healthy lifespan of their populations while reining in rising healthcare costs. The current worldwide shift toward preventive healthcare is prompting a renewed focus on preventive medicine and prognosis prediction to

enhance the quality of life of patients. The importance of testing is growing accordingly, and we expect diagnostics to play an increasingly important role. Sysmex is fostering new testing technologies that combine *in vitro* diagnostics and the life sciences. Through testing products, we will contribute to improved healthcare quality and efficiency.

From Focus on Treatment to Focus on Prevention



Urinalysis, Fecal Occult Blood Testing

Sysmex introduced the world's first urine sediment analysis system that uses the flow cytometry method, which contributes greatly to the automation of diagnostic routines and greater efficiency. 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.

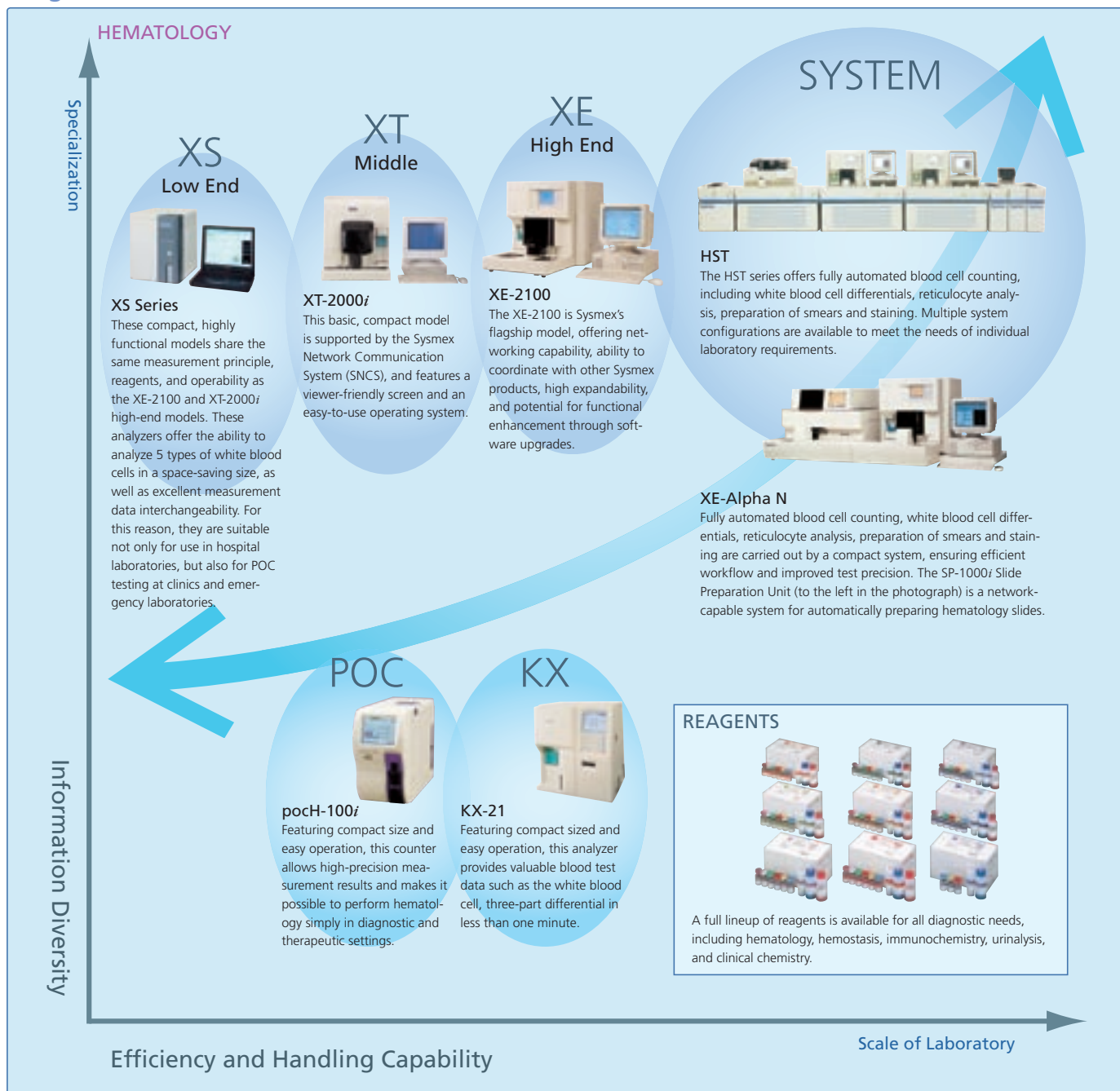
New Business

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.

Major Products

Diagnostics



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.



CS-2000i

The CS-2000i analyzer employs a 4th method, agglutination, in addition to the 3 fundamental measurement methods—the coagulation, chromogenic substrate and turbidimetric immunoassay methods. Integrating all these testing methods into a single station raises processing performance.



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-40i

The PAMIA-40i 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.

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, 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, etc.)

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.

10-year Growth and Highlights

Sysmex Corporation and Subsidiaries

For the years ended March 31,

	1997	1998	1999	2000	2001	2002
For the year:						
Net Sales	¥ 33,992	¥ 35,576	¥ 38,337	¥37,244	¥ 38,817	¥ 47,532
Operating Income	3,817	3,178	3,400	3,618	2,975	3,417
Net Income	1,642	1,555	913	1,838	1,363	1,308
Net Increase (Decrease) in Cash and Cash Equivalents				5,818	(2,562)	1,842
Cash and Cash Equivalents, End of Year			4,083	9,901	7,338	9,181
Capital Expenditure	2,104	2,890	2,140	3,018	2,098	2,455
Depreciation	2,130	2,310	2,359	2,316	2,541	2,810
R&D Expenditure	2,989	2,992	2,813	3,155	3,527	4,130
At year-end:						
Total Assets	42,568	43,172	42,513	49,967	55,219	66,502
Shareholders' Equity	30,227	31,283	31,680	33,596	34,103	35,577
Interest-bearing Liabilities	2,274	981	1,328	5,810	11,020	11,606
Per share data:						
Shareholders' Equity (Yen)	¥1,445.7	¥1,496.1	¥1,515.1	¥1,606.8	¥1,631.0	¥1,701.5
Net Income (basic) (Yen)	78.5	74.4	43.7	87.9	65.2	62.6
Net Income (diluted) (Yen)				87.7	60.8	58.4
Cash Dividends Applicable to the Year (Yen)	20.0	20.0	22.0	22.0	22.0	22.0
Other data:						
Shareholders' Equity Ratio (%)	71.0	72.5	74.5	67.2	61.8	53.5
Return on Equity (%)	5.5	5.1	2.9	5.6	4.0	3.8
Return on Assets (%)	3.9	3.6	2.1	4.0	2.6	2.1
Price-Earnings Ratio (times)	23.2	15.2	42.1	36.7	42.6	35.6
Price-Book Value Ratio (times)	1.3	0.8	1.2	2.0	1.7	1.3
Number of Employees	1,480	1,587	1,757	1,809	1,985	2,530

*Including part-time employees

Notes:

- U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥118 = U.S. \$1, the approximate rate of exchange on March 31, 2007.
- 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(u). Per Share Information on page 73 of the Notes to Consolidated Financial Statements).

Systemx has achieved stable growth by implementing appropriate measures to respond accurately to changing trends.

► An industry leader in embarking on a course of global development

► Proactively forming a variety of partnerships and alliances

► Creating our own sales structures

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

■ 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.



■ 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.

■ 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.

■ 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.



■ Ongoing yen appreciation.

■ 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.



■ Consolidation of INTERNATIONAL REAGENTS CORPORATION (Today's SYSMEX INTERNATIONAL REAGENTS CO., LTD.) boosts net sales in second half.

(Millions of Yen)

(Thousands of U.S. Dollars)

2003	2004	2005	2006	2007	2007
¥ 57,253	¥ 65,970	¥ 76,935	¥ 87,888	¥ 101,041	\$856,280
5,299	6,615	9,104	10,724	12,715	107,755
3,125	3,157	5,731	7,423	9,008	76,339
1,071	3,465	(3,261)	(499)	3,299	27,958
10,253	13,718	10,458	9,416	12,715	107,754
2,317	2,451	2,729	5,638	4,546	38,525
3,107	3,203	3,296	3,592	3,959	33,551
4,969	5,549	6,509	8,184	9,026	76,492
66,449	71,983	77,660	87,447	101,225	857,839
43,325	51,096	56,149	62,647	71,344	604,611
10,893	4,175	657	695	669	5,669
				(Yen)	(U.S. Dollars)

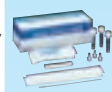
¥1,879.5	¥2,042.7	¥2,244.9	¥1,251.8	¥1,411.0	\$12.0
132.2	132.9	225.1	145.5*	179.6	1.52
121.8	123.1	224.0	143.8*	178.0	1.51
25.0	30.0	40.0	36.0*	36.0	0.31
65.2	71.0	72.3	71.6	70.5	
7.9	6.7	10.7	12.5	13.4	
4.7	4.6	7.7	9.0	9.5	
15.9	20.3	27.2	35.3	23.8	
1.1	1.3	2.7	4.1	3.0	
2,639	2,907	3,115	3,334	3,580	

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

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

■ **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.



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

■ **NOV.**
A stock split.

■ Consolidation of CNA CO., LTD. boosts net sales in second half.

■ Shift to direct sales in the United States has positive impact on net sales in first half.

■ Changed in settlement period for consolidated subsidiaries.

■ Consolidation of INTERNATIONAL REAGENTS CORPORATION (Today's SYSMEX INTERNATIONAL REAGENTS CO., LTD.) boosts annual net sales.

■ Consolidation of RA SYSTEMS CORP. adds net sales in second half.

■ Consolidation of RA SYSTEMS CORP. increases annual net sales.

■ Shift to direct sales in the United States has positive impact on net sales in second half.

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



■ **JAN.**
Opened a representative office in Australia.

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



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

■ **JUL.**
Opened "R&D Center Europe" in Germany.

■ **SEP.**
Started construction of Sysmex Techno Park.

■ **OCT.**
Established the Indian subsidiary SYSMEX INDIA PVT. LTD.

■ **JAN.**
Developed *in vitro* diagnostic technique for cancers with Oncolys BioPharma, Inc.

■ **FEB.**
Launched automated hematology analyzer XE-5000, the new model of its hematology analyzers line in Europe.



■ **APR.**
Consolidated CNA CO., LTD. as a wholly owned subsidiary through a share change.

■ **APR.**
Establishment of group corporate philosophy, the "Sysmex Way".

■ **JUN.**
Extended their agreement with Roche Diagnostics for marketing and sales of products.

■ **JUN.**
Signed an agreement with bioMérieux for distributing products for microbiology laboratories.

■ Consolidation of SYSMEX DIGITANA AG adds net sales in second half.

Aiming to Achieve More Than ¥200 Billion in Net Sales

Moving to the Next Stage

	2010
Net Sales	140 billion yen
Operating Income	20.0 billion yen
Operating Margin	14.3%
ROE	13.6%
FCF	10.4 billion yen

To Our Shareholders

Fiscal 2006 was a banner year for Sysmex, as we achieved our goals of becoming the global leader in the field of hematology and earning net sales of ¥100 billion.

We are not complacent about our current growth, and a new mid-term plan is already in the works to propel us to the next stage of dramatic growth.

Looking by country at the economic environment in which Sysmex operates, in Japan strong corporate earnings spurred capital investment, and the employment situation improved. Although personal consumption was less than vigorous, the economy continued its gradual expansion. Growth in the U.S. economy decelerated in line with a slowdown in the housing market, but personal consumption expanded on the back of firm employment figures, enabling overall growth to continue. Internal demand supported stable economic growth in Europe. High levels of overall economic growth continued in Asia, particularly in China and India.

In the medical arena, conditions in Japan remained problematic, as various measures related to healthcare reform were drafted in Japan with the aim of reducing healthcare costs on a short- to medium-term basis. In Europe and the United States, efforts to reduce medical costs through healthcare system reform continued. Conversely, economic expansion in China and other parts of Asia spurred demand for medical instruments.

In this business environment, Sysmex achieved historic levels of operating performance in fiscal 2006, ended March 31, 2007. During the year, the Company worked to expand its product portfolio in the diagnostics business by introducing high-value-added analysis instruments to perform tests of higher quality on a variety of patients. These instruments included the CS-2000i, a fully automated coagulation analyzer; the UF-1000i, a fully automated urine sediment analyzer; and the XE-5000, an automatic multi-parameter blood cell analyzer. To enhance its overseas sales and service network, in April 2006 Sysmex established a new company in South Africa, and in September we converted an agency in Switzerland to a subsidiary. Such efforts are part of our drive to accelerate business development overseas through local entities. On the R&D front, we began construction on Sysmex Techno Park, an R&D center that will create advanced, high-value diagnostic technologies. Sysmex also entered into agreements for joint R&D, clinical development and marketing with Affymetrix Inc. of the United States, which has gained a global reputation for its expertise in DNA chip technology.

In Japan, we benefited from large-scale orders from commercial laboratories for hematology testing. In addition, we received a multi-unit order from the Japanese Red Cross Society for hematology analyzers which are used at blood centers throughout Japan. By proposing IT-based solutions

and aggressively introducing new products to meet a range of customer needs, we succeeded in raising sales in Japan 6.9% during the year, to ¥37,873 million. In the United States, our sales activities were broad-ranging. We covered large hospitals and prominent testing centers, as well as small and medium-sized hospitals as we worked to raise brand awareness and increase our market share in a variety of customer segments. In Europe, we worked diligently to strengthen our sales and service network. We launched our first product in the life science category, the RD-100i gene amplification detector, which contributed to awareness of the Company in academic and other circles. In China and the Asia-Pacific region, we extended our product portfolio and pushed forward with consultative selling efforts to provide total solutions. These efforts, combined with depreciation of the yen against other currencies, boosted overseas sales 20.4%, to ¥63,168 million, accounting for 62.5% of net sales, up 2.8 percentage points from the preceding term. Consolidated net sales amounted to ¥101,041 million, up 15.0%. On the profit front, sales and support and R&D expenditure increased in line with efforts to strengthen our overseas sales and service network, causing selling, general and administrative expenses to rise. Benefiting from the increase in sales, however, operating income rose 18.6%, to ¥12,715 million, and net income grew 21.4%, to ¥9,008 million. We raised dividends ¥4 per share, compared with our initial forecast, to an annual total of ¥36 per share.

Thanks to the strong support of its shareholders, Sysmex has achieved its goal of becoming a global leader in the hematology field. To raise society's trust in the Company even further, in the spring of 2007 we introduced a new corporate philosophy, the "Sysmex Way." We have also announced a new mid-term plan that concludes in the year ending March 31, 2010. Moving forward, Sysmex aims to continue fulfilling its social responsibility to work toward a healthy and prosperous society, as well as raising corporate value. We are now focusing group efforts on moving to a new stage of development.

I ask for the continued support of our shareholders in these activities.

Hisashi Ietsugu
President and CEO



An Interview with the President

Sysmex has formulated three key strategies to drive growth to the next stage and respond to the demands of the times.



We will continue to take on new challenges as we work toward our goal of being

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

A: 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, 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. 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.

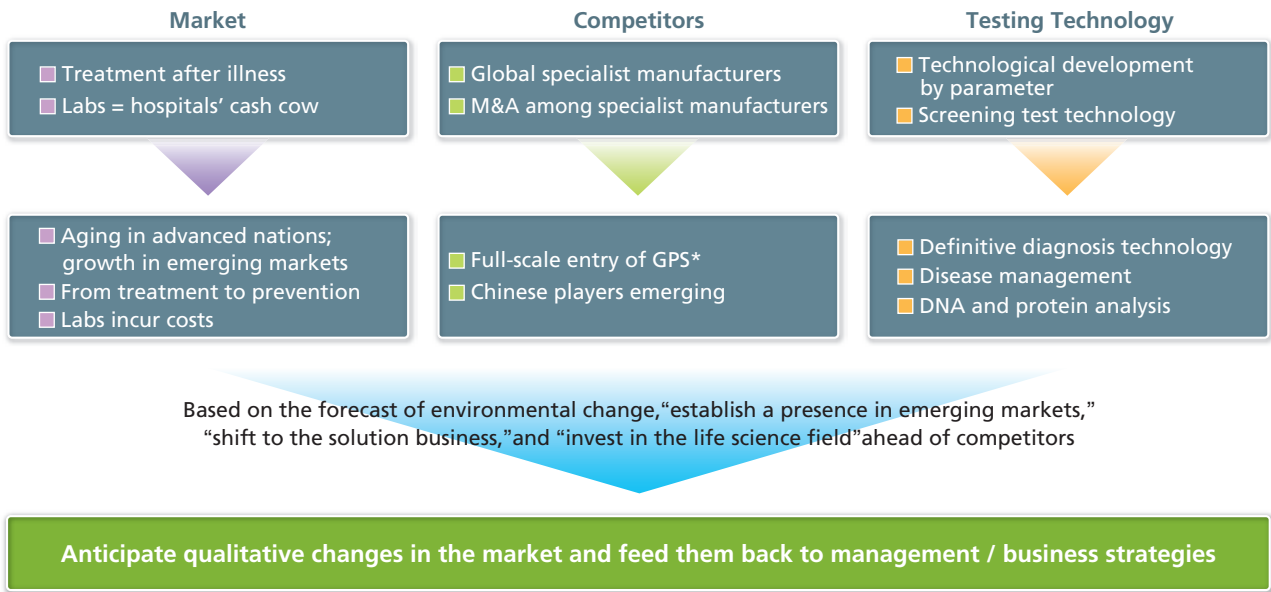
In addition to corporate reshuffling in the healthcare industry similar to the M&A activity that is rife in the

pharmaceuticals industry, I expect increasingly intense competition to change the face of the diagnostic products industry, as major producers of *in vivo* diagnostics make serious efforts to join *in vitro* diagnostics manufacturers in the marketplace.

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 using IT-driven information networks. I think that being among the first to perceive such changes and signs of the times and to reflect these signals managerially and operationally 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 throughout the world.

Market Scenarios



*GPS: GE, Philips, and Siemens

a leading healthcare company.

Q In fiscal 2006, the Company posted double-digit growth and its best performance to date, with net sales totaling more than ¥100 billion. What do you think are some of the reasons the Company has been able to achieve consistently high growth?

A Sysmex has achieved its goal of becoming a global leader in the hematology field thanks to the strong support of its stakeholders. In net sales, we broke through the ¥100 billion mark to reach ¥101 billion. Sysmex was one of the earliest Japanese companies to embark on global development in this industry. In addition to forming alliances, we created our own sales and service network and moved toward a system that allowed us to provide products and services directly to customers. At this point, overseas sales account for 62.5% of our total, and we deliver "peace of mind" to customers in more than 150 countries. We have transformed into a company that is capable of generating sales globally. The business model in our mainstay hematology business is distinct, in that customers continue to buy our specific reagents (consumable products) even after they have purchased our instruments. We also provide maintenance and support services. As a result, in

the hematology field, which is a highly stable stock business in the medium to long term, we have a stable, ongoing source of revenues from specific reagents and support services that increases as the volume of instrument grows. This situation showcases Sysmex-specific strengths in the development, manufacturing and sales of instruments and reagents.

We also have a head start on our competitors in moving into the solutions business. In recent years, developed countries have been promoting healthcare reform in an effort to restrain healthcare costs, which are rising as their populations age. The objective of the solutions business is to address in a comprehensive way the issues that our customers face, and in line with higher testing quality we propose improvements in overall efficiency. As a result, we have earned a strong global reputation, as healthcare system reforms require medical institutions to become more efficient.

Q ■ Now that Sysmex has achieved its goal of becoming the global leader in its mainstay hematology field, what are your growth strategies and what is your vision for raising corporate value?

A ■ This spring, we announced a new mid-term plan that concludes in the year ending March 31, 2010. Sysmex has created as its long-term vision the goals of becoming a unique and global healthcare testing company, the global No. 1 company in hematology, the leading company in the diagnostics field in Asia and a global niche company in the life science field, with consolidated net sales exceeding ¥200 billion. As milestones along this path of transformation, in the fiscal year ending March 31, 2010, we aim for net sales of ¥140 billion and operating income of ¥20 billion. We will promote three core strategies: Global Niche No. 1 Company; Focus on Asia; and Focus on Life Sciences.

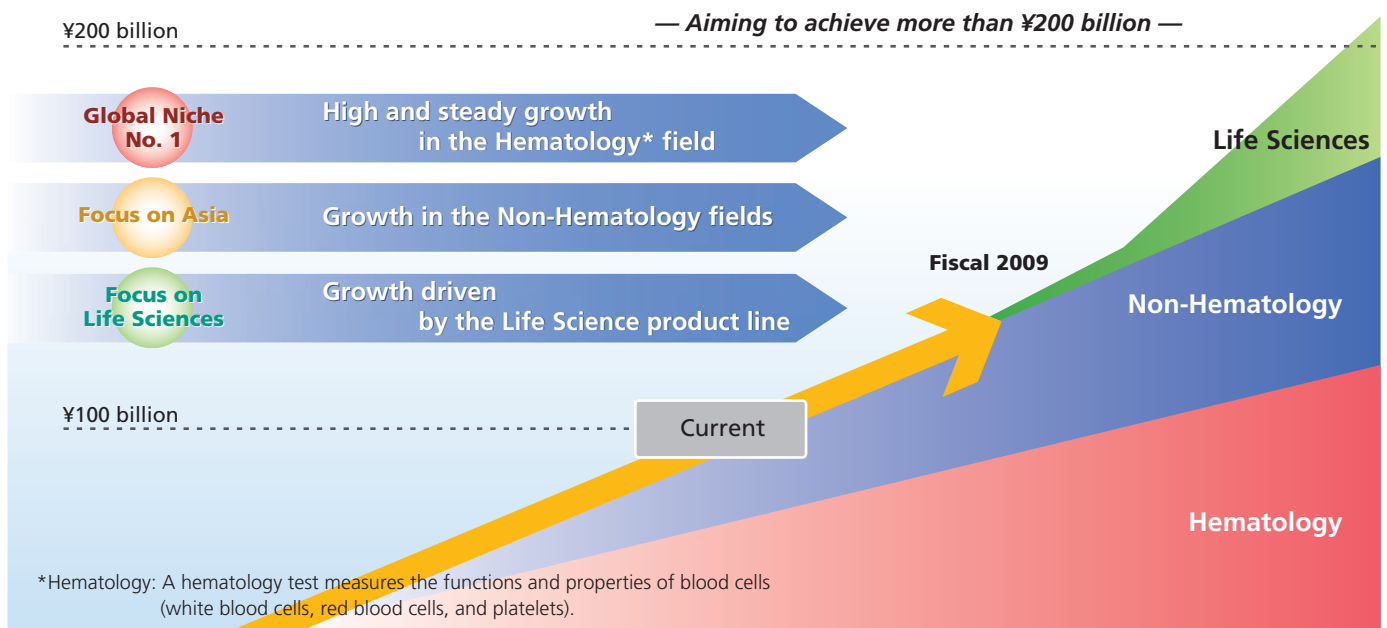
The 1st strategy we are pursuing is the “Global Niche No. 1 Company.” This involves building strengths that competitors cannot duplicate in niche markets, with the aim of becoming the global market leader. Specifically, we plan to strengthen our position as the leading global company in hematology, a goal we achieved this year. We have already attained market leadership in Japan and the rest of the world outside of the United States. There is significant room to expand our share in the U.S. market, which is the largest in the world. Capturing the U.S. market will allow us to gain an overwhelming share in the hematology business. We aim to attain the top position in all regions, thereby becoming the true leader in the hematology field. In addition to hematology, we intend to heighten our leading position in the hemostasis and urinalysis fields. Embracing the concept of disease management, we will expand from screening into the field of confirmed diagnosis. We plan to achieve stable and high levels of growth in the hematology field by providing high-value-added medical tests.

The 2nd 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.

With regard to Japan, although the market environment remains adverse in the face of declining birth rates and an aging population, 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 “Point of Care” (POC) and healthcare-related markets. We are already nearing the completion of facilities that will serve as our bases in China and the Asia-Pacific region. In Japan and the rest of Asia, we are working to enhance our offerings in the areas of clinical chemistry and immunochemistry. We should be able to grow in the non-hematology field by taking advantage of one of the industry’s best sales and service networks.

With regard to the 3rd strategy, “Focus on Life Sciences,” we have at last reached the starting line of commercialization. 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. In the life science field, we have already introduced into the European market the first clinical-use of a rapid diagnosis system for detection of breast cancer lymph node metastasis. In the future, we plan to promote business in new testing technologies that can be used by clinics as a frontrunner in clinical trials, applications for approval and listing. While working to expand life science research, we aim to strengthen our core technologies by combining proprietary technologies that we have cultivated in the diagnostics field with technology in the life sciences. I am convinced that R&D that takes advantage of this strength will increase our business potential and make a major contribution to future corporate value.

Mid- and Long-Term Growth Scenario



Q: What are you thinking on initiatives for future growth?

A ■ A company's growth involves several stages. I believe it is essential for us to be 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 dwelling on 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. This truly seems a dynamic time for Sysmex, as we move past net sales of ¥100 billion and evolve toward a company having net sales of more than ¥200 billion.

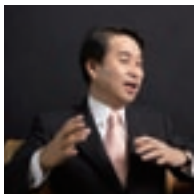
Because solid corporate governance is essential for sustainable growth, we moved to increase the speed of decision-making by introducing an executive officer structure and to enhance the management supervision role of the corporate auditors. In 2006, we laid out a comprehensive system of internal control. Now, we are working to increase management efficiency and transparency and to strengthen compliance with all applicable requirements. At the same time, we are proactive in our IR efforts so that we ensure the trust of shareholders and other investors. As openness, accountability and compliance are our three focuses in this respect, we constantly provide information about our short- and medium-term policies and circumstances.

As a company grows, it draws 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. We will have contributions to society from our business operations as its core and promote environmental conservation and community involvement.

By the same token, business expansion entails risk. Specifically, Sysmex is impacted significantly by healthcare system reform. In addition to selling instruments and reagents that meet the demands of healthcare system reform by raising efficiency and reducing administrative burdens, we provide services and IT-based solutions. Procuring raw materials and using information systems also involves risk. We employ risk management to avoid inconveniencing our customers.

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

An Interview with the President



Q: Is there a particular concept you favor in business management?

A: My work philosophy emphasizes the concept of “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 expand your business, you cannot simply be content with the current situation. You must always keep a close eye on the changing times and do your utmost to stay a half-step ahead of those changes. Our early establishment of business bases in the BRIC countries and other emerging markets reflects this way of thinking.

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

A: 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.

Q: Do you have any final message for shareholders?

A: To sustain strong growth, Sysmex must strike a balance between investing aggressively and returning profits to shareholders. Our aims are to ensure stable dividends, solid performance and a 20% consolidated payout ratio.

I think a company must continuously expand and fulfill its social responsibility. Sysmex is committed to increasing corporate value and meeting investor expectations by realizing its long-term vision as “A Unique & Global Healthcare Testing Company” and contributing to a healthy and prosperous society. The current environment is very different than when Sysmex was established, and I expect change to accelerate

and require even swifter resolution. People will expect better healthcare, and needs will grow more sophisticated. As a listed company, we will increase our contribution to society. This spring, we introduced the “Sysmex Way,” a corporate philosophy redefining the Company in line with the changing times, and established a set of core behaviors.

Sysmex will continue fulfilling its social responsibility toward a healthy and prosperous society and higher corporate value. As we move toward a new development stage, I ask that you view our business from a mid-term to long-term perspective and continue to support our endeavors.

The three key strategies to drive growth



Global Niche No. 1

This involves building strengths that competitors cannot duplicate in niche markets, with the aim of becoming the global market leader. We aim to attain the top position in all regions, thereby becoming the true leader in the hematology field.



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.



Focus on Life Sciences

We have at last reached the starting line of commercialization. Just as information technology has radically changed contemporary society, life sciences have the potential to utterly transform the society of the future.

The essence of our "Global Niche No. 1" strategy lies in manifesting Sysmex's strengths to become the global market leader in specialty fields.

As a comprehensive manufacturer in the diagnostics segment, Sysmex aims to outpace market growth through enhanced offerings.

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 (ECGs) and other tests. *In vitro* diagnostics involve analysis of samples of blood, tissue, urine, and other specimens taken from the body.

The worldwide diagnostics market is more than ¥3 trillion in size, and this market is expected to grow at an annual rate of about 8% through 2010. Diagnostics is broadly divided into categories that include hematology, hemostasis, immunochemistry and clinical chemistry. As a comprehensive manufacturer in the diagnostics field, Sysmex supplies products in nearly all examination categories. In 2006, we became the global leader in the field of hematology. We are also the global leader in hemostasis and rank 9th overall in the diagnostics field in the world. 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 filling the role of a comprehensive manufacturer.

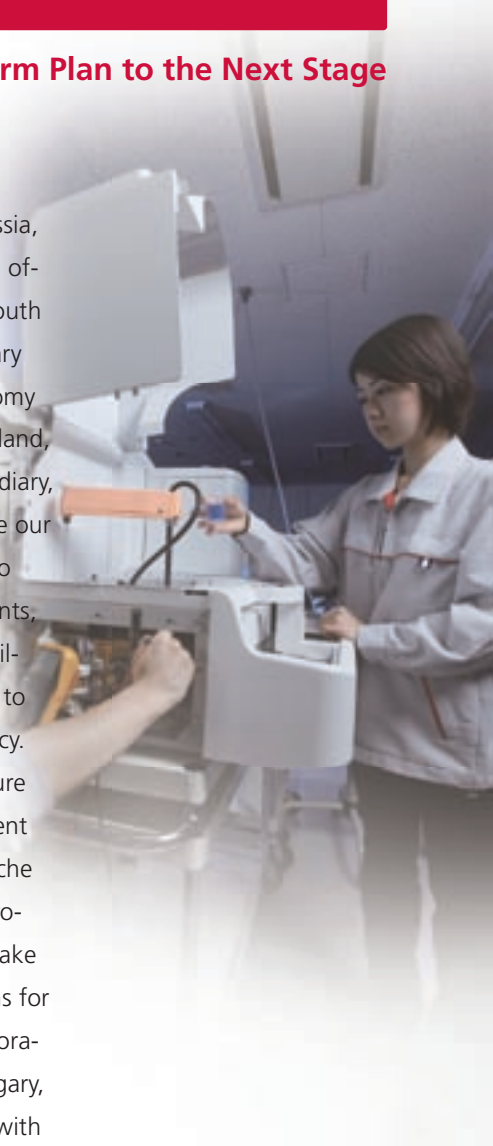
Having achieved the position of global leader in hematology, now we aim to re-double our strength as the top contender.

One of Sysmex's core strategies is to become the "Global Niche No. 1" company, and in 2006 we attained market share leadership in the hematology segment. Hematology testing is known as "screening," a fundamental medical procedure that is essential to determining the condition of the body. 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. Our mid-term plan that concludes in the year ending March 31, 2010, calls for us to reinforce our leading global position in hematology by capturing the U.S. market, which is the largest in the world and allows ample room for us to expand our share. Advancing in the U.S. market will enable us to gain an overwhelming share of the hematology segment. We aim to attain the top position in all regions, thereby becoming the true leader in the hematology segment.

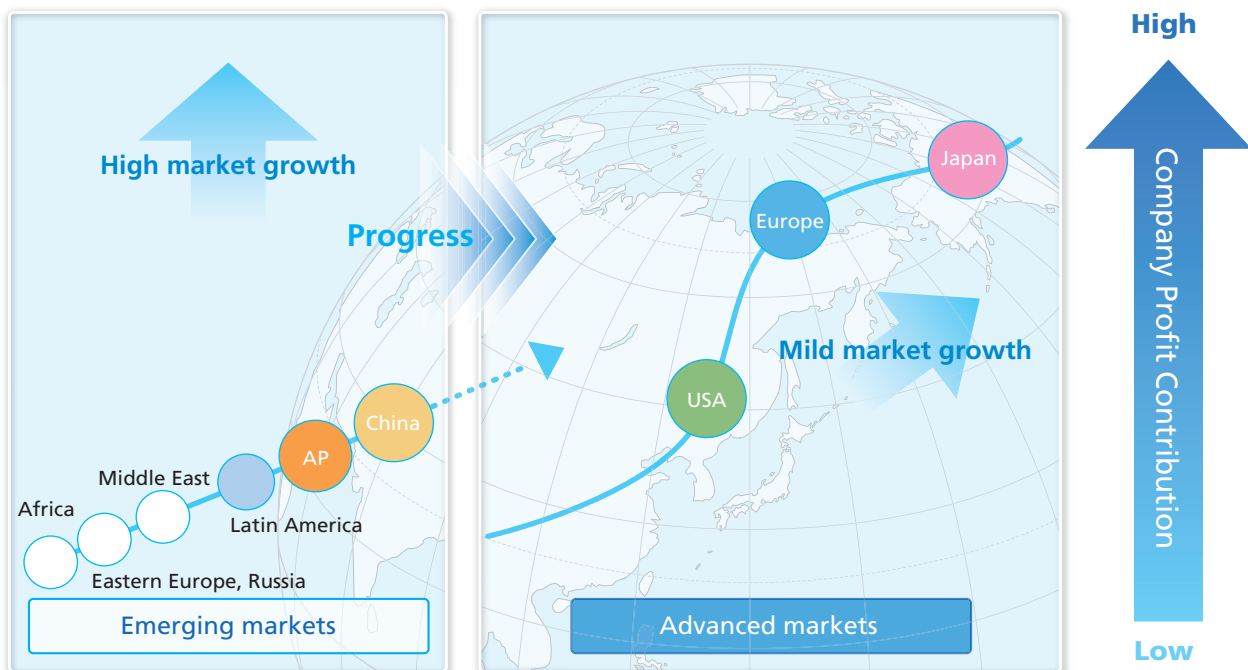
We aim to achieve stable growth in the hematology segment.

In the hematology segment, 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 revenues, reagent sales are steadily increasing and we have achieved steady, continuous sales growth. In Europe, Sysmex has earned an excellent reputation among customers befitting a regional market share leader, and our installed base of instruments is expanding. In Poland, we established Sysmex Polska S.p.z.o.o. as a local subsidiary to cultivate sales in emerging markets such as Eastern Europe, a region 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 we have established a representative office there. We also established Sysmex South Africa (Pty) Ltd., a wholly owned subsidiary in the Republic of South Africa, an economy marked for BRIC-level growth. In Switzerland, we converted our local agency to a subsidiary, forming Sysmex Digitana AG, to reinforce our sales and support structure. To respond to future increases in the demand for reagents, we expanded the reagent production facility in Germany (the Neumünster Factory) to increase production capacity and efficiency. To reinforce our sales and support structure in Central Europe, we signed an agreement with Sysmex distributor Müller Medizinische Labormesstechnik GmbH, the central European distributor of Sysmex products, to take over Müller's sales and support operations for diagnostic instruments, reagents and laboratory information systems in Austria, Hungary, the Czech Republic and Slovakia. In line with this agreement, Sysmex Europe GmbH, our



Consolidated No. 1 Position in the Hematology Field



regional headquarters in Europe, will establish sales subsidiaries in each of these countries. We will continue to leverage the Sysmex brand to expand geographical sales coverage, enhance direct sales both regionally and by segment, and solidify our position as the market share leader in Europe.

The United States 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. 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. We established a new reagent plant adjacent to Sysmex America, Inc., to meet increased demand for reagents through

increased production capacity and efficiency. In Latin America, we won a package tender from Costa Rica's social security administration to provide our instruments to 92 laboratories throughout the country.

Sysmex aims to capture market share leadership in the United States 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.

We will further boost our market presence in Japan and Europe, where we already have a leading share, and increase our market share in the United States. 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.



Sysmex's hematology analyzer lines at a large commercial laboratory in the U.S.

We will reinforce our operations in business segments where we have already earned a top share, and aim to create value through disease management.

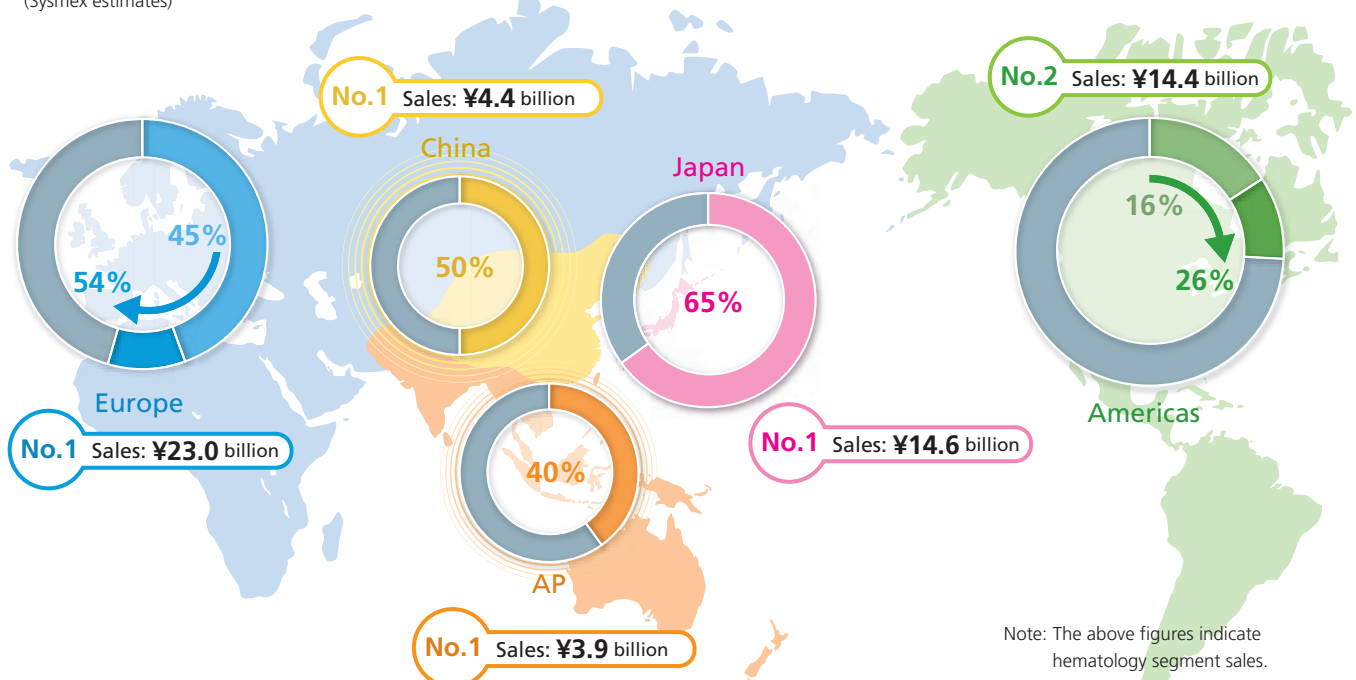
The aging of society is progressing rapidly in Japan and other developed countries around the world, and healthcare-related demand is continuously increasing. The trend in healthcare is a shift from treatment to prevention in step with the increasing health consciousness among individuals. Sysmex aims to create new testing technologies that will contribute to disease management by providing treatment optimized for individual patients. In the hematology segment, we are pursuing R&D that will enable us to offer high-value testing in the future at every stage from initial screening to treatment of illness. Through these efforts, in

countries—primarily advanced countries—that are undergoing medical service system reform, we will contribute to the realization of a healthy and prosperous society through preventive medicine, recurrence prevention and through solutions that raise testing quality and efficiency.

In addition to hematology, we intend to garner and reinforce a position as the global leader in the hemostasis and urinalysis segments. In addition to enhancing our relationship with Dade Behring, our alliance partner on a global basis, we are stepping up direct sales activities throughout Asia, including Japan. In the urinalysis segment, we are already the global leader in domains ranging from inspections of urinary sediments to cell analysis. We plan to expand our number of business domains within the urinalysis segment.

Our Share of the Global Hematology Market

*Figures show our share of each geographical market in FY2006 (Sysmex estimates)



Note: The above figures indicate hematology segment sales. Figures with arrows mark our targets in our mid-term plan.

Our “Focus on Asia” strategy calls for us to accelerate our growth in Asia as a comprehensive supplier.

Sysmex is reinforcing its operating infrastructure and creating a robust foundation for business in Asia.

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. We took advantage of this opportunity to launch a full-scale business expansion into Asia. 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 five subsidiaries in China and eight in other countries.

We plan to advance from being the top company in the hematology and hemostasis segments to becoming the leading 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.

As part of China’s medical service system reform, healthcare systems are being enhanced in rural areas. However, market competition is heating up as a result of such factors as the reduction of test expenses (insurance points) and the medical industry’s “clean-up campaign,” and medical infrastructure is being introduced more evenly throughout the country. Amid this prominent demand for high-end healthcare (testing), although Chinese hospitals are nationally operated they operate under an independent profit system, with revenue targets also established for testing fees. As a result, hospitals that improve efficiency and

succeed in attracting patients move up to a higher rank. At the same time, the number of downgraded hospitals is rising, causing growing polarization. In this manner, 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. Our 2nd reagent plant in China in the city of Wuxi, became the 1st foreign company in the industry to receive medical product manufacturing approval in April 2007. This move will enable Sysmex to manufacture a range of reagents for use in the fields of immunochemistry and clinical chemistry. In the future, we will enhance our presence in new areas, such as clinical chemistry and immunochemistry.

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. In October 2006, Sysmex established Sysmex India Pvt. Ltd. In India, we have commenced construction of a new reagent factory and are otherwise reorganizing our business structure to allow us to respond to expected future increases in reagent demand. Future plans call for strengthening the product portfolio in the clinical chemistry and immunology segments and solidifying our position as a comprehensive supplier.

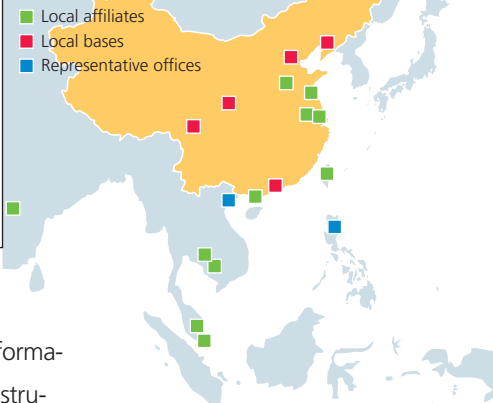
Japan is said to have the world's most adverse business environment for the medical care industry owing to reductions in medical expenses arising from healthcare system reform. Sysmex is upgrading to a sales structure adapted to customer needs and, as a comprehensive sup-

Field	Japan	China	AP
Hematology	✓	✓	✓
Hemostasis	✓	✓	✓
Clinical Chemistry	✓	✓	✓
Urinalysis	✓	✓	✓
Immunochemistry	✓	✓	✓
Fecal Occult Blood Testing	✓	✓	—
IT	✓	✓	✓
POC	✓	—	—

Red print indicates focus field in our mid-term plan.
 ✓:Launch

Focus on Asia <Fundamental Strategies>

Sysmex's operations in Asia, excluding Japan



plier 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 in Asia by leveraging the Sysmex brand and developing our business in the immunology and clinical chemistry segments through an extensive sales and support network. We will offer customers not only our own products, but also products obtained through business alliances.

The first Japanese company which established a factory in Baddi industrial park in India!

Our “Focus on Life Sciences” strategy embodies the aim of creating new markets in diagnostics in line with the shift in emphasis from treatment to prevention.

We aim to contribute to disease management, as social changes offer testing a changing and increasingly important role in the process.

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.

We are pursuing new possibilities in testing, as we remain firmly fixed on expanding the market for testing in the life science field.

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.

Promoting further global developments as the life science business begins to crystallize

Centered on the Life Science Business Strategy Office, we have begun preparing for group-wide entry into the life science business on

a global basis. This will involve participation by affiliates in the United States 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. We are working to extend the application of this system to other types of cancer. 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 coverage for diagnosis using the system. Sysmex's efforts to commercialize research projects besides cancer lymph-node metastasis rapid diagnosis technology, such as cancer recurrence and chemosensitivity prediction technologies, also are steadily bearing fruit. We are constructing clinical development systems and putting in place development, production, sales and support structures with a view to beginning sequential market introductions.

In addition to working independently to broaden its research themes, Sysmex endeavors to acquire new technologies through collaborative research efforts and by forming alliances. In December 2006, Sysmex entered into agreements for joint R&D, clinical development and marketing with Affymetrix Inc. of the United States, which manufactures DNA chips. Also, in cooperation with Oncolys BioPharma Inc., we developed a new *in vitro* technique for diagnosing cancer using a special type of virus.

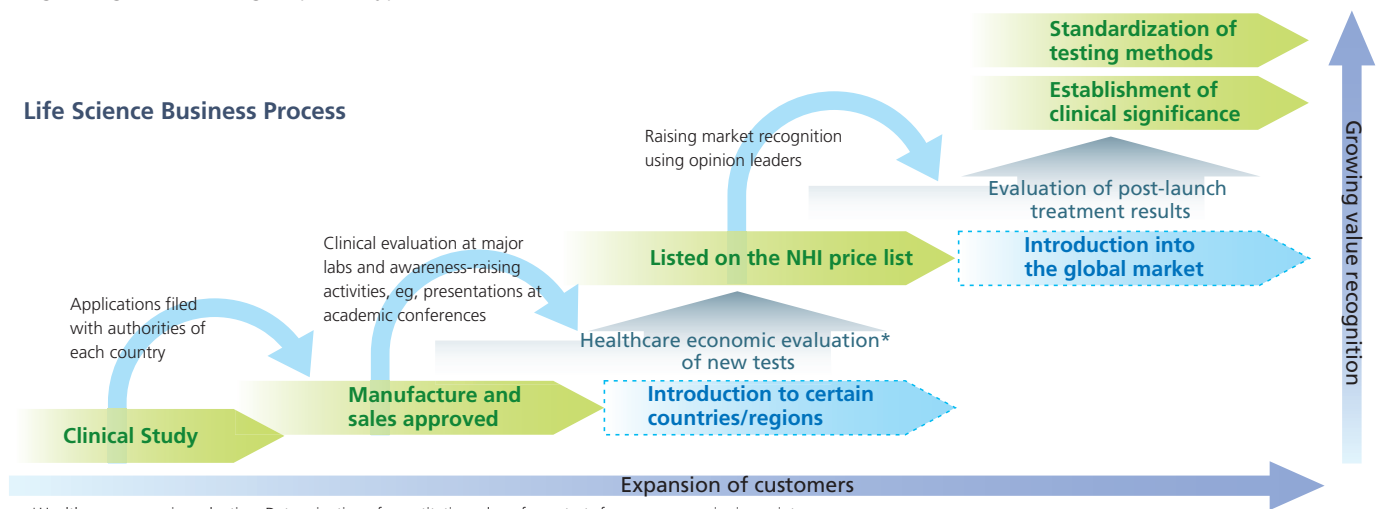
Making R&D an ongoing investment focus in order to create new testing technologies

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 April 2005, the reagent development operations of Sysmex International Reagents Co., Ltd. were integrated into Sysmex Corporation. In April 2005, we strengthened R&D management by establishing the R&D Strategic Planning Department and formulated a new technology strategy.

In 2006, we established a R&D center Europe on a site adjoining Sysmex Europe GmbH, our regional headquarters in Europe. We are in the process of expanding the current Techno Center, which forms the locus of Sysmex's R&D activities. The new Sysmex Techno Park, which is scheduled for completion in 2008, will be approximately twice the size of its predecessor. 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.



Life Science Business Process



*Healthcare economic evaluation: Determination of quantitative value of new tests from an economic viewpoint

Regional Focus (Five Regions)

Segments by Geographic Financial Targets and Activities from Now Onward

*Average Annual Growth Rate is expected rate of Sysmex growth.

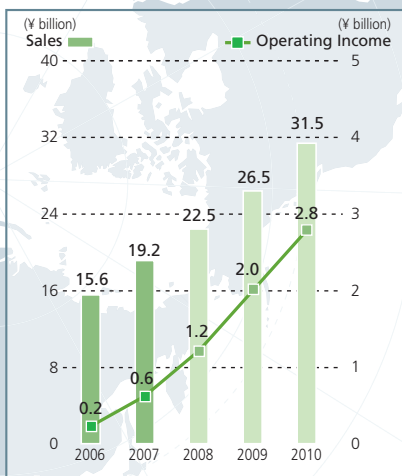
Americas

(Average Annual Growth Rate of 18.0%)

Raise market share in the hematology segment

- Raise Sysmex brand awareness to capture business from prominent Commercial Laboratories
- Through increased coverage ratio, raise share of market for small and medium-sized hospitals
- Strengthen agent support and management to raise share of small-hospital market
- Operate new reagent factory

Americas (U.S., Canada, Central and South America)



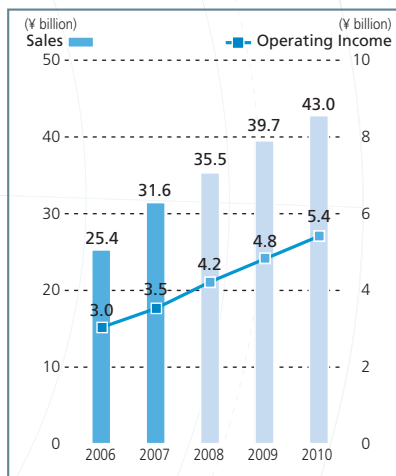
Europe

(Average Annual Growth Rate of 10.8%)

Expand direct sales segment and sales area; reinforce sales of life science products

- Extend European sales and support network
- Promote comprehensive proposal-based sales
- Operate new reagent factory
- Reinforce sales of rapid lymph node metastasis detection system

Europe



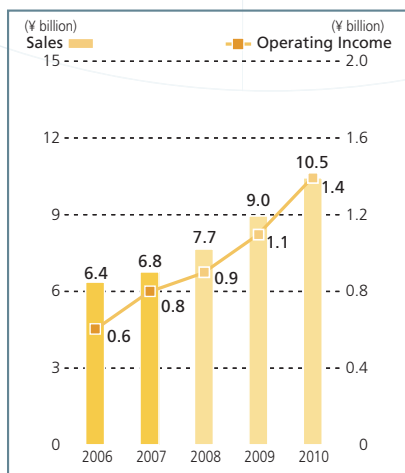
China

(Average Annual Growth Rate of 15.3%)

Expand sales beyond the rate of market growth; introduce new products into the non-hematology market

- Differentiate ourselves through service and support network; reinforce proposal-based sales
- Develop region-specific sales strategies in response to regional characteristics within China
- Introduced CHEMIX-800 clinical chemistry analyzer
- Create sales, service and support system in immunochemistry segment
- Manufacture immunochemistry and clinical chemistry reagents at Wuxi factory

China



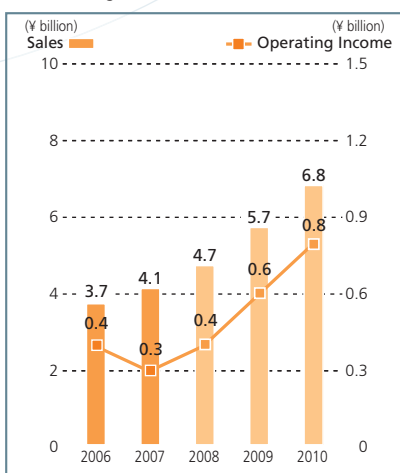
Asia Pacific

(Average Annual Growth Rate of 18.8%)

Expand sales beyond the rate of market growth; introduce new products into non-hematology segments

- Enhance sales and support in India
- Promote hematology analyzers
- Operate new reagent factory
- Introduce CHEMIX-800 clinical chemistry analyzer
- Create sales, service and support system in immunochemistry segment

AP (Excluding Korea and Taiwan)



Japan

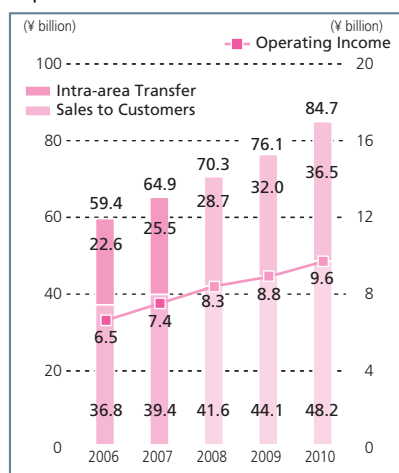
(Average Annual Growth Rate of 9.3%/7.4%*)

*Only sales to customers

Realize comprehensive proposal-based sales, centering on the hematology segment; raise market share by introducing new products in non-hematology segments

- Reinforce support system (24-hour, 365-day service, etc.)
- Strengthen sales, service and support structure in immunochemistry segment
- Reinforce sales of rapid lymph node metastasis detection system
- Expand operational targets to include point-of-care, healthcare and scientific measurement fields

Japan (Including Korea and Taiwan)



The Gate to the Sysmex World

Sysmex

Sysmex has expanded its operations on a global scale by retaining a full range of functions, from R&D to procurement, production and logistics to sales and support. As a comprehensive supplier, we now deliver products and services to customers in more than 150 countries.

Perspective

Providing integration from R&D through to manufacturing, sales and service ensures peace of mind for our customers.

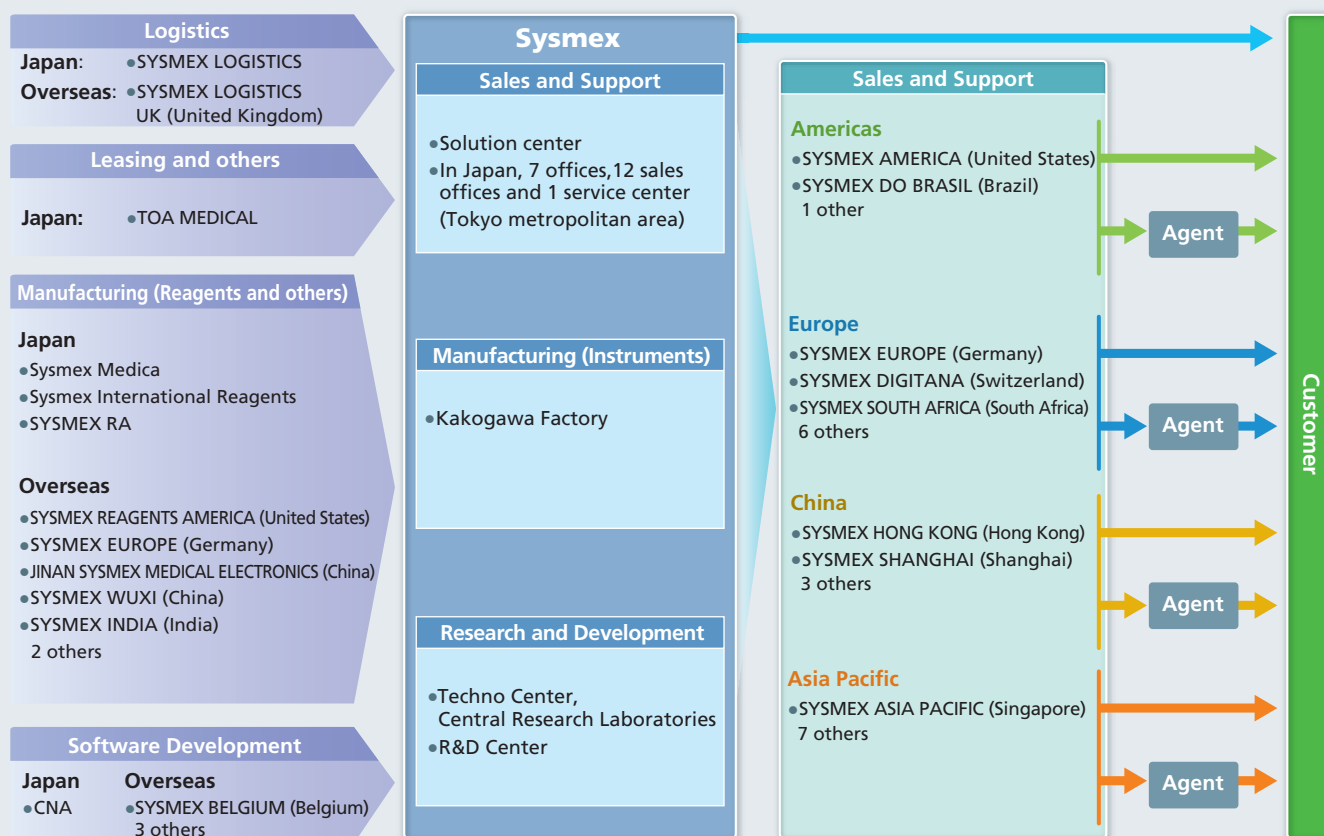
Systemex is a comprehensive manufacturer that integrates all processes from R&D through to manufacturing, sales and service. With operations at 33 locations in 19 countries, Systemex provides products and services to customers in more than 150 countries. As a manufacturer, we maintain our own sales and service networks, allowing direct communications with customers throughout the world. Direct customer contact helps bring issues and potential problem areas to light. Systemex takes advantage of such opportunities by holding an active dialog with customers concerning the future of testing. We apply the ideas and information that emerge through this communication toward the selection of new research themes and reflect it in the new products, services and solutions we offer, as we work to build trust and deliver peace of mind to our customers. In addition to being one of our strengths, we believe that the ability to integrate all processes from R&D

through to manufacturing, sales and service plays an important role in fulfilling our responsibilities to a level befitting an integrated manufacturer.

In the field of healthcare, where even a small error can have disastrous effects, Systemex delivers peace of mind and ensures the trust of its customers by maintaining a stringent quality control system for its testing instrument manufacturing, resulting in highly reliable products that are manufactured in Japan and delivered throughout the world. In reagents, we are pursuing local raw material procurement and production. We are working to expand our systems, including logistics, to guarantee we can provide our customers with a stable supply of products that meet world quality standards.

As a comprehensive manufacturer expanding its business on a global scale, Systemex strives to remain worthy of the high opinions of its customers through Groupwide integration.

Functional Supply Chain



Geographical Communication Chain

Research and Development

As a research-driven company, Sysmex maintains a tripolar R&D structure that includes facilities in Japan, North America and Europe. We pursue an open R&D climate and actively pursue research in collaboration with universities and research institutions throughout the world.



In 2008, construction of the new Sysmex Techno Park is scheduled for completion. Through communication among Japanese and overseas researchers and engineers, we aim to generate knowledge and creative ideas based on the world's most advanced technical information. Going forward, we plan to enhance our R&D environment and reinforce our core technologies.

Instrument Production

Healthcare is an industry with little margin for error, and testing data plays a vital role in important diagnoses. Sysmex considers the provision of testing instrument that makes such diagnosis possible both its mission and a grave responsibility. To earn the trust of its customers and ensure their peace of mind, our instruments are produced with made-in-Japan attention to detail, primarily at our Kakogawa Factory. Complemented by a strict quality management system, in Japan we manufacture highly reliable products for delivery worldwide.



*Image

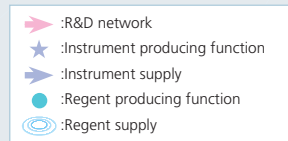
Reagent Production

Sysmex is working to establish reagent manufacturing facilities nearby its customers, as this approach raises supply stability and allows reagents to be priced more competitively. At present, we operate 10 reagent factories in 7 countries and are promoting the local procurement of raw materials. To enhance our ability to provide a stable supply of reagents, we are expanding our Neumünster Factory in Germany and building new plants in India (the Baddi Factory) and the United States (the Chicago Factory). Furthermore, we are striving to develop reagent supply systems, including logistics, that are tailored to local characteristics.



Sales and Support

To allow direct communications with customers throughout the world, currently Sysmex operates directly a sales and support network that consists of 33 facilities in 19 countries. Through alliances, we are also building other sales and support systems that are tailored to meet local characteristics. In the future, we plan to reinforce our sales activities in emerging areas that are expected to experience high levels of market growth, including China, Latin America, Eastern Europe and Africa. We already operate independent networks in the emerging countries of Brazil, Russia, India and China (BRICs).



Research and Development

With the aim of generating high-value-added medical testing and diagnostics, we combine a host of technologies to form a proprietary core, remain at the forefront of laboratory testing and promote R&D that makes us a challenger in the life science arena.

Systemex'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, as well as developing a number of "industry-first" laboratory testing technologies.

Systemex is leveraging the diverse technologies nurtured in previous product development to evolve new products that bring efficiency to the increasingly complicated diagnostic testing environment. Our present 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 to small clinics.

The application of Systemex's technologies is expanding into fields other than diagnostics. One example is noninvasive measurement technologies. Systemex 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.

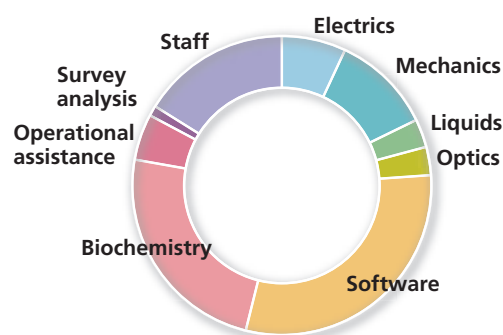
Systemex is passionate about excellence in product development and manufacturing and the source of this excellence and the most important facet of operations is research and development (R&D). Each year, we devote approximately 10% of net sales to R&D investment, which helps keep us at the leading edge. Systemex'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, Systemex is working to create advanced testing technologies in the life science field.

In 2008, Systemex Techno Park will become the center of our R&D activities. Under the theme of creating and passing on expertise, this R&D center will accelerate our research with the aim of creating new diagnostic technologies.

As an R&D-oriented comprehensive manufacturer, Systemex 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.

R&D Personnel and Principal Areas of Technical Responsibility



Electrics: 7%	Biochemistry: 24%
Mechanics: 11%	Operational assistance: 5%
Liquids: 3%	Survey analysis: 1%
Optics: 3%	Staff: 16%
Software: 30%	

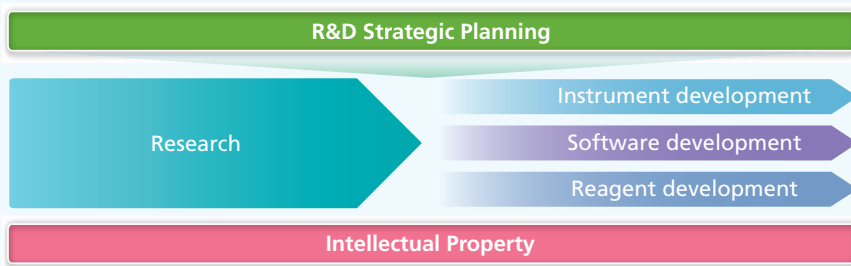
■ **Unified Management System Extending from Research to Product Development**

The Sysmex Techno Center brings together researchers and technologies from various disciplines to apply mutual communication toward the objective of technical creation and cross-fertilization. Under consistent management, we have formed a structure for research and development and the management of intellectual property, and we are promoting the development of innovative technologies and products that will evolve into new markets.

■ **Creating new high-end testing and diagnostic technologies to contribute to quality of life for patients**

As a comprehensive manufacturer in diagnostics, Sysmex is extending its business domains outside blood screening to the overall diagnostics field, including immunochemistry and urinalysis, and promoting research in these areas. We are working to expand further the domains we cover, to create new diagnostic technologies for disease management including blood disorders, immunological diseases, infectious diseases, cancer and diabetes.

Management System



Research and Development

The R&D department plays a key role in setting Groupwide technical strategies and product plans. The department manages across areas ranging from development to instruments, reagents and software, and oversees operations all the way to product commercialization. The department also researches and supports registration under the Pharmaceutical Affairs Law and other Japanese and overseas regulations when introducing products into the marketplace.

We are working toward the establishment of a global R&D structure, pursuing such activities as collaborative research with domestic and overseas universities and research institutions and providing broad-ranging support for the establishment of overseas development bases.

Research

The Central Research Laboratories are key to Sysmex's research, particularly when pursuing research themes in new diagnostic technologies in the life science domain. To reinforce our involvement in pathological testing, we are working to formulate new diagnostic methods, particularly in the areas of cancer and diabetes. One research theme that Sysmex is working on is a genetic testing system that involves the use of soluble reagents (homogenized reagents) to detect cancer cell transfer using one-step nucleic acid amplification. We are also working on cancer recurrence prediction technologies,

chemosensitivity prediction technologies, minimally invasive glucose monitoring technologies and diabetes management systems (pathology simulation).

The Sysmex BMA Laboratory, established at the Business Support Center for Biomedical Research Activities (BMA) in Kobe, is pursuing research on the development of protein chips that can measure the expression and activities of proteins based on simultaneous, multiprotein analysis technology and also on predicting the effect of anti-cancer drugs.

Instrument development

Sysmex orchestrates research themes in such fields as blood, hemostasis, immunochemistry and life science. We employ a matrix system that draws team members from structural, fluids, optics and electrical specialties. Once a research theme is completed, research teams are typically disbanded, and team members shift to other projects, gaining them access to expertise and experience outside their areas of specialty. Sysmex cultivates a wide range of highly specialized research personnel, forming a research structure that meets market needs quickly and flexibly.

Reagent development

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.

Software development

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 United States, China and New Zealand.

Intellectual Property

In collaboration with sections involved in reagents, software and other development units, the research division devises 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.

Going forward, as a research-oriented company we will continue to enhance corporate value by supporting knowledge-building activities, securing our position in global competition and achieving stable growth.

R&D Facilities

Sysmex is a comprehensive manufacturer that integrates all processes from R&D through manufacturing, sales and service. With operations at 33 locations in 19 countries, Sysmex provides products and services to customers in more than 150 countries. R&D, concentrated at the Techno Center, works to create high-value-added diagnostic technologies and product development involving diagnostic instruments and reagents. We have established a variety of labs, centered on the Central Research Laboratories and including the Sysmex BMA Laboratory and the Sysmex R&D center Europe, to take on exploratory research themes.



Techno Center

The Techno Center is the locus of R&D activities 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 2008, Sysmex Techno Park will become the center of our R&D activities. Under the theme of creating

and passing on expertise, this R&D center will accelerate our research and raise our level of technology in the life sciences with the aim of creating new diagnostic technologies.

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

In 2000, Sysmex established a facility on the Techno Center site 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.

Sysmex BMA Laboratory

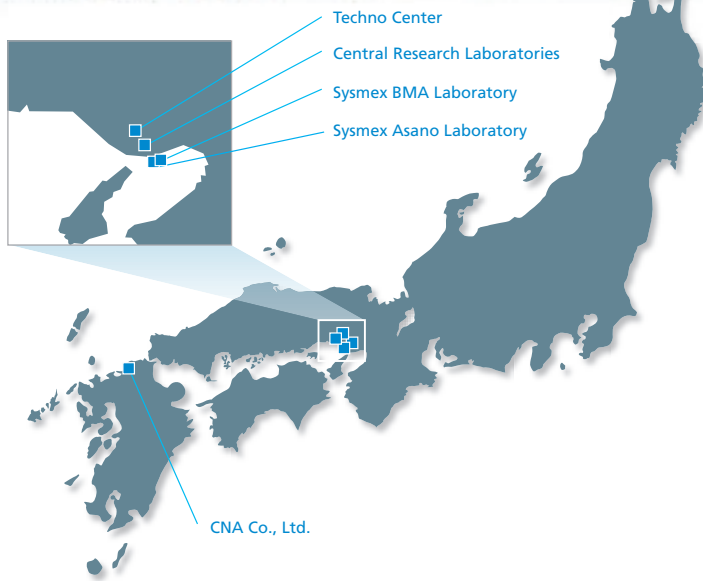
In June 2004, Sysmex opened the Sysmex BMA Laboratory at the Business Support Center for Biomedical Research Activities (BMA) on Kobe Port Island. The BMA is the core institution in the Kobe Medical Industry City Concept, which is being promoted under the leadership of the City of Kobe. The Laboratories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

Sysmex Asano Laboratory

The Foundation for Biomedical Research and Innovation (FBRI) established the Kobe Translational Research Informatics Center (TRI) to promote collaborative research with Sysmex's cell therapy research department.

Under the direction of Dr. Shigetaka Asano (Professor, Waseda University; Professor Emeritus, University of Tokyo; President, Japan Society of Hematology; Technical Advisor, FBRI), Sysmex will commence joint research at the laboratory on cell therapy and the clarification of immune responses, with the aim of commercializing new diagnostic technologies for effective cell therapy.



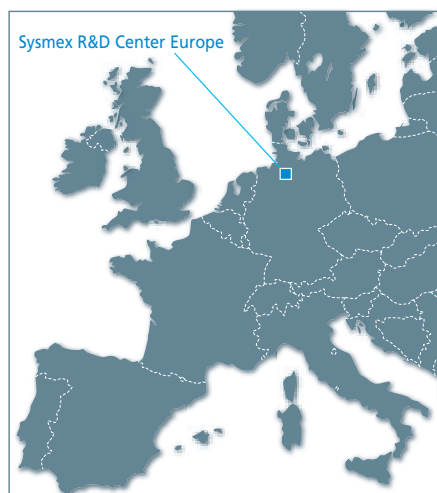


CNA Co., Ltd.

In April 2004, Sysmex entered into a capital participation agreement with IT specialist CNA Co., Ltd., and converted the company to a wholly owned subsidiary in April 2007. CNA specializes in medical information systems over a broad range of fields, and has built up a strong reputation domestically in the clinical laboratory testing field. At present, the company is responding to innovations in the field of IT by developing products that will enable it to offer total solutions for medical institutions.

Sysmex R&D Center Europe

In July 2006, we opened an R&D center in Germany, adjacent to Sysmex Europe GmbH, our regional headquarters, as our first overseas research facility. Sysmex is taking advantage of this European location to cooperate with research and medical treatment institutions in the development of new testing technologies targeting diseases and other problems for which few cases exist in Japan. This center will forge stronger links with European research institutions with which Sysmex is conducting joint development, accelerate the development of blood analysis system elements and the commercialization of other research themes. By propelling research and clinical evaluation efforts, the center will move Sysmex toward the creation of high-value tests for disease management.



Tracks to state-of-the-art—Evolution of Technology

Hematology Analysis Technology—Taking Things Down to the Micro Level

At the time of its establishment, Sysmex aptly predicted that, “As the economy grows, the time will come when even healthy people undergo testing.” On the strength of this conviction, in 1963 we commenced research on what became Japan’s first hematology analyzer. In its mainstay diagnostics business, centering on hematology, Sysmex has generated distinctive technologies and ideas through the cultivation of a broad range of technologies and accumulation of expertise. Many of our technical developments have resulted in successful world firsts. Next, we showcase our 40 years of progress in hematology technologies.

The Early Years (1960s to Early 1970s)

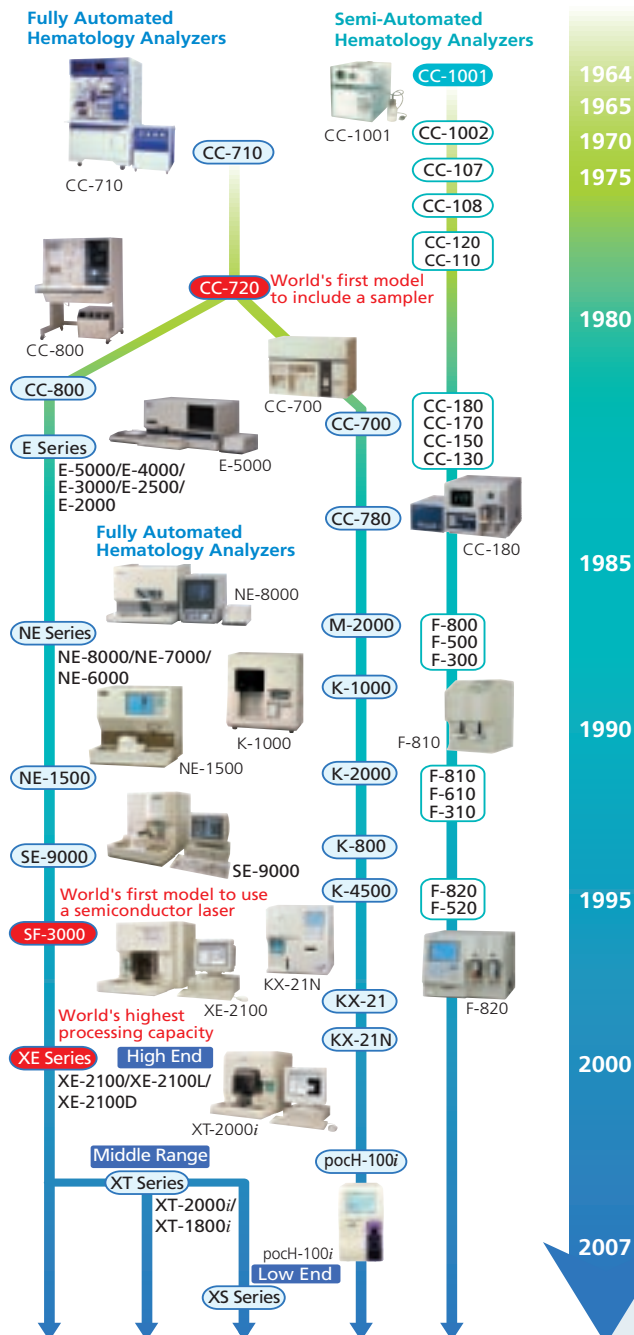
The Development of Japan’s First Hematology Instrument

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.



Semi-Automated Hematology Analyzer CC-1001

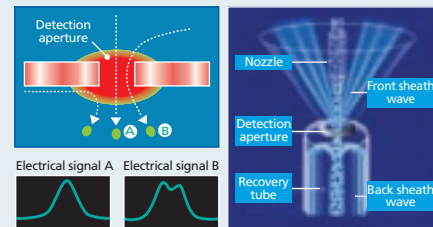
1 A method for ascertaining the number and type of blood cells by detecting the change in capacitance that occurs when blood cells, which are insulators, pass between a pair of electrodes



Rapid Growth Period (Late 1970s through 1990s)

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.



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

Era of Dramatic Advances (Current and into the Future)

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

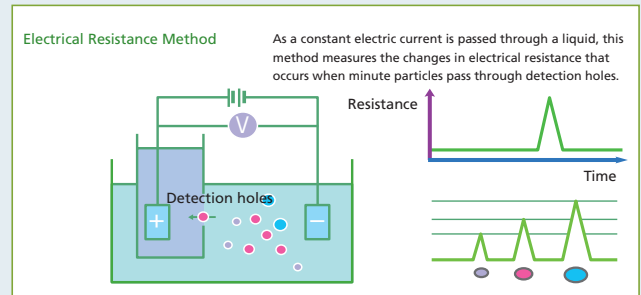
Hematology is evolving from simple blood cell count measurement to hematology analyzers that analyze the substances in blood. These instruments make high-value-added medical testing possible by detecting abnormal cells in addition to measuring the five types of white blood cells and performing the eight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

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.



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 testing and remains in wide use in improved form today.

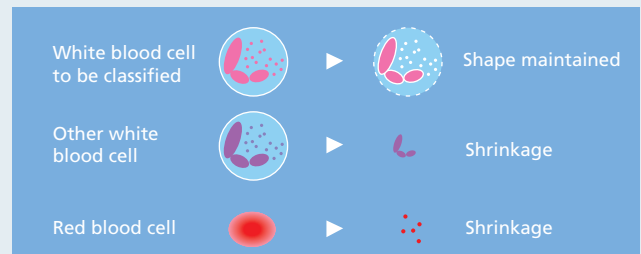
Sysmex Reagent Development Technology Supports Cell Measurement Technology to Pave the Way for Automatic Classification of White Blood Cell

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 counted². 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

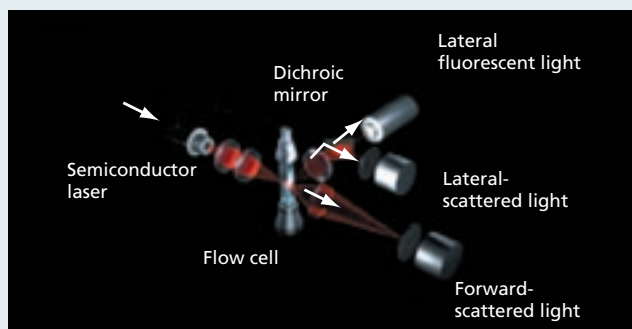
varies according to the patient's disease. In the past, when abnormalities occurred in white blood cell counts, visually distinguishing the blood cells using a microscope involved enormous amounts of time and labor. At that time, Sysmex reinforced its reagent development technology and succeeded in developing 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.

Example of a White Blood Cell Classification Mechanism



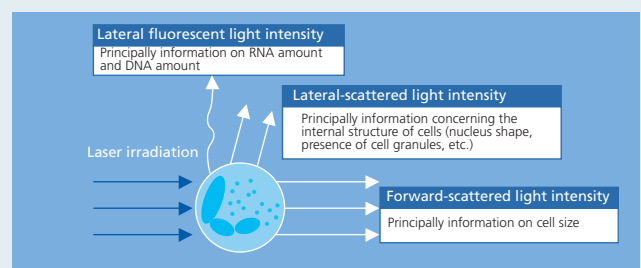
² The phenomenon by which a red blood cell membrane is breached and the hemoglobin in a cell is discharged

Applying the Flow Cytometry Method



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.

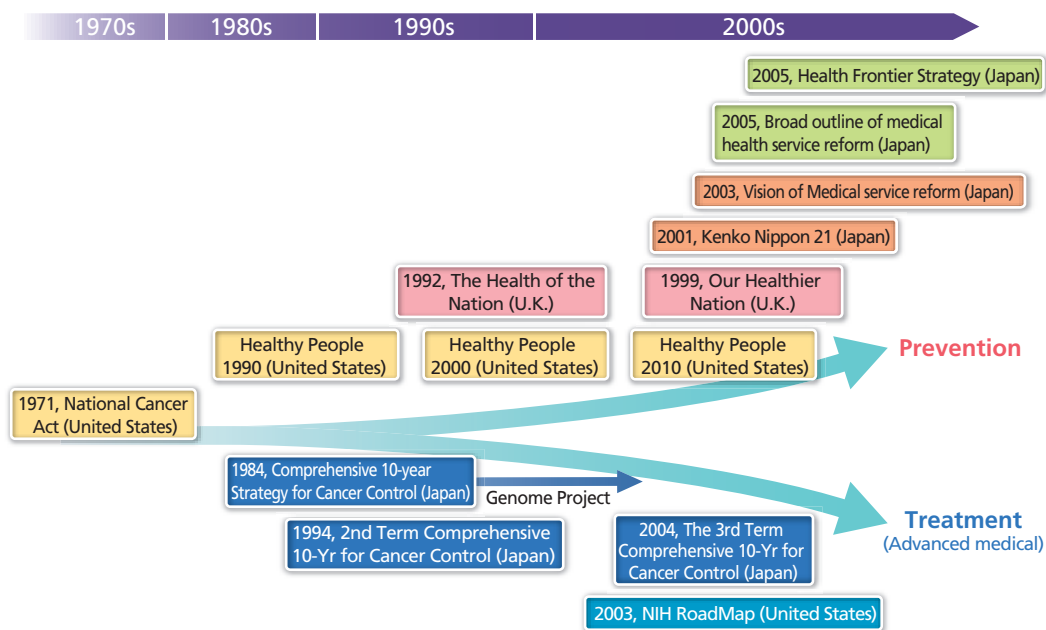


Creating and Combining a Host of Technologies to Promote the Development of High-Value-Added Products

In many of the world's advanced countries, as populations age cancer and lifestyle-related illnesses are becoming a major social problem. To curtail healthcare costs, the focus of healthcare policies is shifting from treatment to prevention. In

this healthcare environment, testing is playing an increasingly important role in raising the quality and efficiency of healthcare. Sysmex is working to create advanced and high-value diagnostic technologies in the healthcare domain.

Medical policies of advanced nations



Leveraging Instrument, Reagent and Information Technologies as an *in Vitro* Solution Provider

Some 40 years have passed since the Company began developing Japan's first hematology analyzers. During this period, Sysmex has addressed numerous research topics, cultivated broad-ranging technologies and accumulated a wealth of

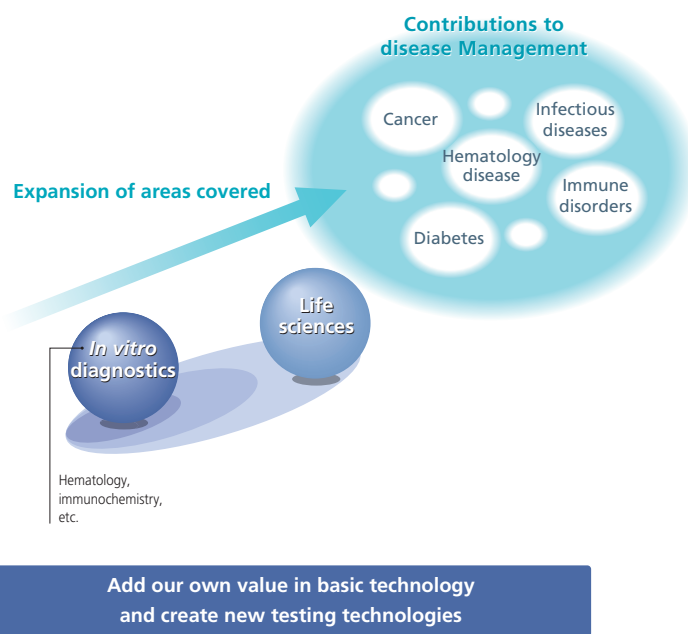
expertise. By creating specialized technologies and developing our ideas, we have focused on creating high-value-added products. Notably, in the late 1970s we introduced the world's first *in vitro* diagnostic system that employed information technology based on auto-sampling developments. Since that time, we have continued along the path of a unique provider of solutions in the field of *in vitro* diagnostics, and we now enjoy a strong standing in this area. As an R&D-oriented company, Sysmex naturally strives to develop high-value-added products, but we have also leveraged our strengths as a comprehensive supplier involved in everything from R&D to sales and support to introduce solutions that address the situations our customers face.



Working to Deliver High-Value Testing for Elective Treatment Optimized for Individual Patients

As a comprehensive supplier in the *in vitro* diagnostics domain, in addition to hematology, Sysmex is expanding into the fields of immunochemistry, clinical chemistry and urinalysis. The mission of testing, which plays a major role in raising healthcare quality and efficiency, is undergoing a shift in focus from supporting treatment to contributing to prevention. Sysmex also participates avidly in the life science business, which has substantial potential to contribute to preventive healthcare. Based on the concept of disease management and high-value testing toward elective treatment optimized for individual patients, we are creating diagnostic technologies for such diseases as hematology disease, immunological diseases, cancer and diabetes.

Direction of Research and Development



Reinforcing our R&D System to Propel Ourselves toward the Next Stage of Development

As an R&D-oriented company that takes on advanced R&D challenges, we place a high management priority on reinforcing our R&D system, including both superior personnel and the facilities in our R&D environment. As an R&D-oriented company in the healthcare field, we strive to propel ourselves toward the next stage of our development. One part of this objective has been to commence construction on the Sysmex Techno Park, which is scheduled for completion in 2008, the 40th anniversary of our

founding. Focused on the concept of knowledge creation and succession, we are working to create new diagnostic technologies in the area of life sciences. We also intend to combine the technical expertise we have cultivated in *in vitro* diagnostics instruments, reagents and software to develop high-value-added products. Furthermore, we will reinforce collaboration with domestic and overseas research institutions to realize new testing (diagnostic) technologies that help improve patients' quality of life.



Rendering of the Techno Park

Purchasing, Production and Logistics

Our global supply chain management system allows us to swiftly provide a stable supply of products of consistently high quality to customers in more than 150 countries.

A consistent supply of top-quality diagnostic products is essential to medical care support. Sysmex employs a proprietary, fully automated system that covers all procurement operations, giving the Company a real-time grasp of order, delivery and receiving inspection status. This system allows us to select appropriate raw materials from the R&D stage and standardize the selection of suppliers that can ensure stable delivery. Swifter R&D and better cost competitiveness is the result. 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 2 factories in Japan owned by subsidiary Sysmex International Reagents Co., Ltd., as core production facilities for reagents, products for which continuous supply is required. We also are providing technical guidance to our overseas production bases as we work to develop facilities that offer world-class production quality and efficiency. Through such efforts, Sysmex delivers products to customers in 150 customers throughout the world.



Instruments used in medical treatment must be of top quality. We deliver products manufactured with “made-in-Japan” quality that provide peace of mind throughout the world.

Sysmex produces instruments with “made-in-Japan” attention to detail. Our Kakogawa Factory employs computerized management to manufacturing and process control systems of independently developed products. The plant applies this control to the raw material receipt and testing, unit and overall product assembly, product testing and final delivery. These control systems provide precise operating instructions for each process and supervise operational data in real time, enabling quality management. Because of the high degree of precision and advanced production technology that is required, we manufacture the most important parts, as well as the optical units, ourselves, resulting in a system that consistently delivers high-quality products to customers.

Manufacturing locally allows us to provide high-quality reagents quickly and consistently to the regions that consume them.

Revising its engineering chain, Sysmex now conducts upstream purchasing and concurrent engineering at the R&D stage, accelerating the mass production of new products. We employ information technology in our electronic purchasing, process control and quality control systems to ensure the stable supply of high-quality products. We are also expanding our overseas reagent production bases to meet expanding overseas demand. Our global production system currently consists of 10 facilities in 7 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 2 plants, achieving a 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.

Sysmex is focusing 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 the Quality Management System (QMS), a quality control standard applicable to medical instru-

ments 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.



Our global Supply Chain Management (SCM) system allows us to swiftly provide a stable supply of products of consistently high quality to customers.

Systemex promotes upstream purchasing at the R&D stage, which strengthens the unified development and production structure and allows an early shift from development to commercial production.

Systemex Trade Mission (STM), a web-based electronic purchasing system, helps reduce procurement cost and strengthen Groupwide production management. This system automates complex ordering activities, which raises efficiency for the R&D and production functions. The resulting alliances with numerous suppliers bring down our procurement costs while maintaining high quality levels, and allow suppliers to make proposals that play to their strengths. Maximizing these mutual benefits turns our procurement system into a series of win-win relationships.

We employ and are reinforcing a global SCM system for the logistics function, which is responsible for delivering final products to our customers. When manufacturing instruments, we use the cell method to shorten lead times. Production plans are established in accordance with global demand forecasts, which boosts efficiency. We are reviewing our domestic logistics locations and reconfiguring supply flows at overseas facilities to reduce logistics costs. In the United States, we reconfigured our reagent supply system in 2006, creating a logistics system that encourages direct communications with customers. We also established a European parts center and reworked our system for supplying the parts needed for maintenance services. These efforts have allowed us to raise our level of service to customers, while at the same time reducing costs.

To reinforce management of global logistics and procurement, Systemex has consolidated all such activity centers into a single solution center that performs multiple functions. In the future, we will reinforce our IT-based logistics management system to allow the Groupwide sharing of inventory and order information. We also aim to configure an efficient and effective SCM system, realize high quality and an efficient global production system, and deliver a stable supply of reagents to our customers.

Kakogawa Factory

The Kakogawa Factory is a production base for diagnostic instruments that is reinforcing our ability to supply a wide range of products to markets around the world. We are reinforcing Group capacity by forging liaisons in the production technology functions of subsidiaries in Japan that manufacture instruments. We have introduced world-leading Japanese manufacturing technologies and quality control systems throughout the factory and produce highly reliable instruments based on quality management systems, ISO 9001, and other quality control standards and the laws and regulations of destination countries.



Ono Factory

The Ono Factory of Systemex International Reagents Co., Ltd. is one of Systemex's principal reagent production facilities. The plant is dedicated to the high-volume production of about 400 reagents, centered on products for the hematology segment. 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 Systemex International Reagents Co., Ltd. is the Group's 2nd 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 and precision-controlled reagents. The factory has also constructed a flexible production system to meet requirements for high-mix, low-volume manufacturing. In 2006, we completed construction of a new management wing, which reinforced the production management function and expanded 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. To achieve this, Sysmex has set up reagent factories in Germany, the United States, Brazil, China, Singapore and India, and we are increasing these facilities' production capacities.



Neumünster Factory

In April 2007, we completed the expansion of this plant's reagent production capacity, approximately doubling its size. This expansion should allow a more stable supply of diagnostic reagents in Europe, as well as reducing cost of sales.



Chicago Factory

In response to rising demand and to reinforce our cost competitiveness, we are building a new reagent factory at the site of our U.S. reagent production subsidiary, Sysmex Reagents America, Inc. The new plant will have twice the capacity of our existing plant in Los Alamitos, California. Through such efforts, we will continue to boost our customers' trust and reliance on the Sysmex brand.



Baddi Factory

In June 2007, we began constructing a reagent factory in an industrial park in the Indian state of Himachal Pradesh. The ability to produce our own reagents locally will raise cost competitiveness and should link to an increased market share.



Wuxi Factory

Receiving reagent production approval in April 2007, this plant became the first in the Sysmex Group to be approved for both pharmaceutical and healthcare instrument production. Going forward, we will expand our variety of products and boost our strengths in manufacturing technology as we work to be a leading company with a wide range of products in the field of in vitro diagnostic reagents.



Sales, Service and Support

Sysmex adapts its business activities to local requirements with the aim of being the No.1 global solutions provider in the diagnostics field.

Throughout its history, Sysmex 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 33 locations around the world and supply products to customers in more than 150 countries. We currently hold the leading share of the global market in the hematology segment. 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 reinforce our leading global position by rebuilding our business structure and working to expand market share in the United States, the world's largest market. Building on the foundations of its hematology business, Sysmex is working aggressively toward a position as the global leader in the diagnostics field.

1991—Winning Customers with Direct Sales and Support

The establishment of U.K. subsidiary Sysmex U.K. Limited in May 1991 marked a major breakthrough in Sysmex's global business development. The Company had already established subsidiaries in the United States 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 United Kingdom, Sysmex experienced great difficulty in expanding its business through a local distributor. Aiming to achieve further growth, Sysmex commenced direct

sales and support activities through local companies. Although this marked the first time for Sysmex to undertake an overseas market, the start of operations at the subsidiary brought immediate improvement in business performance. Today Sysmex is the market share leader in hematology and hemostasis in the United Kingdom.

This success in the United Kingdom marked a turning point in the direction of Sysmex's international business strategy. Later, we responded to regional characteristics by providing overlapping sales and support services, both indirectly through an agent and directly. We have also formed a direct sales and support system in the United States, the world's largest market.



SYSMEX UK LIMITED

1995—New Markets through Global Alliances

In 1995, Sysmex formed a business alliance in the United States with Dade International Inc. (today's Dade Behring Inc.). For Sysmex, the global alliance with Dade—the leading company in reagents for the hemostasis segment—threw open the door to a wider world. 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 2 companies established the No.1 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 made use of Roche's global network, which kick-started Sysmex's global expansion in the hematology segment. Over the years the two companies have maintained an excellent relationship as long-term 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 production 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.



JINAN SYSMEX MEDICAL ELECTRONICS CO., LTD.

Aiming to Become the World's Leading Solution Provider

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 currently hold the leading share of the global market in the hematology segment. We are the share leader in Japan, Europe and Asia—every region except the Americas—and we 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 United Kingdom in 1991, by expanding market share in the United States, the world's largest market, and by leveraging our leading global position in the hematology segment. We have also achieved global leadership in the hemostasis and urinalysis sectors, which we are working to reinforce.

Building on the foundations of its hematology business, Sysmex is working aggressively toward a position as the global leader in the diagnostics field.

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 7 branches and 12 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.

Consummate Professionals at the Customer Support Center Deliver 24-Hour Comprehensive Support

In Japan, the Customer Support Center responds to inquiries by customers with maintenance contracts and problems with Sysmex products around the clock, 365 days a year*. 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. Also, in 2006 we opened a service center to consolidate our service and support functions in the Tokyo metropolitan area.

*service for customers who have maintenance contracts

In the United States, 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 United States to achieve differentiation from competitors. As in Japan, the United States and China, we have established service centers in Germany and Singapore to ensure the direct dispatch of service engineers when needed.

Improving Support via Advanced Networked Services

In Japan, the Sysmex Network Communication Systems (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

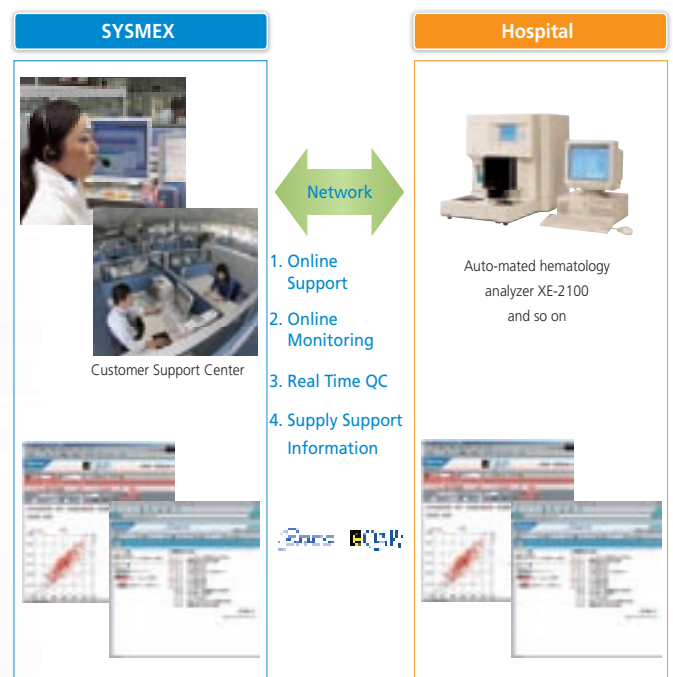
on the success of the SNCS in Japan, Sysmex is rolling out the system globally, sequentially introducing it in the United States, Europe, China and Asia Pacific markets. In 2006, we introduced the SNCS in the United States, where it has earned a strong reputation with customers, and we are steadily expanding the installed base.

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 network communication systems



*SNCS:SNCS is a service that enables customers to connect their analytical equipment to the Sysmex Technical Support Center via the Internet, providing real-time external precision management, automatic monitoring and Web-based information delivery.

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

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.

Description of Management Organization

The Company has adopted the corporate auditor system. The current management organization consisting of 9 directors, 4 corporate auditors (including 2 external auditors), and 16 executive officers (8 of them are directors). The Company adopted the executive officer system and established the Nominating Committee and the Compensation Committee 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 9 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

once a month, in principle, 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 31, 2007, the Board of Directors met 15 times, the Global Strategic Committee met 8 times, the Steering Officers Committee met 25 times, and the Operating Committee met 12 times to address matters relating to management strategy and important issues facing the Group.

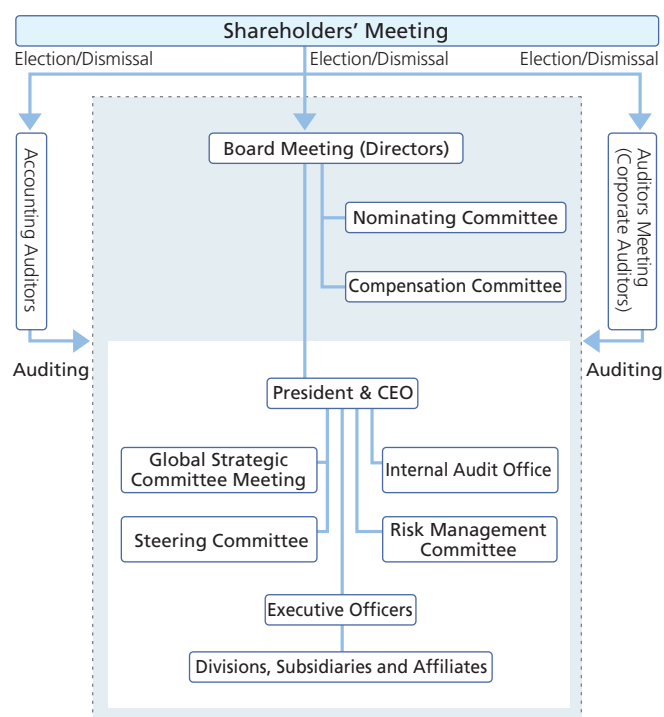
The Internal Audit Office, which consists of 7 employees, confirms and evaluates internal controls, the state of management, and the execution of business from the perspective of the sound development of the Group, issues reports based on the results of its activities, promotes appropriate execution 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 4 corporate auditors, 2 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 engaging 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 Systemex 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.

External Auditor Activities

External auditors attend meetings of the Board of Directors and the Board of Auditors, receive reports from standing auditors and deliberate these reports, participate in audits of the execution of business by directors, receive audit plans and audit reports from the accounting auditor and deliberate these reports with the accounting auditor. In addition to participating in meetings (meetings of the Board of Auditors, the Board of Directors and of the Operating Officers Committee, as necessary), external auditors receive necessary information by accessing various databases. No specific staff is assigned to assist these auditors, but the Internal Audit Office, an auditing office, provides support.



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

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

The Company is promoting and enhancing Group compliance, as it believes compliance countermeasures are the first and most important way to maintain society's trust and counter risk. The Company 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 structure concerning risk management, the entire Group, including the Company, shall comply with risk management regulations established by the Risk Management Committee for the integrated management of risk throughout the Company. The Company shall endeavor to discover foreseeable risks, select the most important of these risks, clarify the sections responsible for coping with risks, establish countermeasures and engage in measures to mitigate risks.

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. In conformance with regulations established with respect to risk management, the Company shall maintain Groupwide risk management systems based on those regulations. The Internal Audit Office shall conduct Groupwide 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



Front row, from left: **Masayoshi Hayashi**, **Mitsuo Waka**, **Hisashi Ietsugu**, **Kenichi Yukimoto**, **Tameo Iwasaki**

Back row, from left: **Koji Tamura**, **Shigenori Ohigashi**, **Tadashi Nakatani**, **Yukio Nakajima**

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, Life Science Business Development, R&D Strategic Planning, Intellectual Property, Central Research Laboratories, Diagnostics System Development, Diagnostic Reagent Development

Masayoshi Hayashi

1997 Director and Managing Officer, Sales & Marketing, Customer Support, Scientific Affairs

Tadashi Nakatani

1995 Director and Executive Officer, New Business Development

Shigenori Ohigashi

1997 Director and Executive Officer, Quality & Environmental Management, SCM, Manufacturing, Vice President of Quality & Environmental Management, Management of Sysmex International Reagents Co., Ltd.

Yukio Nakajima

1999 Director and Executive Officer, Corporate Business Planning, Corporate Executive Office

Koji Tamura

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



Front row, from left: **Masami Kitagawa, Takuji Nishino, Katsuo Uhara, Michiaki Ishida**
 Back row, from left: **Yukio Hamaguchi, Kazuya Obe, Mitsuru Watanabe, Takashi Goda**

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, Sysmex America, Inc. Executive Vice Chairman and CEO

Mitsuru Watanabe

2005 Executive Officer, Vice President of R&D Strategic Planning

Yukio Hamaguchi

2007 Executive Officer, Vice President of Diagnostics Reagent Development

Takashi Goda

2007 Executive Officer, Vice President of Sales & Marketing East/Japan

Counterclockwise, from front:

Mitsuhiro Aketa, Toyotaro Iwata, Hiromu Fujioka, Yoshiro Ishida



Corporate Auditors

Mitsuhiro Aketa

2001 Corporate Auditor (Standing)

Toyotaro Iwata

2001 Corporate Auditor (Standing)

Yoshiro Ishida

1995 Corporate Auditor

Hiromu Fujioka

2006 Corporate Auditor

Special Feature 2: Various Activities to Raise Overall Corporate Value

Intellectual Property Activities

Corporate Responsibility

Compliance Activities

Investor Relations

Environmental Conservation

Social Contributions

As a company involved in healthcare, we conduct a variety of activities designed to contribute to a healthy and prosperous society, as well as to raise our overall corporate value.

This spring in 2007, we introduced a new corporate philosophy, the “Sysmex Way,” to redefine the Company in line with the changing times. At the same time, we defined a set of core behaviors. We consider our corporate responsibility to be creating products that have characteristics in keeping with the Sysmex brand and contributing to a healthy and prosperous society through our business activities. To these ends, we have cultivated a corporate culture where each of our employees can feel a sense of fulfillment in their work, based on mutual agreement and common understanding. At the same time, we place a great deal of importance on maintaining excellent communications with our stakeholders as we conduct our corporate activities.

Sysmex aims to raise corporate value in an overall sense, through the culmination of social contribution, environmental protection, intellectual property, compliance, risk management and investor relations.

Sysmex Way

Mission

Shaping the advancement of healthcare.

Value

We continue to create unique and innovative values, while building trust and confidence.

Mind

With passion and flexibility, we demonstrate our individual competence and unsurpassed teamwork.

Core Behaviors

To our Customers

We deliver reassurance to our customers, through unmatched quality, advanced technologies, superior support, and actions that consistently reflect the viewpoint of our customers.

We constantly look out for our customers’ true needs, and seek to generate new solutions to satisfy those needs.

To our Employees

We honor diversity, respect the individuality of each employee, and provide them with a workplace where they can realize their full potential.

We value the spirit of independence and challenge, provide employees with opportunities for self-fulfillment and growth, and reward them for their accomplishments.

To our Business Partners

We deliver commitment to our client companies through broad-ranging partnerships.

We strive to be a company that can grow in step with our trade partners, through respect and mutual trust.

To our Shareholders

Our shareholders can rest assured that we will continue to improve the soundness and transparency of our management policies, while promoting information disclosure and close communications.

We commit ourselves to a consistent yet innovative style of management, in order to achieve sustainable growth and increased shareholder value.

To Society

We carry out our business in strict compliance with laws and regulations, as well as in adherence to high ethical standards.

As a responsible member of society, we play an active role in resolving environmental issues and other problems that impact our society today.

Investor Relations Activities

Maintaining Excellent Communications with Shareholders and Other Investors through Quality Investor Relations

We are aggressive in our investor relations efforts, which we recognize as an important facet of corporate management. The investor relations department is located within the corporate communications division, which reports directly to the president. The investor relations department is charged with disclosing appropriate information in a timely manner, interacting directly with shareholders and other investors and promptly providing feedback regarding the Company's external assessment, which information can be rapidly reflected in its management.

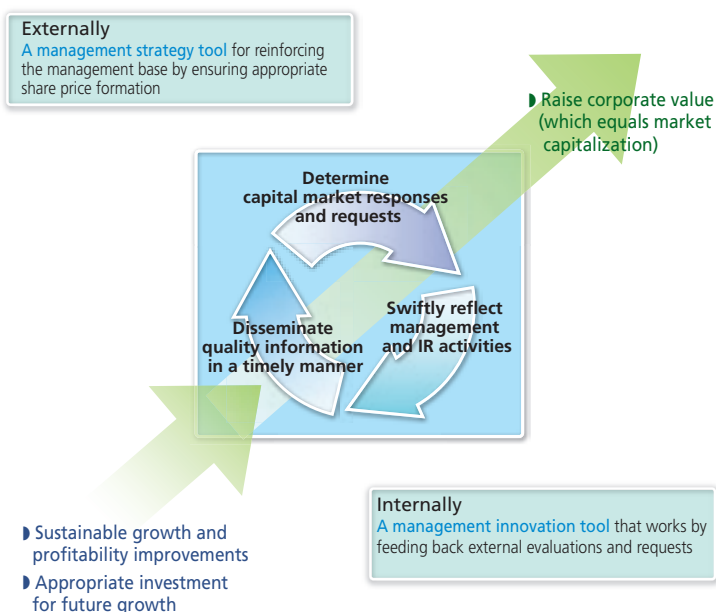
One focus of our communications with shareholders and other investors is to explain a difficult-to-understand business in an easily understandable manner. In addition to briefing analysts and institutional investors about operat-

ing results, this department provides technical explanations, hosts tours to research and manufacturing facilities, holds overseas investor relations meetings and seeks opportunities to foster an understanding of the Company's products by providing individual product explanations at industry exhibitions. For individual shareholders and other investors, the department prepares corporate brochures and shareholder reports, as well as a variety of homepage contents, all with the aim introducing the Company's business in an easily understandable way.

In 2006, the Company received the Japan Investor Relations Association's Award for Excellence in Corporate IR. We have also been selected to receive the Award for Excellence in Internet Investor Relations, sponsored by Daiwa Investor Relations Co., Ltd.

To raise the level of our investor relations activities further, in addition to proactive external information disclosure, we will concentrate on routing feedback into the Company ensuring the results of our investor relations activities are reflected in our capital policies and management.

Positions of Sysmex IR Activities



Compliance Activities

Contributing to Society by Implementing thorough Compliance Activities and Creating Products with Characteristics in Keeping with the Sysmex Brand

Sysmex has reviewed the scope of its compliance activities to date and created conformance rules for all executives and employees of the Sysmex Group in Japan and overseas. We have also established a compliance code. As part of this activity we have defined Sysmex's view of compliance as "respecting laws and regulations and going about our business boldly and with a strong sense of ethics."

To further compliance with the Company, we have designated a Group Compliance Officer to control these activities Groupwide. In addition, we have appointed personnel to promote compliance training in each department. The Group Compliance Committee meets periodically to confirm the implementation status of the Compliance Promotion Plan and deliberate the overall direction of the Group's compliance activities.

Various training activities are underway to ensure that all employees have a thorough understanding of the recently established Compliance Code. To promote and supervise compliance activities, Sysmex has enhanced its internal reporting system with the establishment of Campanula Lines, which are accessible to Group companies. Campanula Lines consists of two lines: an in-house line that is managed by in-house staff and an external line, which is contracted to a law firm.

Sysmex will continue to ensure thorough compliance to remain a Company that stakeholders consider highly trustworthy.

Risk Management

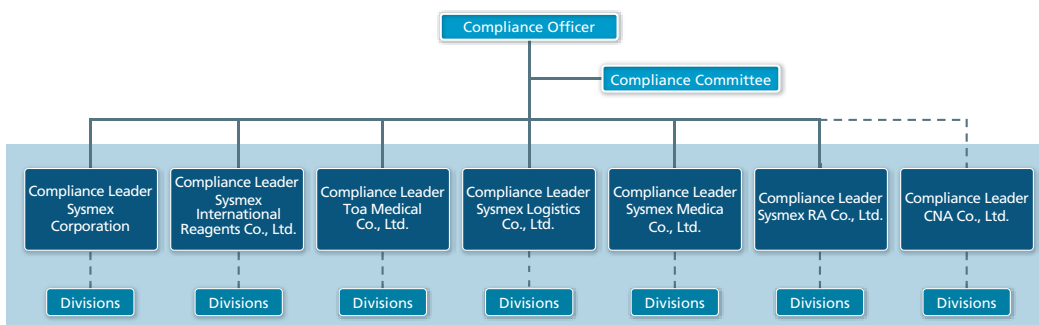
Assuring Stakeholders through Reinforced Risk and Quality Management

Sysmex has raised the bar on risk management by promoting these activities from a divisional level to a Companywide risk management system. In April 2007, we put in place a Risk Management Committee to steadily address risk responses, beginning with the most important.

Shifting our focus to quality, we are working to improve internal quality assurance levels and to further and improve our quality management system. Moving toward the establishment of a Groupwide quality management system, we have created a quality assurance department to pursue ISO certification. We have introduced quality training because we believe in the need to understand quality management systems, build individual employee awareness of these systems and ultimately raise our level of quality control. Internal quality audits, which are conducted by internal product quality auditors selected by each department but who are members of a committee independent from these departments, provide periodic checks on the operational status of the quality management system.

We disclose information in accordance with the timely disclosure regulations that stock exchanges have established for this purpose.

Structure to Ensure Corporate Compliance



Managerial divisions create documents on decisions that have been made, issues that have arisen and information on account settlements, as well as liaising with people outside the company who disseminate this information. Information concerning Company decisions and accounting settlements is disseminated quickly, after deliberation by the Steering Committee as well as resolution by the Board of Directors and a decision by the President. Any incidents that arise are reported to the President, following deliberation by the Steering Committee, before being disclosed publicly.

To ensure that we continue to earn the trust of a wide range of stakeholders, we will reinforce management sensitivity to risk and quality.



Internal quality audit in progress

fundamental of management tasks. We cultivate a fulfilling corporate culture that draws out and maximizes the strengths of individual employees. Currently, around 40% of Sysmex's human resources are stationed at companies overseas. As it becomes more global, the Company will attract an even greater range of personalities. We believe that diversity and globalization go hand in hand and that management's responsibility is to nurture individual strengths and incorporate them into the overall organization.

The Company will remain faithful to the basic management philosophy that it has upheld since the time of its establishment while changing flexibly with the times and uphold the "Sysmex Way," the newly redefined corporate philosophy. By dealing in products that have characteristics in keeping with the Sysmex brand, we will strive to deliver creative value and assure peace of mind, which is linked with stakeholder satisfaction.

Sysmex will continue to cultivate a corporate culture where employees are fulfilled in their work, based on a sense of mutual agreement and common understanding.

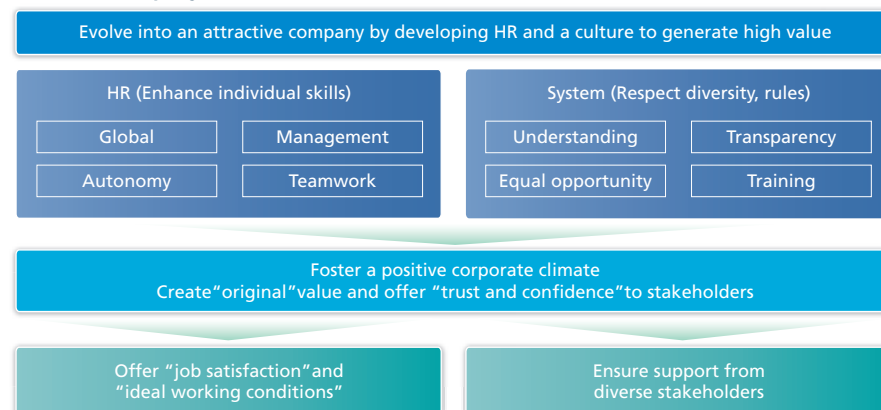
Developing Human Resources

Cultivating a Corporate Culture Where Employees Are Fulfilled in Their Work, Based on Mutual Agreement and Common Understanding

Sysmex believes that recruiting, retaining and developing human resources is one of the most



Attractive Company



Intellectual Property Activities

Creating an Environment that Encourages Intellectual Creation and Conducting Intellectual Property Activities that Assure a Competitive Edge and Support Stable Growth

In line with its expanding business domains and global development, Sysmex has established the Basic Principles of Intellectual Property Activities. Our goals in creating these principles were to share Groupwide our fundamental thoughts on intellectual property activities, maximize Group strengths. The Company's policy on specific intellectual property activities is to liaise with R&D divisions, formulate filing strategies, uncover latent intellectual property opportunities and survey the intellectual property rights of third parties. Through proactive intellectual property education activities, we seek to quickly convert research successes into valuable intellectual property.

We have in place a remuneration system that includes bonuses based on patent performance. This system is designed to contribute to the Group's business and enhance incentives for inventors. As an R&D-oriented company, we will continue to support the knowledge-building activities of our employees, secure our position in global competition and strive to achieve stable growth.

Social Contributions

A Company Involved in Healthcare, with Roots in Kobe but Conducting Operations and Making Social Contributions on a Global Scale

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.

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. Sysmex also participates in the Kobe Medical Industry Development Project, which is promoted by the city of Kobe, and in 2006 the Company committed support to the Foundation for Biomedical Research and Innovation. These funds were used to open the Sysmex Asano Laboratory in January 2007. Under the direction of Professor Shigetaka Asano, a leading hematology expert, the laboratory aims to create new diagnostic technologies for effective cell therapy.

Valuing its interaction with local communities, Sysmex has opened its Kakogawa Factory, an instrument manufacturing facility, for a local

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.

junior high school internship course. Participating since 1998 in this junior high school work-study program called "Try-Yaru Week," Sysmex supports a week-long student internship program each year in early June.

In December 2005, the Company established the Sysmex Women's Track & Field Team, welcoming Coach Nobuyuki Fujita, who has trained numerous athletes representing Japan in the Olympic Games, and Athens Olympic Games gold medalist Mizuki Noguchi. The team supports the training of young athletes who aim to become world-class competitors.

Through its involvement in such healthcare, local community and sporting activities, Sysmex works to raise its brand value by fulfilling its social responsibilities and thereby raising overall corporate value.



Sysmex Women's Track & Field Team

Environmental Conservation

Activities to Meet Social Responsibilities for Environmental Conservation and Seeking Harmony with the Global Environment

Sysmex recognizes its social responsibility toward environmental conservation as an item of management priority. In line with the Sysmex environmental policy, in addition to environmental protection activities in the course of product development, manufacturing and support services, we conduct a variety of activities to reduce

the burden the Company places on the environment and achieve harmony with the global environment.

In 2006, we reviewed our environmental management system and put in place a system to drive such activities forward. Sysmex also has acquired certification under the international ISO 14001 standard for environmental management systems at eight principal business sites. In addition, we are formulating a Groupwide system to promote environmental activities, including an annual environmental audit.

In product development, we work to make products more compact, lightweight and energy-efficient, and to develop environmentally friendly reagents. We have put in place green procurement standards, which we use to promote the sourcing of raw materials in ways that have a low environmental impact.

In a bid to reduce emissions and use resources effectively, we have launched zero-emissions initiatives at our factories. We also promote emissions separation and recovery and other recycling efforts. Sysmex's offices in Japan have adopted the Ministry of the Environment's "Cool-Biz" proposal, a program to reduce CO₂ by maintaining appropriate office temperatures.

Through conservation efforts that seek to achieve harmony with the global environment, Sysmex endeavors to meet its social responsibilities toward environmental preservation, raise its brand value and enhance overall corporate value.



We have acquired environmentally friendly reagent delivery trucks that run on compressed natural gas.

Investor Relations Policy

1. Our IR Goal and Principal

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

2. Forward-Looking Statements

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

3. Information Disclosure

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

4. IR Quiet Period

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

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Management's Discussion and Analysis

Rating Information

(As of May 31, 2007)

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.

Financial Policy

Systemex regards increasing market capitalization with the objective of maximizing corporate value an important management task and 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, while sustaining medium- to long-term growth. To that end, Systemex practices transparent management to communicate with stakeholders on Systemex's current situation and the direction it should pursue. These measures include enhancing timely disclosure, the website, business reports, financial data, periodic briefings on business results, visits to institutional investors and briefings for individual investors.

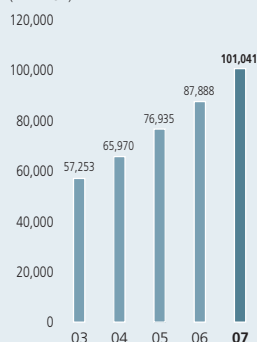
Sustaining medium- to long-term growth requires a level of R&D investment sufficient to prevail in global competition. We must consistently create new technologies and products and stimulate the growth of our critical mass to absorb the increases in selling, general, and administrative (SG&A) expenses that come with scale expansion. In recent years, our sales growth in overseas markets has been striking. Systemex has succeeded in increasing sales by about ¥10 billion each year through the integration with Systemex International Reagents Co., Ltd. and synergy from a 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 obtains an issuer rating from Rating & Investment Information, Inc. (R&I) and reviews and renews this rating each year. Having a high rating reduces the cost of raising funds in the capital markets and helps build trust among our shareholders and with the world at large. To enhance its the rating in the upcoming 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.

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

Net Sales

(¥ million)



Net Sales by Region



Results of Operations

Looking by country at the economic environment in which Systemex operates, in Japan strong corporate earnings spurred capital investment, and the employment situation improved. Although personal consumption was less than vigorous, the economy continued its gradual expansion. Growth in the U.S. economy decelerated, in line with a slowdown in the housing market, but personal consumption expanded on the back of firm employment figures, enabling overall growth to continue. Internal demand supported firm economic growth in Europe. High levels of overall economic growth continued in Asia, particularly in China and India.

In the medical arena, conditions in Japan remained problematic, as various measures related to healthcare were drafted in Japan with the aim of reducing healthcare costs on a short- to medium-term basis. In Europe and the United States, efforts to reduce medical costs by reforming medical service systems continued. Conversely, economic expansion in China and other parts of Asia spurred demand for medical instrument.

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.

In this environment, the Company worked to expand its product portfolio in the diagnostics business by introducing high-value-added analysis instrument to perform higher quality tests on a variety of patients. This instrument included the CS-2000*i*, a fully automated coagulation analyzer; the UF-1000*i*, a fully automated urine sediment analyzer; and the XE-5000, an automatic multi-item blood cell analyzer. To enhance its overseas sales and service network, in May 2006 Sysmex established a new company in South Africa, and in September we converted an agency in Switzerland to a subsidiary. Such efforts are part of our drive to accelerate overseas business development through local entities. On the R&D front, we began construction on Sysmex Techno Park, an R&D center, in a bid to create advanced, high-value diagnostic technologies. Sysmex also entered into agreements for joint R&D, clinical development and marketing with Affymetrix Inc. of the United States, which has earned global renown for its expertise in DNA chip technology.

Sales in Japan benefited from large-scale orders and sales of hematology testing systems to major testing systems. In addition, from the Japanese Red Cross Society we received a package order for hematology analyzers for blood centers throughout Japan. By proposing IT-based solutions and aggressively introducing new products to meet a range of customer needs, we succeeded in raising sales in Japan 6.9% during the year, to ¥37,873 million.

In the Americas, our sales activities were broad-ranging. We covered large hospitals and prominent testing centers, as well as small and medium-sized hospitals, as we worked to raise brand awareness and increase our market share in a variety of customer segments. In Europe, we worked assiduously to strengthen our sales and service network. We launched our first product in the life science category, the RD-100*i* gene amplification detector, which contributed to awareness of the Company in academic and other circles. In China and the Asia-Pacific region, we extended our product portfolio and pushed ahead in sales based on the proposal of solutions. These efforts, combined with depreciation of the yen against other currencies, boosted Sysmex's overseas sales 20.4%, to ¥63,168 million, accounting for 62.5% of net sales, up 2.8 percentage points from the preceding term. Consolidated net sales amounted to ¥101,041 million, up 15.0%.

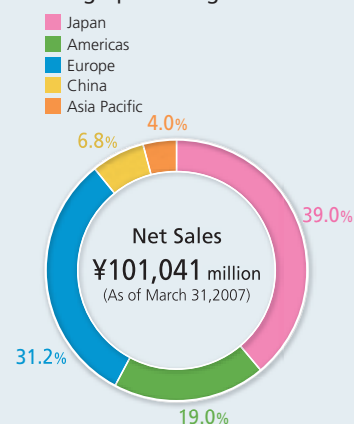
The fiscal year under review is the second of the mid-term plan we launched in April 2005—a plan designed to guide us for the three years through March 31, 2008. This plan established the key tasks of sustained growth and profit increases in the diagnostics field, the enhancement of technological capabilities 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, Sysmex engaged in the following initiatives.

1. Sustaining growth and profit increases in the diagnostics field

We are developing new products to expand our portfolio in the diagnostics business. We received from the Japanese Red Cross Society a package order for hematology analyzers to be used by Red Cross blood testing centers throughout Japan. This is one example of our efforts to propose IT-based solutions and aggressively introduce new products to meet diverse customer needs. Overseas, we are expanding the scope of our sales activities and heightening our brand image in the Americas as part of our efforts to raise our market share. In Europe, we are pushing forward with comprehensive proposal-based sales and reinforcing our sales and service networks. In China and the Asia-Pacific region, we are extending our product portfolio and moving ahead with solution-based sales. To upgrade our global reagent production system, we are building new reagent factories in the Americas and Europe and creating a new production base in India.

As a result, we successfully exceeded ¥100 billion in net sales and attained the top share of the global market in hematology testing (according to our own research).

Net Sales by Geographical Region



Our Objectives and Future Opportunities: Americas

Commercial Lab market

Approach to the Commercial Lab market

- Augment integrated hematology system—Add third-party products to expand our range
- Drive promotion of coagulation/urinalysis systems

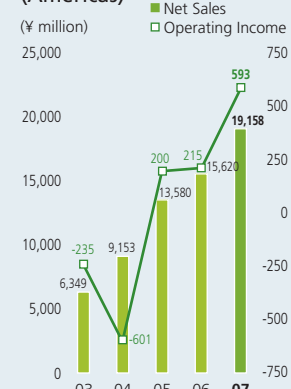


Hospital market

Direct sales

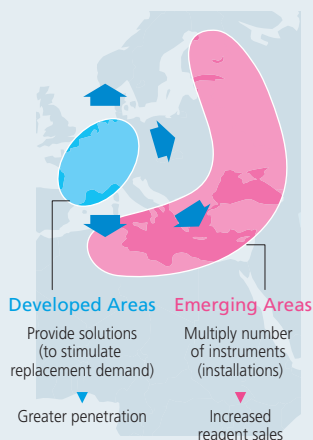
- Promoting the standardization concept to all market segment
- Improving market coverage
- Enhance the partnership with alliance partners

Sales and Operating Income by Geographical Region (Americas)



Management's Discussion and Analysis

Our Objectives and Future Opportunities: Europe



2. Enhancing Technological Capabilities and Rebuilding the Business Structure to Ensure the Continuous Development of High-Value-Added Products

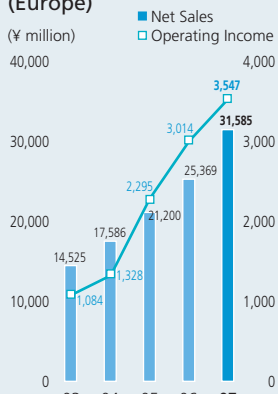
To advance our aim of adding a high level of value through diagnostics technologies, we began construction on Sysmex Techno Park, an R&D center, in a bid to create advanced, high-value diagnostic technologies. Sysmex also entered into agreements for joint R&D, clinical development and marketing with Affymetrix Inc. of the United States, which has earned global renown for its expertise in DNA chip technology.

3. Realizing 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. Making our first splash in the life science field, we launched the RD-100i gene amplification detector and its testing agents and commenced sales in Europe.

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

Sales and Operating Income by Geographical Region (Europe)

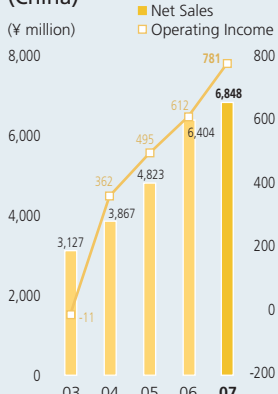


Americas

The U.S. market accounts for about 40% of global diagnostics demand and is divided into the hospital market, centered on Integrated Health Network (IHN), and the commercial laboratory market. Currently, Sysmex holds the number two share in the U.S. market, and we are working to raise this level. In the fiscal year ended March 31, 2007, Sysmex stepped up sales promotion to IHN, group purchasing and other organizations and increased 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. Sales increases in the hematology, hemostasis and urinalysis segments boosted regional sales 22.7%, to ¥19,158 million.

Operating income increased 175.8%, to ¥593 million, as the impact of higher revenues including export sales to affiliates compensated for an increase in SG&A expenses.

Sales and Operating Income by Geographical Region (China)



Europe

In developed countries, cost reductions and greater efficiency are required due to healthcare policies aimed at curtailing increases in medical expenses attendant on the aging population. On the other hand, emerging markets in Eastern Europe, Russia and Africa are expanding hand in hand with the establishment and development of their medical care infrastructures. In advanced countries, Sysmex is employing clinical information systems to extend its comprehensive proposal-based sales and expand into small and medium-sized hospitals, as well as moving into smaller markets. In emerging markets, we are reinforcing our sales and support networks by establishing our own bases and heightening sales promotion efforts through distributors. During the year, favorable sales in the hematology, hemostasis and urinalysis segments, coupled with the effects of yen depreciation, bolstered regional sales 24.5%, to ¥31,585 million.

Operating income increased 17.7%, to ¥3,547 million, as the impact of higher revenues, including export sales to affiliates, compensated for an increase in SG&A expenses.

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. Sysmex is promoting sales of compact hematology analyzers in rural areas and encouraging replacement purchases of high-performance instruments in urban areas. Nowadays, we are highly rated by customers as the regional market share leader in the hematology segment. By leveraging the Sysmex brand, we are expanding into areas outside hematology, such as hemostasis, urinalysis and clinical chemistry. During the year, the number of bids for instrument replacement fell, impacted by medical service system reforms, but we posted higher sales of the XS series of automatic multi-item blood cell analyzers that we introduced into the market last year, reagent sales increased, and sales in the hematology and hemostasis fields grew. Consequently, regional sales expanded 6.9%, to ¥6,848 million.

Operating income increased 27.6%, to ¥781 million, as reagents constituted a higher percentage of sales, reducing the cost of sales ratio.

Asia Pacific

The Asia-Pacific region can be broadly divided into two markets: a developed segment that includes Australia, New Zealand, Singapore, Taiwan, South Korea and other markets, and an emerging segment including India and Indonesia, where the government-led establishment and development of medical care infrastructure is driving market expansion. India, which is attracting worldwide attention as a BRICs country, is regarded as an especially promising market that will develop in accordance with rapid economic growth. During the year, we established Sysmex India Pvt. Ltd. to expand our sales capabilities in the country. We also began building a new reagent plant in India to meet rising reagent demand. In line with the expansion of our product portfolio and ongoing solution-based sales efforts, sales in the hematology, hemostasis and urinalysis segments increased, raising regional sales 8.5%, to ¥4,054 million.

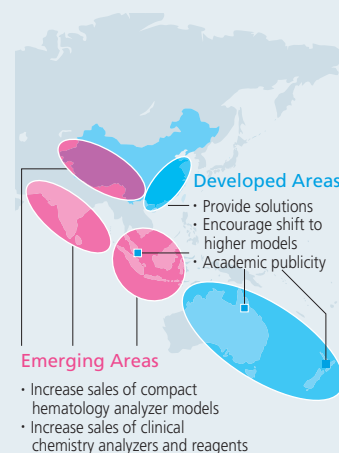
Operating income declined 7.5%, to ¥333 million, as our expansion of sales and support systems pushed up SG&A expenses.

Japan

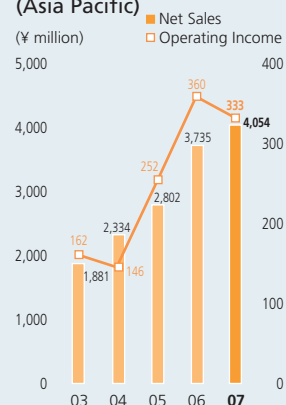
Medical system reform is being implemented to curb rises in medical costs stemming from the rapidly declining birthrate and the aging of the population. The streamlining of hospital management and efforts to increase operating efficiency are being implemented in response to the lowering of medical treatment fees. In the fiscal year ended March 31, 2007, 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 worked to enhance its after-sales and support structure by opening the Solutions Center. As a comprehensive supplier, we engaged in sales activities directed at a broad base of customers to promote sales of a number of products in segments other than hematology. During the year, government policies to reduce the costs of medical care moved forward, contributing to a difficult industry operating environment. However, the Company benefited from strong orders and sales, particularly of hematology instrument. We introduced the CS-2000i, a fully automated coagulation tester. Based on our success in proposing solutions that leverage information technologies, we raised sales in the fields of hematology, coagulation, point of care and particle analysis, driving up net sales 7.2%, to ¥39,396 million.

Operating income increased 14.6%, to ¥7,432 million, as the impact of higher revenues including export sales to affiliates compensated for an increase in SG&A expenses.

Our Objectives and Future Opportunities: China, Asia Pacific

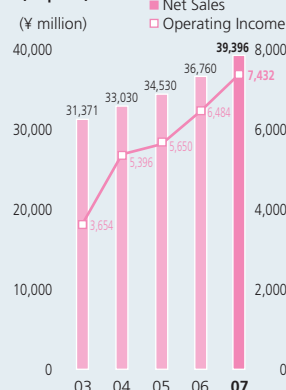


Sales and Operating Income by Geographical Region (Asia Pacific)



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

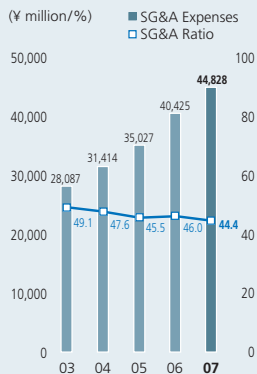
Sales and Operating Income by Geographical Region (Japan)



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

Management's Discussion and Analysis

SG&A Expenses and SG&A Ratio



As a result of these activities, consolidated net sales for the fiscal year ended March 31, 2007, increased ¥13,153 million, or 15.0% year on year, to ¥101,041 million, and net surged ¥1,585 million, or 21.4%, to ¥9,008 million. Efficiency and profitability indicators improved. Although the shareholders' equity ratio slipped from 71.6% the previous term, to 70.5%, due to an increase in total assets, asset turnover increased from 1.06 times to 1.07 times, ROA grew from 9.0% to 9.5%, and ROE rose from 12.5% to 13.4%.

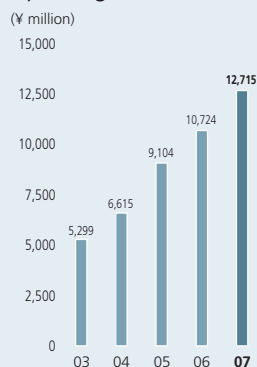
Net Sales

During the fiscal year ended March 31, 2007, overall sales of hematology analyzers, coagulation analyzers and reagents and urinalysis instrument remained favorable, and sales expanded in the point-of-care segment. Consequently, net sales grew ¥13,153 million, or 15.0% year on year, to ¥101,041 million. As a result of a particularly sharp increase in overseas sales of ¥10,699 million, or 20.4%, to ¥63,168 million, the contribution of overseas sales to total sales was 62.5%, up from 59.7% in the previous term.

By overseas geographical region, sales in the Americas were ¥19,158 million (up ¥3,538 million, or 22.7%), sales in Europe were ¥31,585 million (up ¥6,216 million, or 24.5%), sales in China were ¥6,848 million (up ¥444 million, or 6.9%), and sales in the Asia Pacific region were ¥4,054 million (up ¥319 million, or 8.5%).

With regard to the effect on sales of exchange rates, the yen depreciated ¥3.71 against the U.S. dollar, from ¥113.31 the previous term to ¥117.02 in the year ended March 31, 2007, having a ¥601 million positive impact on net sales. The yen depreciated ¥12.23 against the euro, from ¥137.86 to ¥150.09, raising net sales ¥2,091 million. The total positive impact of exchange rates on net sales was ¥3,829 million.

Operating Income



Cost of Sales and Selling, General, and Administrative Expenses

The cost of sales increased ¥6,759 million, or 18.4% year on year, to ¥43,498 million. Owing to a higher cost of sales in Japan, the cost of sales ratio rose 1.2 percentage points, to 43.0%.

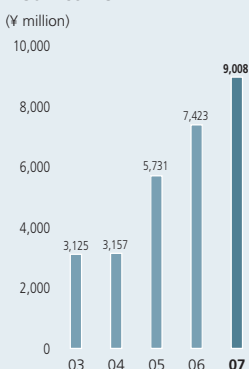
SG&A expenses grew ¥4,403 million, or 10.9%, to ¥44,828 million, pushed up by expenditures to reinforce our overseas sales networks and by higher R&D expenditure, but SG&A expenses as a ratio of sales fell 1.6 percentage points, from 46.0% to 44.4%.

Profit and Loss

Operating income increased ¥1,991 million, or 18.6% year on year, to ¥12,715 million, as the net sales increase outpaced the rise in SG&A expenses, and the ratio of operating income to sales improved 0.4 percentage point, from 12.2% to 12.6%. Foreign exchange contributed approximately ¥818 million more to profit than during the previous term.

Net income grew ¥1,585 million, or 21.4%, to ¥9,008 million, buoyed by higher proceeds from sales of investment securities and a lower tax expense burden.

Net Income



Dividend Policy

To continue growing at a high and steady rate, Sysmex must strike an appropriate balance between investing aggressively and returning profits to shareholders as profitability increases. We are working toward this balance. Our basic policy on returning profits to shareholders is to ensure a regular level of stable dividends, with these distributions backed up by successful business performance. In general, we aim for a 20% payout ratio on a consolidated basis.

In accordance with this policy, we announced a year-end ordinary dividend of ¥20 per share, upon approval of the annual general meeting of shareholders for the 40th business period. As a result,

dividends for the year totaled ¥36 per share, for a consolidated payout ratio of 20.0%. Compared with the ¥36 per share in cash dividends paid for the fiscal year ended March 31, 2006, the current level corresponds to a real dividend increase of ¥10 per share, as a result of the stock split conducted on November 18, 2005.

Sysmex plans to continue paying twice-yearly interim and year-end dividends, even now that the Corporation Law has gone into effect. Sysmex will continue its efforts to improve business performance and reinforce its business foundations in order to satisfy shareholder expectations.

R&D Expenditure

Sysmex aims to develop new products to extend its portfolio and is investing aggressively in R&D in life science and other fields offering potential growth. Total R&D expenditure for the year was ¥9,026 million, up ¥842 million. However, owing to net sales growth this expenditure decreased as a percentage of gross, falling from 9.3% in the previous fiscal year to 8.9%.

Liquidity and Sources of Capital

Fund Procurement and Liquidity Management

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

For long-term capital requirements such as investment in property, plant and instrument, the Company decides the funding method after taking into account the investment recovery period and risk. In the fiscal year ended March 31, 2007, the Company financed capital expenditures and R&D activities primarily from cash provided by operating activities.

Assets, Liabilities and Shareholders' Equity

On March 31, 2007, current assets were ¥11,269 million higher than one year earlier, as cash and cash equivalents increased ¥3,299 million, total of trade notes and trade accounts grew ¥5,740 million and inventories expanded ¥1,272 million. Higher buildings and structures and construction in progress amounts prompted a ¥2,335 million increase in property, plant and instrument. Investments and other assets grew ¥174 million, despite a decrease in investment securities. As a result, total assets came to ¥101,225 million, up ¥13,778 million from one year earlier.

Total of current liabilities and long-term liabilities rose ¥4,890 million from the previous term, to ¥28,829 million, primarily due to increases of ¥1,863 million in trade notes and accounts payable, ¥579 million in income taxes payable and ¥1,083 million in expenses payable.

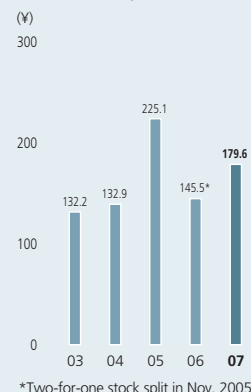
Net assets grew ¥8,888 million, to ¥72,396 million, mainly because of higher retained earnings. (This comparison is against March 31, 2006, figures for shareholders' equity plus minority interests.)

The equity ratio fell 1.1 percentage points, from 71.6% to 70.5%.

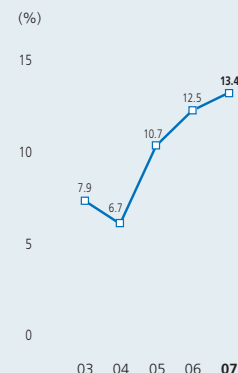
Capital Expenditures and Depreciation

Capital expenditures decreased ¥1,092 million, or 19.4%, to ¥4,546 million. The main factor behind this decline was the absence of the acquisition of land adjoining our R&D center, which was present in the preceding term. Depreciation increased ¥367 million, or 10.2%, to ¥3,959 million.

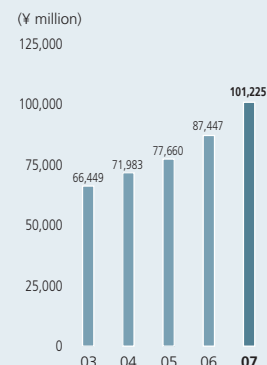
Net Income per Share



ROE



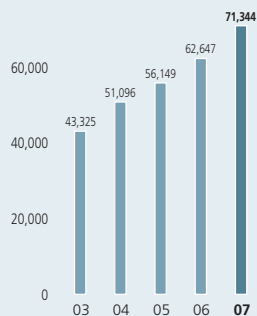
Total Assets



Management's Discussion and Analysis

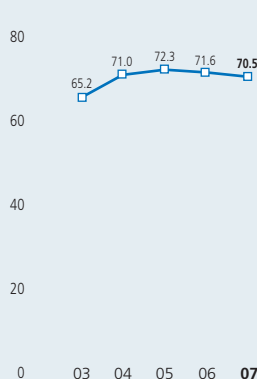
Shareholders' Equity

(¥ million)



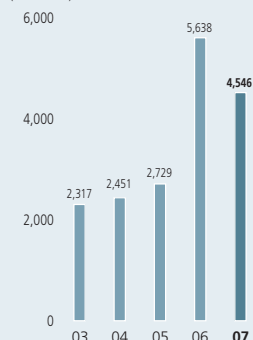
Shareholders' Equity Ratio

(%)



Capital Expenditure

(¥ million)



Cash Flows

During the fiscal year ended March 31, 2007, net cash provided by operating activities expanded, whereas net cash used in investing activities and net cash used in financing activities fell. Consequently, cash and cash equivalents came to ¥12,715 million on March 31, 2007, up ¥3,299 million from one year earlier and reversing the ¥1,042 million downward trend during the previous term. Details of cash flows follow.

Cash flows from operating activities

Net cash provided by operating activities was ¥10,085 million, up ¥1,810 million year on year. The principal reasons for the change were a ¥1,866 million increase in income before income taxes and minority interests, to ¥13,768 million, a ¥2,008 million rise in notes and accounts receivable, to ¥4,392 million. Notes and accounts payable also rose ¥691 million, compared with a ¥753 million decrease in the previous term.

Cash Flows from Investing Activities

Cash used in investing activities was ¥6,630 million, down ¥1,229 million from the preceding term. The chief reason for this change was a ¥1,168 million decrease in purchases of property, plant and instrument, to ¥4,628 million.

Cash Flows from Financing Activities

Cash used in financing activities was ¥458 million, a decrease of ¥733 million. Principal factors were ¥1,604 million in cash dividends paid, up ¥481 million, and ¥1,094 million received from the issuance of shares in line with the exercise of warrants, a factor absent in the previous 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's principal operations are in the healthcare business, involving the sale of products and services related to in vitro diagnostics. 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 56.6% in the year ended March 31, 2005, to 59.7% in the year ended March 31, 2006, to 62.5% in the year ended March 31, 2007. For this reason, Sysmex 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 of ongoing healthcare cost optimization measures that require greater efficiency in hospital management, more advanced medical care and 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, industry realignment, supplier problems or changes in the external environment.

For these reasons, Sysmex is constructing a Groupwide shared framework for the unified management of information on suppliers and on industry, legal, and regulatory trends necessary to ensure stable procurement. To prepare for unforeseen circumstances, we have added functions to our procurement operation system that enables the mutual sharing of information with suppliers. We have also created a system that allows affiliated companies to share among themselves information on the raw materials used in instruments. With regard to the raw materials used in reagents, at seven bases throughout the world we have begun building a system to share information among our reagent factories.

Measures to Counter Risks Associated with Information Systems Use

Employing information technology, Sysmex's decision-making procedures, such as transmitting information and completing approval documents, are performed via our internal network. For this reason we have put risk countermeasures in place to minimize the impact of potential network damage. Our internal network is configured to disperse risk, and we have created secondary, alternate network routes. We back up on a daily basis the important systems that support our core business, so that even in the event a material risk surfaces we revert no further than to the information as of the close of business the preceding day, and we have put in place systems to recover information quickly.

Measures introduced from a security standpoint include virus protection, including antivirus software installed on every personal computer, firewalls at Internet connection nodes and the establishment of virus gateways, resulting in a highly stable system. When operating system security patches are provided, those patches are automatically distributed throughout the Company after internal verification, ensuring a consistent level of security throughout the Company. In recent years, an increasing number of incidents involving the leakage of information through mobile personal computers has come to light. To prevent this situation, we prevent unauthorized third-party access by using mandatory fingerprint authorization devices, and all important information is encrypted.

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 Systems (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.*

*service for customers who have maintenance contracts

Consolidated Financial Statements

Consolidated Balance Sheets

Sysmex Corporation and Subsidiaries

March 31, 2007 and 2006	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 12,715	¥ 9,416	\$ 107,754
Short-term investments (Notes 3 and 11)	121	97	1,025
Receivable:			
Trade notes	3,511	3,292	29,754
Trade accounts	28,171	22,650	238,737
Associated company	229	205	1,941
Others	231	334	1,958
Allowance for doubtful accounts	(508)	(419)	(4,305)
Inventories (Note 4)	16,563	15,291	140,364
Deferred tax assets (Note 8)	3,668	2,541	31,085
Prepaid expenses and other current assets	1,420	1,445	12,034
Total current assets	66,121	54,852	560,347
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 5)	7,871	7,738	66,703
Buildings and structures (Note 5)	17,146	15,872	145,305
Machinery and equipment	6,271	5,781	53,144
Furniture and fixtures	14,976	14,052	126,915
Construction in progress	1,669	1,019	14,145
Total	47,933	44,462	406,212
Accumulated depreciation	(24,153)	(23,017)	(204,687)
Net property, plant and equipment	23,780	21,445	201,525
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	2,997	3,946	25,398
Investment in associated company	7	43	59
Goodwill	476	217	4,034
Software	3,052	2,921	25,864
Deposits	1,166	965	9,881
Investment in real estate	2,136	2,174	18,102
Deferred tax assets (Note 8)	115	178	975
Other assets	1,375	706	11,654
Total investments and other assets	11,324	11,150	95,967
TOTAL	¥101,225	¥ 87,447	\$ 857,839

See notes to consolidated financial statements.

March 31, 2007 and 2006	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 12	¥00,128	\$ 102
Current portion of long-term debt (Note 5)	68	18	576
Payable:			
Trade notes	1,768	1,264	14,983
Trade accounts	8,964	7,605	75,966
Construction and other	3,023	2,525	25,619
Income taxes payable	3,244	2,665	27,492
Accrued expenses	5,362	4,279	45,441
Deferred tax liabilities (Note 8)	3	3	25
Other current liabilities	3,190	2,480	27,033
Total current liabilities	25,634	20,967	217,237
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	82	4	695
Liability for retirement benefits (Note 6)	408	446	3,458
Guarantee deposits received	1,008	1,045	8,542
Deferred tax liabilities (Note 8)	1,388	1,068	11,763
Other long-term liabilities	309	409	2,618
Total long-term liabilities	3,195	2,972	27,076
MINORITY INTERESTS		861	
CONTINGENT LIABILITIES (Note 11)			
EQUITY (Notes 7 and 13):			
Common stock, 149,672,000 shares authorized, 50,654,596 shares issued in 2007 and 50,005,596 shares issued in 2006	8,501	7,955	72,042
Capital surplus	11,731	11,185	99,415
Retained earnings	48,795	41,550	413,517
Unrealized gain on available-for-sale securities	806	1,235	6,831
Foreign currency translation adjustments	1,675	873	14,195
Treasury stock - at cost: 91,217 shares in 2007 and 88,560 shares in 2006	(164)	(151)	(1,389)
Total	71,344	62,647	604,611
Minority interests	1,052		8,915
Total equity	72,396	62,647	613,526
TOTAL	¥101,225	¥87,447	\$857,839

See notes to consolidated financial statements.

Consolidated Statements of Income

Sysmex Corporation and Subsidiaries

Years Ended March 31, 2007 and 2006	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES	¥101,041	¥87,888	\$856,280
COST OF SALES	43,498	36,739	368,627
GROSS PROFIT	57,543	51,149	487,653
SELLING, GENERAL AND ADMINISTRATIVE	44,828	40,425	379,898
OPERATING INCOME	12,715	10,724	107,755
OTHER INCOME (EXPENSES):			
Interest and dividend income	149	102	1,263
Interest expense	(27)	(22)	(229)
Foreign exchange gain	374	828	3,169
Other - net	557	270	4,720
Other income (expenses) - net	1,053	1,178	8,923
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	13,768	11,902	116,678
INCOME TAXES (Note 8):			
Current	5,139	5,010	43,551
Deferred	(424)	(562)	(3,593)
Total income taxes	4,715	4,448	39,958
MINORITY INTERESTS IN NET INCOME	(45)	(31)	(381)
NET INCOME	¥ 9,008	¥ 7,423	\$ 76,339

Years Ended March 31, 2007 and 2006	Yen		U.S. Dollars
	2007	2006	2007
AMOUNTS PER COMMON SHARE (Note 12):			
Net income	¥ 179.63	¥145.48	\$ 1.52
Diluted net income	177.97	143.77	1.51
Cash dividends applicable to the year	36.00	36.00	0.31

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Sysmex Corporation and Subsidiaries

Years Ended March 31, 2007 and 2006	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	24,962,580	¥7,955	¥11,182	¥36,051	¥ 656	¥ 423	¥(118)	¥56,149		¥56,149
Net income				7,423				7,423		7,423
Cash dividends, ¥45.00 per share				(1,123)				(1,123)		(1,123)
Bonuses to directors and corporate auditors				(113)				(113)		(113)
Repurchase of treasury stock	(5,498)						(34)	(34)		(34)
Disposal of treasury stock	854		3				1	4		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)		(688)
Net increase in unrealized gain on available-for-sale securities					579			579		579
Net change in foreign currency translation adjustments						450		450		450
BALANCE, MARCH 31, 2006	49,917,036	7,955	11,185	41,550	1,235	873	(151)	62,647		62,647
Reclassified balance as of March 31, 2006 (Note 2.I)									¥ 861	861
Net income				9,008				9,008		9,008
Cash dividends, ¥36.00 per share				(1,603)				(1,603)		(1,603)
Bonuses to directors and corporate auditors				(160)				(160)		(160)
Repurchase of treasury stock	(2,685)						(13)	(13)		(13)
Disposal of treasury stock	28		0				0	0		0
Exercise of warrants	649,000	546	546					1,092		1,092
Net change in the year					(429)	802		373	191	564
BALANCE, MARCH 31, 2007	50,563,379	¥8,501	¥11,731	¥48,795	¥806	¥1,675	¥(164)	¥71,344	¥1,052	¥72,396

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity	
BALANCE, MARCH 31, 2006	\$67,415	\$94,788	\$352,119	\$10,466	\$ 7,398	\$(1,279)	\$530,907		\$530,907	
Reclassified balance as of March 31, 2006 (Note 2.I)								\$7,296	7,296	
Net income			76,339				76,339		76,339	
Cash dividends, \$0.31 per share			(13,585)				(13,585)		(13,585)	
Bonuses to directors and corporate auditors			(1,356)				(1,356)		(1,356)	
Repurchase of treasury stock						(110)	(110)		(110)	
Disposal of treasury stock		0				0	0		0	
Exercise of warrants	4,627	4,627					9,254		9,254	
Net change in the year				(3,635)	6,797		3,162	1,619	4,781	
BALANCE, MARCH 31, 2007	\$72,042	\$99,415	\$413,517	\$ 6,831	\$14,195	\$(1,389)	\$604,611	\$8,915	\$613,526	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sysmex Corporation and Subsidiaries

Years Ended March 31, 2007 and 2006	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥13,768	¥11,902	\$116,678
Adjustments for:			
Income taxes - paid	(4,660)	(4,192)	(39,492)
Depreciation and amortization	4,016	3,626	34,034
Loss on disposals of property, plant and equipment	142	132	1,203
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(4,392)	(2,384)	(37,220)
Increase in inventories	(297)	(685)	(2,517)
Increase (decrease) in notes and accounts payable	691	(753)	5,856
Decrease in liability for retirement benefits, net of provision	(510)	(176)	(4,322)
Other - net	1,327	805	11,246
Net cash provided by operating activities	10,085	8,275	85,466
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(4,628)	(5,796)	(39,220)
Purchases of software and other assets	(1,487)	(1,421)	(12,602)
Acquisitions, net of cash acquired	(533)		(4,517)
Other - net	18	(642)	153
Net cash used in investing activities	(6,630)	(7,859)	(56,186)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans - net	(118)	(39)	(1,000)
Proceeds from borrowing of long-term debt	192		1,627
Repayments of long-term debt	(65)	(19)	(551)
Exercise of warrants	1,094		9,271
Cash dividends paid	(1,604)	(1,123)	(13,593)
Other - net	43	(10)	365
Net cash used in financing activities	(458)	(1,191)	(3,881)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	302	276	2,559
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,299	(499)	27,958
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO FISCAL YEAR-END CHANGE FOR SUBSIDIARIES		(543)	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥12,715	¥ 9,416	\$107,754
ADDITIONAL CASH FLOW INFORMATION - Interest paid			
	¥ 28	¥ 17	\$ 237

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.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan ("Japanese GAAP") and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 2006 financial statements to conform to the classifications used in 2007.

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 ¥118 to \$1, the approximate rate of exchange at March 31, 2007. 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, 2007 include the accounts of the Company and 32 (30 in 2006) 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 has 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.

b. Business Combination—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "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.

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.

c. 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.

d. 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 aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of 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.

e. 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.

f. 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.

g. 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.

h. Long-lived Assets—In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the 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.

i. 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.

j. 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 were ¥159 million (\$1,347 thousand) and ¥108 million as of March 31, 2007 and 2006, respectively.

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

The liability for employees' retirement benefits is accounted for 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.

l. Presentation of Equity—On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, 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. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

m. Research and Development—Research and development costs are charged to income as incurred. Such costs were ¥9,026 million (\$76,492 thousand) and ¥8,184 million for the years ended March 31, 2007 and 2006, respectively.

n. 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.

o. 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.

The Group adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥163 million (\$1,381 thousand).

p. 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.

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

r. 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.

s. 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.

t. 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.

u. 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.

v. New Accounting Pronouncements

Measurement of Inventories—Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories”, which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions”, which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee’s financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements”.

The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

- (1) Amortization of goodwill
- (2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (3) Capitalization of intangible assets arising from development phases
- (4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5) Retrospective application when accounting policies are changed
- (6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. SHORT-TERM INVESTMENTS AND INVESTMENTS SECURITIES

Short-term investments and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of
	2007	2006	U.S. Dollars
Current:			2007
Time deposits other than cash equivalents	¥ 79	¥ 69	\$ 669
Investment trust	42	28	356
Total	¥ 121	¥ 97	\$ 1,025
Non-current:			
Marketable equity securities	¥2,341	¥2,979	\$19,839
Investment trust and other	6	307	51
Unquoted equity securities	650	660	5,508
Total	¥2,997	¥3,946	\$25,398

The carrying amounts and aggregate fair values of investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	¥974	¥1,419	¥(52)	¥2,341
Investment trust and other	6	—	—	6
Total	¥980	¥1,419	¥(52)	¥2,347

	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

	Thousands of U.S. Dollars			
	2007			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	\$8,254	\$12,025	\$(440)	\$19,839
Investment trust and other	51	—	—	51
Total	\$8,305	\$12,025	\$(440)	\$19,890

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen	Thousands of U.S. Dollars	
	2007	2006	2007
Available-for-sale - Equity securities	¥650	¥660	\$5,508

Commercial paper was classified as cash equivalents.

Proceeds from sales of investment securities for the years ended March 31, 2007 and 2006 were ¥304 million and immaterial, respectively. Gross realized gains, computed on the moving average cost basis, for the years ended March 31, 2007 and 2006 were ¥117 million and immaterial, respectively.

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
	Finished products	¥ 4,259	¥ 5,377
Merchandise	7,207	5,233	61,076
Work in process	1,325	1,415	11,229
Raw materials	3,290	2,977	27,881
Supplies	482	289	4,085
Total	¥16,563	¥15,291	\$140,364

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, 2007 and 2006 were 5.0% and 0.5%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Loans from banks, due through 2009, with interest ranging from 2.2% to 9.7% for 2007 (from 2.0% to 5.0% for 2006):			
Collateralized	¥ 3	¥ 19	\$ 25
Unsecured	147	3	1,246
Total	150	22	1,271
Less current portion	(68)	(18)	(576)
Long-term debt, less current portion	¥ 82	¥ 4	\$ 695

At March 31, 2007, annual maturities of long-term debt were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 68	\$ 576
2009	68	576
2010	14	119
Total	¥150	\$1,271

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2007, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 97	\$ 822
Buildings and structures	166	1,407
Total	¥263	\$2,229

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, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥7,791	¥ 7,332	\$66,025
Fair value of plan assets	(8,916)	(7,799)	(75,559)
Unrecognized actuarial gain	802	629	6,797
Prepaid benefit cost	466	629	3,949
Net liability	¥ 143	¥ 162	\$ 1,212

The components of net periodic retirement benefit costs for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of
	2007	2006	U.S. Dollars
Service cost	¥ 959	¥ 920	\$ 8,127
Interest cost	142	137	1,203
Expected return on plan assets	(231)	(178)	(1,957)
Recognized actuarial loss	29	288	246
Net periodic retirement benefit costs	¥ 899	¥1,167	\$ 7,619

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.0%	3.0%
Recognition period of actuarial gain/loss	5 years	5 years

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 ¥7,611 million (\$64,500 thousand) at March 31, 2007.

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 ¥265 million (\$2,246 thousands), and ¥284 million as of March 31, 2007 and 2006, respectively. Payment of retirement benefits to directors and corporate auditors is subject to approval at the shareholders' meeting.

7. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, 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) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The 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. The Corporate Law 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 Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. 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 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 equity or deducted directly from stock acquisition rights.

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, 2007 and 2006. 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, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets (Current):			
Unrealized intercompany profits	¥1,712	¥1,303	\$14,509
Inventory	219	194	1,856
Accrued bonuses	818	684	6,932
Accrued enterprise tax	194	205	1,644
Tax loss carryforwards	74	94	627
Other	1,385	632	11,737
Less valuation allowance	(719)	(560)	(6,093)
Total	¥3,683	¥2,552	\$31,212
Deferred tax assets (Non-current):			
Depreciation	¥ 122	¥ 145	\$ 1,034
Liability for retirement benefits	139	161	1,178
Tax loss carryforwards	465	863	3,941
Software	460	445	3,898
Investment securities	241	371	2,042
Other	138	111	1,170
Less valuation allowance	(523)	(880)	(4,432)
Total	¥1,042	¥1,216	\$ 8,831
Deferred tax liabilities (Current)	¥ 18	¥ 14	\$ 152
Deferred tax liabilities (Non-current):			
Net unrealized gain on available-for-sale securities	¥ 556	¥ 850	\$ 4,712
Revaluation of land for consolidation	457	457	3,873
Investment loss for subsidiaries capital reduction by corporation tax law	384	384	3,254
Other	918	415	7,780
Total	¥2,315	¥2,106	\$19,619
Net deferred tax assets	¥2,392	¥1,648	\$20,272

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, 2007 is as follows:

	2007	2006
Normal effective statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	1.4	1.6
Per capita levy	0.9	0.6
Research and development tax credit	(3.4)	(4.3)
Change in valuation allowance	(2.2)	(0.3)
Other - net	(3.0)	(0.8)
Actual effective tax rate	34.3%	37.4%

Certain subsidiaries have tax loss carryforwards available to offset future taxable income as of March 31, 2007 of approximately ¥1,081 million (\$9,159 thousand). These tax loss carryforwards, if not utilized, will expire mainly in 2025.

9. LEASES

(Lessee)

Total lease payments under finance leases that do not transfer ownership of the leased property to the lessee were ¥1,538 million (\$13,034 thousand) and ¥1,417 million for the years ended March 31, 2007 and 2006, 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, 2007 and 2006, was as follows:

	Machinery and Equipment		Thousands of U.S. Dollars
	Millions of Yen	2006	
	2007	2006	2007
Acquisition cost	¥6,216	¥5,856	\$52,678
Accumulated depreciation	2,700	2,943	22,881
Net leased property	¥3,516	¥2,913	\$29,797

Obligations under finance leases (including imputed interest expense):

	Machinery and Equipment		Thousands of U.S. Dollars
	Millions of Yen	2006	
	2007	2006	2007
Due within one year	¥1,436	¥1,203	\$12,169
Due after one year	2,088	1,721	17,695
Total	¥3,524	¥2,924	\$29,864

Depreciation expense and interest expense under finance leases:

	Machinery and Equipment		Thousands of U.S. Dollars
	Millions of Yen	2006	
	2007	2006	2007
Depreciation expense	¥1,528	¥1,406	\$12,949
Interest expense	7	10	59

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, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥1,099	\$ 9,313
Due after one year	4,296	36,407
Total	¥5,395	\$45,720

(Lessor)

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

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 359	\$ 3,043
Due after one year	1,168	9,898
Total	¥1,527	\$12,941

10. DERIVATIVES

The Group enters into foreign currency forward contracts and foreign currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

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

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

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

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, 2007 is as follows:

	Millions of Yen		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:			
Selling:			
US dollars	¥ 466	¥ 468	¥ (2)
Euro	781	782	(1)
Total	¥1,247	¥1,250	¥ (3)
	Thousands of U.S. Dollars		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:			
Selling:			
US dollars	\$ 3,949	\$ 3,966	\$(17)
Euro	6,619	6,627	(8)
Total	\$10,568	\$10,593	\$(25)

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.

11. CONTINGENT LIABILITIES

At March 31, 2007, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for bank loans of employees and former employees	¥2	\$17

The carrying amounts of assets pledged as collateral for the above contingent liabilities at March 31, 2007, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥3	\$25

12. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2007:				
Basic EPS				
Net income available to common shareholders	¥9,008	50,147,478	¥179.63	\$1.52
Effect of Dilutive Securities				
Stock options	(0)	467,026		
Diluted EPS				
Net income for computation	¥9,008	50,614,504	¥177.97	\$1.51
For the year ended March 31, 2006:				
Basic EPS				
Net income available to common shareholders	¥7,263	49,921,043	¥145.48	
Effect of Dilutive Securities				
Stock options	(0)	593,500		
Diluted EPS				
Net income for computation	¥7,262	50,514,543	¥143.77	

13. SUBSEQUENT EVENTS

a. Issuance of New Shares

The Company has acquired the entire shares of CNA Co., Ltd, (hereinafter CNA) on April 1, 2007 according to the share exchange agreement with the resolution of the meeting of the Board of Directors held on December 18, 2006. The Company has newly issued 370,912 common shares to the shareholders of CNA except for the Company. The share exchange ratio was 1 of CNA's share to 7.5 of the Company's shares. The capital of the Company was not increased by the new issue of shares.

b. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2007 was approved at the shareholders' General Meeting of the Company held on June 22, 2007:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥20 (\$0.17) per share	¥1,011	\$8,568

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, 2007 and 2006 are summarized as follows:

	Millions of Yen							
	2007							
	Japan	Americas	Europe	China	Asia Pacific	Total	Eliminations/ Corporate	Consoli- dated
Sales to customers	¥39,396	¥19,158	¥31,585	¥6,848	¥4,054	¥101,041		¥101,041
Interarea transfer	25,532	216	428	14	148	26,338	¥(26,338)	
Total sales	64,928	19,374	32,013	6,862	4,202	127,379	(26,338)	101,041
Operating expenses	57,496	18,781	28,466	6,081	3,869	114,693	(26,367)	88,326
Operating income	¥ 7,432	¥ 593	¥ 3,547	¥ 781	¥ 333	¥12,686	¥ 29	¥ 12,715
Total assets	¥77,132	¥10,299	¥19,102	¥5,544	¥3,543	¥115,620	¥(14,395)	¥101,225

	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

	Thousands of U.S. Dollars							
	2007							
	Japan	Americas	Europe	China	Asia Pacific	Total	Eliminations/ Corporate	Consoli- dated
Sales to customers	\$333,864	\$162,356	\$267,670	\$58,034	\$34,356	\$ 856,280		\$856,280
Interarea transfer	216,373	1,831	3,627	119	1,254	223,204	\$(223,204)	
Total sales	550,237	164,187	271,297	58,153	35,610	1,079,484	(223,204)	856,280
Operating expenses	487,254	159,161	241,237	51,534	32,788	971,974	(223,449)	748,525
Operating income	\$ 62,983	\$ 5,026	\$ 30,060	\$ 6,619	\$ 2,822	\$ 107,510	\$ 245	\$107,755
Total assets	\$653,661	\$ 87,280	\$161,881	\$46,983	\$30,025	\$ 979,830	\$(121,991)	\$857,839

c. Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollar
	2007	2006	2007
	Americas	¥19,227	¥15,762
Europe	31,660	25,438	268,305
China	6,849	6,411	58,042
Asia Pacific	5,432	4,858	46,034
Total	¥63,168	¥52,469	\$535,322



Deloitte Touche Tohmatsu
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2-2-7, Nakanoshima, Kita-ku
Osaka-shi, Osaka 530-0005
Japan
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Fax: +81 6 4560 6001
www.deloitte.com/jp

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, 2007 and 2006, and the related consolidated statements of income, changes in 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, 2007 and 2006, 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.

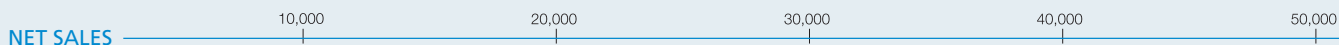
Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

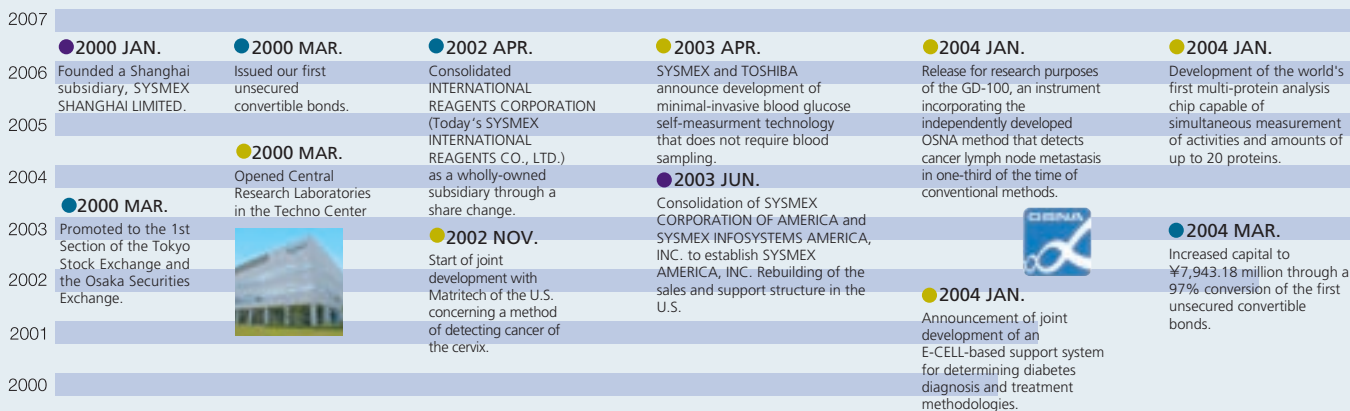
June 22, 2007

Member of
Deloitte Touche Tohmatsu

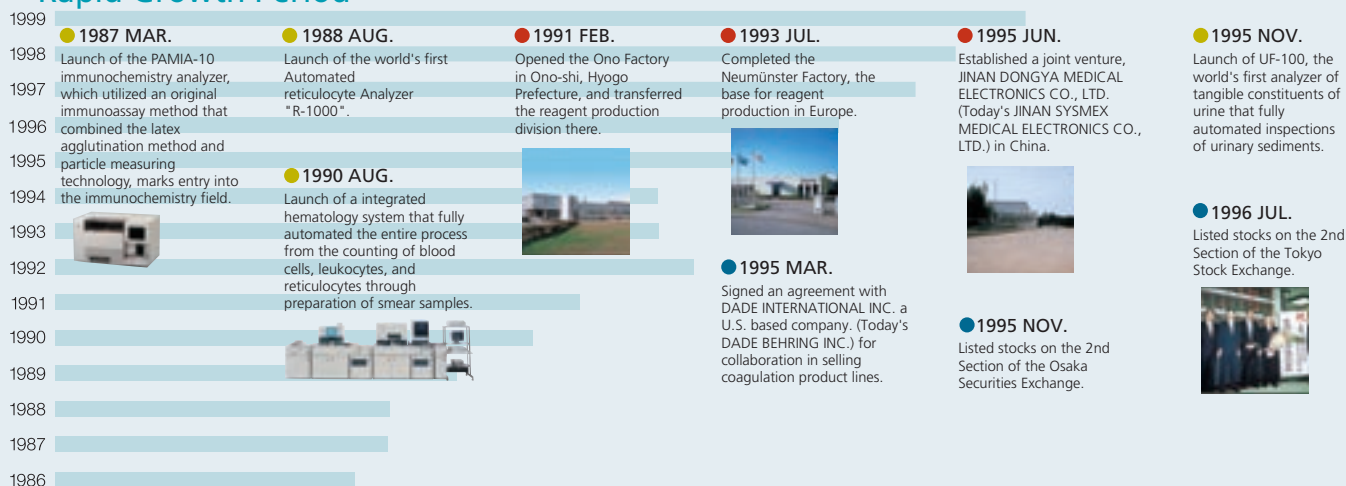
Milestones of Growth



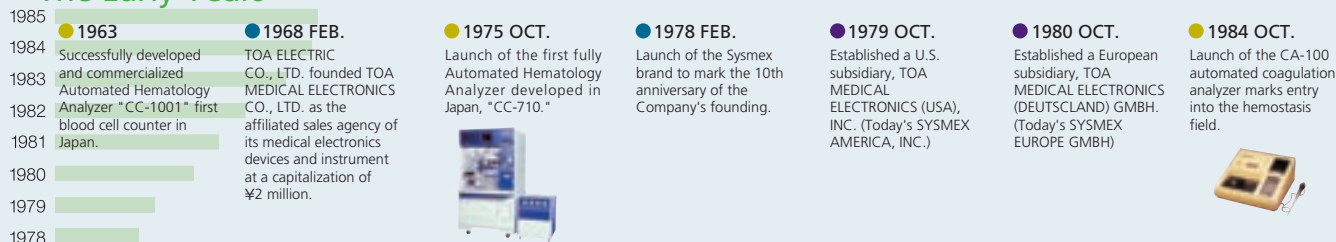
Era of Dramatic Advances



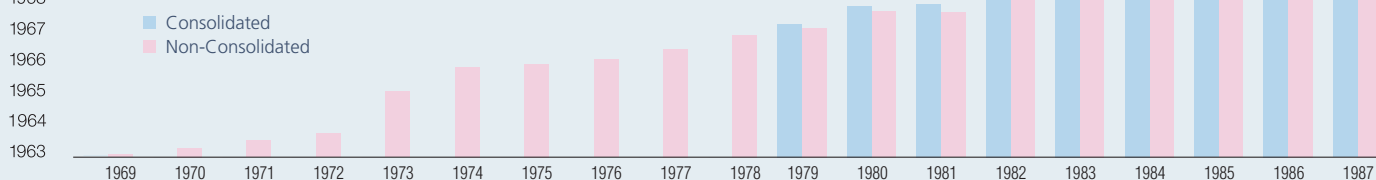
Rapid Growth Period



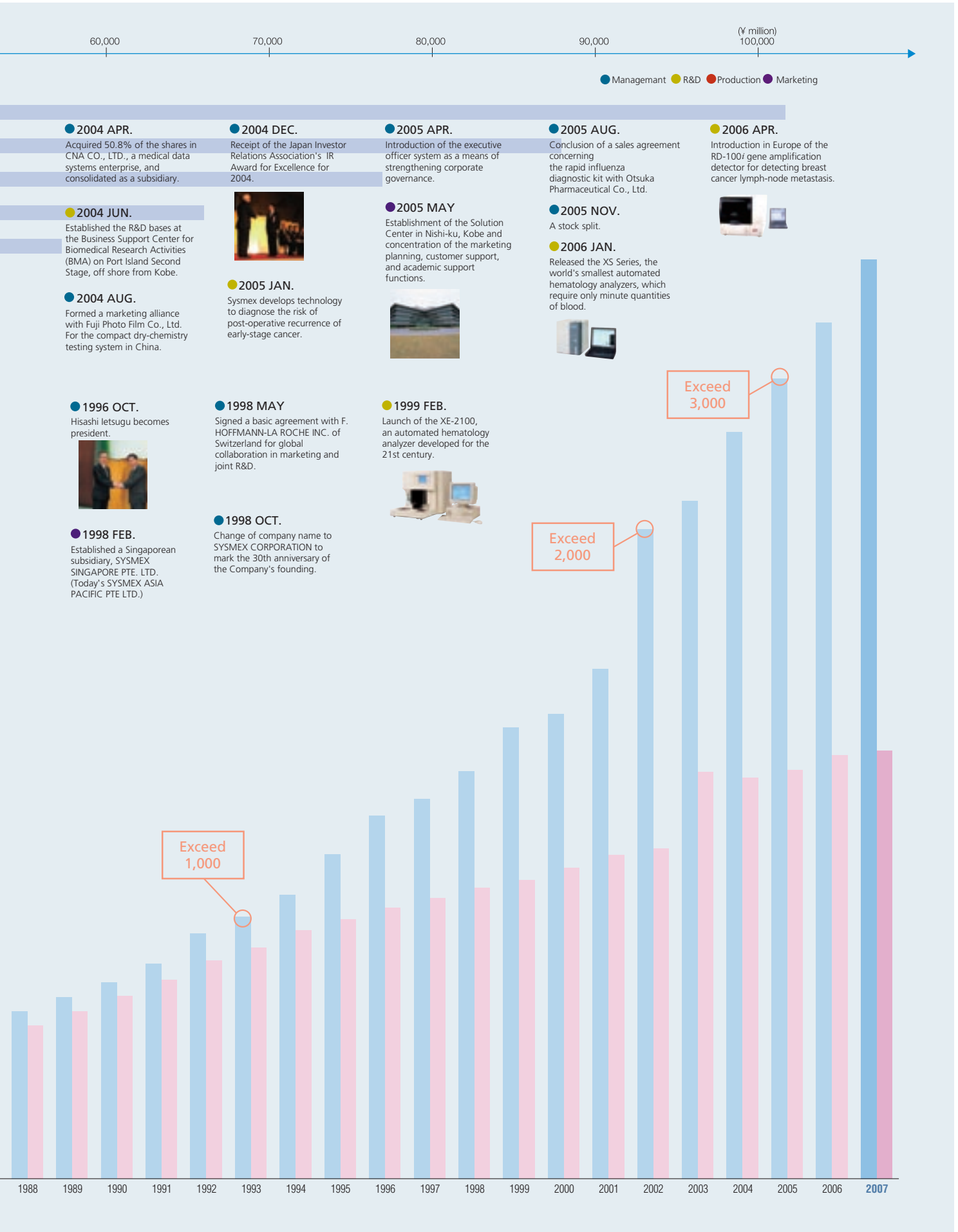
The Early Years



Number of Employees



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.



Japan

SYSMEX INTERNATIONAL REAGENTS CO., LTD.	Head Office/ Seishin Factory 4-3-2 Takatsukadai, Nishi-ku, Kobe, Hyogo 651-2271, Japan Ono Factory 17 Takumidai, Ono, Hyogo 675-1322, Japan	TEL: (+81)78-991-2211 TEL: (+81)794-62-7001	FAX: (+81)78-991-1311 FAX: (+81)794-62-7005
SYSMEX MEDICA CO., LTD.	323-3 Miyaoki, Yumesaki-cho, Himeji, Hyogo 671-2121, Japan	TEL: (+81)79-335-2080	FAX: (+81)79-337-2806
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
SYSMEX LOGISTICS CO., LTD.	17 Takumidai, Ono, Hyogo 675-1322, Japan	TEL: (+81)794-64-2326	FAX: (+81)794-64-2310
SYSMEX RA CO., LTD.	1850-3 Hirookanomura, Shiojiri, Nagano 399-0702, Japan	TEL: (+81)263-54-2251	FAX: (+81)263-54-2254
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

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
SYSMEX REAGENTS AMERICA, INC.	10716 Reagan Street, Los Alamitos, CA 90720, U.S.A.	TEL: (+1)562-799-4001	FAX: (+1)562-799-9702
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

Europe

SYSMEX EUROPE GMBH	Bornbarch 1, 22848 Norderstedt, Germany	TEL: (+49)40-527260	FAX: (+49)40-52726100
SYSMEX DEUTSCHLAND GMBH	Bornbarch 1, 22848 Norderstedt, Germany	TEL: (+49)40-5341020	FAX: (+49)40-5232302
WELLTEC GMBH	Rheingastrasse 190-196, 65203 Wiesbaden, Germany	TEL: (+49)6119-628-823	FAX: (+49)6119-628-824
SYSMEX UK LIMITED	Sysmex House, Garamonde Drive, Wymbush, Milton Keynes, MK8 8 DF, U.K.	TEL: (+44)(0)870-902-9210	FAX: (+44)(0)870-902-9211
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
SYSMEX BELGIUM S.A.	Rue Pres Champs 25B, 4671 Barchon, Belgium	TEL: (+32)4-387-9393	FAX: (+32)4-387-9394
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
SYSMEX BELGIUM IT SLOVAKIA, S.R.O.	Drobneho 27, 841-01 Bratislava, Slovakia	TEL: (+42)126-453-3201	FAX: (+42)126-428-1651
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
SYSMEX SOUTH AFRICA (PTY) LTD.	Fernridge Office Park, Block 2; 5 Hunter Avenue; Ferndale; Randburg 2194 RSA	TEL: (+27)11-3299480	FAX: (+27)11-7899276
SYSMEX DIGITANA AG	Tödistrasse, 50, 8810 Horgen, Switzerland	TEL: (+41)44-718-38-38	FAX: (+41)44-718-38-28

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
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
SYSMEX SHANGHAI LTD.	9th Floor, Azia Center, 1233 Lujiazui Ring Road, Shanghai, 200120, China	TEL: (+86)21-6888-2626	FAX: (+86)21-6888-2625
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
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

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
SYSMEX (MALAYSIA) SDN BHD	No.11A&15,Jalan PJS 7/12,Bandar Sunway,46150 Petaling Jaya, Selangor,Malaysia	TEL: (+60)3-56371788	FAX: (+60)3-56371688
SYSMEX INDIA PVT. 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
SYSMEX (THAILAND) CO., LTD.	14 Soi Ramkhamhaeng 43/1, Ramkhamhaeng Road, Wangthonglang, Bangkok 10310, Thailand	TEL: (+66)(0)2539-1127	FAX: (+66)(0)2539-1750
MED-ONE CO., LTD.	14 Soi Ramkhamhaeng 43/1, Ramkhamhaeng Road, Wangthonglang, Bangkok 10310, Thailand	TEL: (+66)(0)2949-0899	FAX: (+66)(0)2949-0808
SYSMEX SAN TUNG CO., LTD.	1 ST Fl., 11, Lane 6, Sec. 1, Hangchow S. Rd., Taipei, Taiwan R.O.C.	TEL: (+886)2-2341-9290	FAX: (+886)2-2341-9275
SYSMEX NEW ZEALAND LIMITED	382-386 Manukau Road, Epsom, Auckland 1030, New Zealand	TEL: (+64)9-630-3554	FAX: (+64)9-630-8135
PT. SYSMEX INDONESIA	Menara Hijau, Suite 1005 Jl. MT. Haryono Kav. 33, South Jakarta, 12770 Indonesia	TEL: (+62)21-7986005	FAX: (+62)21-7986007

Domestic Offices

Head Office	1-5-1 Wakinhama-Kaigandori,Chuo-ku, Kobe 651-0073	TEL: (+81) 78-265-0500	FAX: (+81) 78-265-0524
Tokyo Branch	1-2-2 Ohsaki, Shinagawa-ku, Tokyo 141-0032	TEL: (+81) 3-5434-8910	FAX: (+81) 3-5434-8555
Solution Center	1-3-2 Murotani, Nishi-ku, Kobe 651-2241	TEL: (+81) 78-992-5860	FAX: (+81) 78-992-5868
Techno Center	4-4-4 Takatsukadai, Nishi-ku, Kobe 651-2271	TEL: (+81) 78-991-1911	FAX: (+81) 78-991-1917
Research and Development Center	1-1-2 Murotani, Nishi-ku, Kobe 651-2241	TEL: (+81) 78-991-2212	FAX: (+81) 78-992-1082
Kakogawa Factory	314-2 Kitano, Noguchicho, Kakogawa, Hyogo 675-0011	TEL: (+81) 79-424-1171	FAX: (+81) 79-424-6814
Sendai Office	4-6-1 Chuo, Aoba-ku, Sendai 980-6024	TEL: (+81)22-722-1710	FAX: (+81)22-265-1661
Kita Kanto Office	4-261-1 kishiki-cho, Oomiya-ku, Saitama 330-0843	TEL: (+81) 48-600-3888	FAX: (+81) 48-601-2272
Tokyo Office	1-2-2 Ohsaki, Shinagawa-ku, Tokyo 141-0032	TEL: (+81) 3-5434-8550	FAX: (+81) 3-5434-8551
Nagoya Office	1-603 Kamiyashiro, Meito-ku, Nagoya 465-0025	TEL: (+81) 52-775-8101	FAX: (+81) 52-775-5217
Osaka Office	17-1 Enoki-cho, Suita, Osaka 564-0063	TEL: (+81) 6-6337-8300	FAX: (+81) 6-6337-8200
Hiroshima Office	3-17 Fukuro-machi, Naka-ku, Hiroshima 730-0036	TEL: (+81) 82-248-9070	FAX: (+81) 82-248-9075
Fukuoka Office	4-9-24 Hakata Eki Minami, Hakata-ku, Fukuoka 812-0016	TEL: (+81) 92-411-4314	FAX: (+81) 92-474-3862
Sapporo Sales Office	13-1 Kita Nijo Nishi, Chuo-ku, Sapporo 060-0002	TEL: (+81) 11-281-6116	FAX: (+81) 11-281-6136
Morioka Sales Office	1-7-25 Chuodori, Morioka City, Iwate 020-0021	TEL: (+81) 19-654-3331	FAX: (+81) 19-623-6429
Nagano Sales Office	2-5-26 Fukashi, Matsumoto City, Nagano 390-0815	TEL: (+81) 263-31-8180	FAX: (+81) 263-31-8191
Niigata Sales Office	1-20-5 Sasaguchi, Chuo-ku, Niigata City, Niigata 950-0911	TEL: (+81) 25-243-6266	FAX: (+81) 25-241-4452
Chiba Sales Office	1-3 Nakase, Mihama-ku, Chiba 261-8501	TEL: (+81) 43-297-2701	FAX: (+81) 43-297-2707
Shizuoka Sales Office	2-5-11 Takamatsu, Suruga-ku, Shizuoka City, Shizuoka 422-8034	TEL: (+81) 54-237-4815	FAX: (+81) 54-237-8148
Kanazawa Sales Office	2-11-1 Ekinishi Honmachi, Kanazawa City, Ishikawa 920-0025	TEL: (+81) 76-221-9363	FAX: (+81) 76-262-5615
Kyoto Sales Office	3-1 Mibu Kayo Gosho-cho, Nakagyo-ku, Kyoto 604-8811	TEL: (+81) 75-801-3196	FAX: (+81) 75-841-8445
Kobe Sales Office	4-1-2 Kumoidori, Chuo-ku, Kobe 651-0096	TEL: (+81) 78-251-5331	FAX: (+81) 78-251-5505
Takamatsu Sales Office	1-6-6 Bancho, Takamatsu City, Kagawa 760-0017	TEL: (+81) 87-823-5801	FAX: (+81) 87-823-5834
Okayama Sales Office	3-10 Togiya-cho, Okayama 700-0826	TEL: (+81) 86-224-2605	FAX: (+81) 86-222-6814
Kagoshima Sales Office	2-9-13 Komatsubara, Kagoshima City, Kagoshima 891-0114	TEL: (+81) 99-267-1344	FAX: (+81) 99-267-1338
Metropolitan Area Service Center	2-16-2 Minami-kamata, Ota-ku, Tokyo 144-0035	TEL: (+81) 3-5711-8301	FAX: (+81) 3-5711-8302

Consolidated Subsidiaries and Affiliates

(As of March 31, 2007)

	Corporate name	Location	Main Business	Established	Paid-in Capital	Equity Ownership by Group
Japan	SYSMEX INTERNATIONAL REAGENTS CO., LTD.	Japan	Manufacture and sales of in vitro diagnostic reagents	Dec. 1969	JPY 300,000,000	100.0%
	SYSMEX MEDICA CO., LTD.	Japan	Manufacture of disposable products; Assembly of important parts for in vitro diagnostic systems	Mar. 1978	JPY 20,000,000	100.0%
	TOA MEDICAL CO., LTD.	Japan	Leasing of in vitro diagnostic systems and office instrument	Jul. 1992	JPY 20,000,000	100.0%
	SYSMEX LOGISTICS CO., LTD.	Japan	Distribution and stock of in vitro diagnostic systems and reagents	Dec. 1997	JPY 50,000,000	100.0%
	SYSMEX RA CO., LTD.	Japan	Development, manufacture and sales of industrial measuring and testing instrument	Mar. 1978	JPY 70,955,000	96.4%
	CNA CO., LTD.	Japan	Development and sales of software for diagnostic information systems	Feb. 1996	JPY 1,191,750,000	50.5%
Americas	SYSMEX AMERICA, INC.	U.S.A.	Sales of in vitro diagnostic systems and reagents	Jun. 2003	USD 22,000,000	100.0%
	SYSMEX REAGENTS AMERICA, INC.	U.S.A.	Manufacture and sales of reagents for in vitro diagnostic systems	Dec. 1993	USD 1,500,000	100.0%
	SYSMEX DO BRASIL INDUSTRIA E COMERCIO LTDA.	Brasil	Manufacture and sales of reagents for in vitro diagnostic systems	Dec. 1998	USD 1,001,700	100.0%
Europe	SYSMEX EUROPE GMBH	Germany	Customer and sales support for in vitro diagnostic systems and reagents; Manufacture and sales of reagents for in vitro diagnostic systems	Oct. 1980	EUR 820,000	100.0%
	SYSMEX DEUTSCHLAND GMBH	Germany	Sales of in vitro diagnostic systems and reagents	Mar. 1995	EUR 2,050,000	100.0%
	WELLTEC GMBH	Germany	Inspection and provision of information on foodstuffs and health for general consumers	Mar. 2002	EUR 25,000	75.2%
	SYSMEX UK LIMITED	U.K.	Sales of in vitro diagnostic systems and reagents	May 1991	GBP 400,000	100.0%
	SYSMEX LOGISTICS UK LTD.	U.K.	Distribution and stock of in vitro diagnostic systems and reagents	Dec. 2003	GBP 200,000	100.0%
	SYSMEX BELGIUM S.A.	Belgium	Development and sales of software for diagnostic information systems	Sep. 1997	EUR 62,000	100.0%
	SYSMEX FRANCE S.A.S.	France	Sales of software for diagnostic information systems; Customer and sales support for in vitro diagnostic systems and reagents	Feb. 2000	EUR 457,500	100.0%
	SYSMEX BELGIUM IT SLOVAKIA, S.R.O.	Slovakia	Development and support of software for diagnostic information systems	Mar. 2001	SKK 250,000	88.0%
	SYSMEX POLSKA S.P.Z O.O.	Poland	Customer and sales support for in vitro diagnostic systems and reagents	May 2005	PLN 2,000,000	100.0%
	SYSMEX SOUTH AFRICA (PTY) LTD.	South Africa	Customer and sales support	Apr. 2006	ZAR 2,220,000	100.0%
	SYSMEX DIGITANA AG	Switzerland	Sales of in vitro diagnostic systems and reagents	Sep. 2006	CHF 50,000	80.0%
	China	JINAN SYSMEX MEDICAL ELECTRONICS CO., LTD.	China	Manufacture and sales of reagents for in vitro diagnostic systems	Jun. 1995	USD 1,800,000
SYSMEX HONG KONG LIMITED		China	Sales of in vitro diagnostic systems and reagents	Dec. 1999	HKD 500,000	100.0%
SYSMEX SHANGHAI LTD.		China	Sales of in vitro diagnostic systems and reagents	Jan. 2000	USD 1,000,000	100.0%
SYSMEX INFOSYSTEMS CHINA, LTD.		China	Development and sales of software for diagnostic information systems	Jul. 2000	USD 200,000	100.0%
SYSMEX WUXI CO., LTD.		China	Development, manufacture and sales of reagents for in vitro diagnostic systems	Aug. 2003	USD 3,400,000	100.0%
Asia Pacific	SYSMEX ASIA PACIFIC PTE LTD.	Singapore	Customer and sales support for in vitro diagnostic systems and reagents	Feb. 1998	SGD 3,500,000	100.0%
	SYSMEX (MALAYSIA) SDN BHD	Malaysia	Sales of in vitro diagnostic systems and reagents	Apr. 1998	MYR 300,000	100.0%
	SYSMEX INDIA PVT. LTD.	India	Manufacture and sales of in vitro diagnostic systems and reagents	Jul. 1998	INR 100,000,000	75.0%
	SYSMEX (THAILAND) CO., LTD.	Thailand	Sales of in vitro diagnostic systems and reagents	May 1999	THB 2,000,000	51.0%
	MED-ONE CO., LTD.	Thailand	Sales of in vitro diagnostic systems and reagents	May 1999	THB 8,000,000	49.0%
	SYSMEX SAN TUNG CO., LTD.	Taiwan	Sales of in vitro diagnostic systems and reagents	May 2000	NTD 5,000,000	51.0%
	SYSMEX NEW ZEALAND LIMITED	New Zealand	Development and sales of software for diagnostic information systems	Oct. 2001	NZD 795,000	100.0%
	PT. SYSMEX INDONESIA	Indonesia	Sales of in vitro diagnostic systems and reagents	Mar. 2002	USD 350,000	100.0%

Corporate Information

SYSMEX CORPORATION (As of March 31, 2007)

Established February 20, 1968
Number of Employees 3,580 (consolidated basis)
 1,666 (non-consolidated basis)
 * Including part-time employees

Fiscal Year April 1 - March 31
 Annual meeting held in June

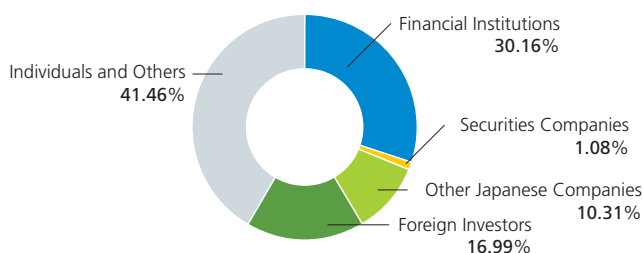
Stock Information

Authorized: 149,672,000 shares
Issued: 50,654,596 shares
Paid-in Capital: ¥8,513 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
 NOMURA400
 DSI (Daiwa Stock Indices)

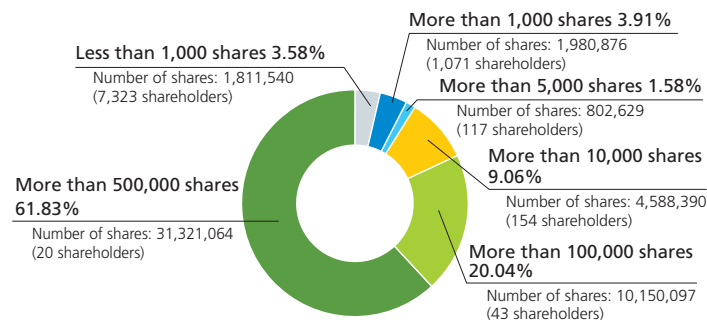


Stock Information

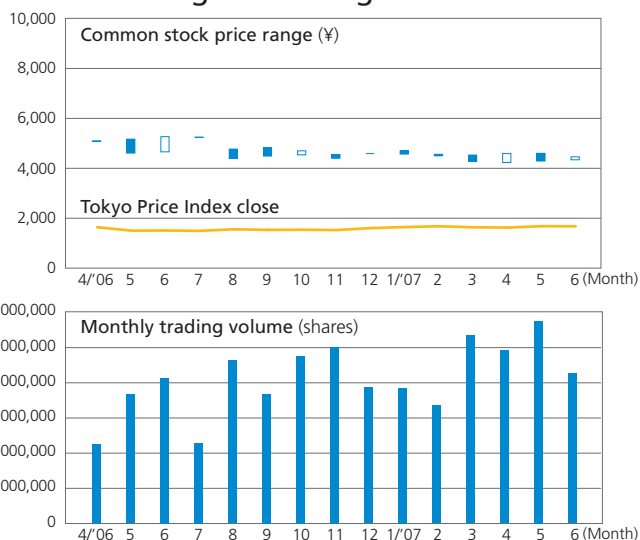
Composition of Shareholders (As of March 31, 2007)



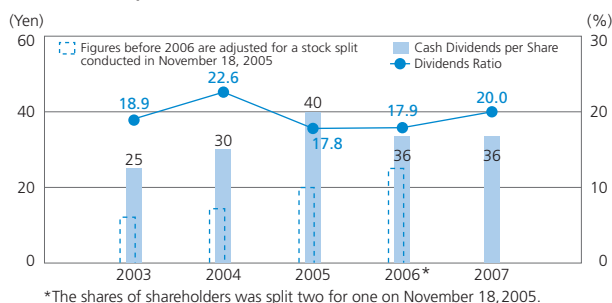
Distribution of shares by number of shares held



Stock Price Range & Trading Volume



Cash Dividends per Share & Dividends Ratio (Consolidated)



Policy of dividend

We have been indicating a policy of stockholders' equity to balance both investment for sustainable growth and contribution toward shareholders. Upon this policy we raise strategy to keep dividend payout ratio as approximately 20% on consolidated financial performance.

SYSMEX CORPORATION

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

www.sysmex.co.jp



This report is printed on environmentally friendly paper and soy ink in a waterless printing process.

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