

Brief notes on the consolidated statement of accounts as of March 2006

May 11,2006

Listed company name : Sysmex Corporation
 Code : 6869
 Listed stock exchanges : Tokyo Stock Exchange
 Osaka Securities Exchange
 Head office : 1-5-1 Wakinohama-kaigandori, Chuo-ku, Kobe
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 Date of directors' meeting : May 11,2006
 Whether or not to be prepared
 in accordance with accounting
 principles generally accepted : No
 in the United States

1. Business performance during the current term(from April 1,2005 to March 31,2006)

(1) Operating results

	Net Sales		Operating income		Ordinary income	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
Current term	87,887	(14.2)	10,723	(17.8)	11,981	(21.4)
Previous term	76,934	(16.6)	9,103	(37.6)	9,871	(75.6)

	Net income		Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	(million yen)	(%)	(Yen)	(Yen)	(%)	(%)	(%)
Current term	7,422	(29.5)	145.48	143.77	12.5	14.5	13.6
Previous term	5,731	(81.5)	225.06	223.96	10.7	13.2	12.8

(Note) ①Equity in earnings or loss of investees:

Current term 25 million yen earnings / Previous term 8 million yen earnings

②Average number of shares (consolidated):

Current term 49,921,043/ Previous term 24,967,325

③Changes of the method of accounting policies: Yes

④Percentage figures in the above tables indicate increase/decrease over the corresponding period of the previous year.

⑤Sysmex split its common shares 2 for 1 (Record date: September 30, 2005, Effective date: November 18, 2005) in accordance with the resolution at the board of directors' meeting held on August 23, 2005. Net income per share and Diluted net income per share of FY2005 are calculated on the assumption that the stock split is carried out on April 1, 2005.

(2) Financial position

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	(million yen)	(million yen)	(%)	(Yen)
Current term	87,446	62,646	71.6	1,251.81
Previous term	77,660	56,149	72.3	2,244.85

(Note)①Number of shares issued (consolidated):

Current term 49,917,036/ Previous term 24,962,580

②Sysmex split its common shares 2 for 1 (Record date: September 30, 2005, Effective date: November 18, 2005) in accordance with the resolution at the board of directors' meeting held on August 23, 2005.

(3) Cash flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Total Cash and Cash Equivalents at end of term
	(million yen)	(million yen)	(million yen)	(million yen)
Current term	8,275	-7,858	-1,190	9,416
Previous term	6,691	-5,630	-4,376	10,457

(4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 30

Number of nonconsolidated subsidiaries: 0(subsidiaries to which the equity method is applicable)

Number of affiliates: 1(affiliates to which the equity method is applicable)

(5) Changes in the scope of consolidation and application of equity method

Additions in the consolidation: 1

Exclusions in the consolidation: 1

Additions in equity methods: 0

Exclusions in equity methods: 0

2. Business Forecast for the coming fiscal term(from April 1,2006 to March 31,2007)

	Net Sales	Ordinary income	Net income
	(million yen)	(million yen)	(million yen)
Semi-Annual	45,900	5,850	3,750
Annual	98,000	13,300	8,200

(Reference) Net income forecast per share (annual): 164.27yen

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

Management Policy

1. Basic Management Policy

Since its founding, the Sysmex Group has been dedicated to the “Three Confidences”: The total confidence of our customers in the use of all our products; the total confidence of our associates in all business transactions; and the total confidence of our employees in all their efforts.

2. Basic Profit-Sharing Policy

Sysmex regards the distribution of profits to shareholders as one of its most important policy priorities, and the company’s basic policy includes attention to providing regular, stable dividends while ensuring that the distribution of this profit is backed by real business results.

At the 39th general shareholders' meeting, the company plans to propose a “memorial dividend” of ¥2 per share to mark the 10th anniversary of its listing on the stock exchange. This will be in addition to an ordinary dividend of ¥14 per share, bringing the total dividend to ¥36 per share for the full year. This represents a ¥6 year-on-year increase, when the stock split carried out in November 18th, 2005 is taken into account.

Sysmex plans to continue to pay biannual dividends, based on the date of the end of the interim period and full business year after the new corporate law comes into effect.

Sysmex will continue striving to improve corporate performance and reinforce its operating foundation in order to live up to shareholder expectations.

3. Basic Stance and Policy on Reducing the Number of Shares Constituting an Investment Unit

Sysmex recognizes the importance in its capital policy of stock fluidity and an increase in the number of shareholders in order to maintain fair price of shares. Thus, in August 1997 Sysmex reduced the minimum investment unit from 1,000 to 100 shares, and sold existing shares in December 2003. Also, in light of the recent movements of its share prices, Sysmex has executed a two-for-one stock split, with September 30, 2005 as the record date and November 18, 2005 as the payable date.

Sysmex continues to improve stock fluidity and broaden its investor base, giving careful consideration to current share prices and market trends.

4. Target Management Indices

Sysmex is implementing its mid-term plan, of which targets include achieving consolidated sales of ¥110 billion, consolidated ordinary income of ¥16 billion, and an ROE in excess of 13% by March 2008.

5. Mid- and Long-Term Management Strategies

As a key element of its long-term vision, the Sysmex Group defines its corporate identity as "A Unique & Global Healthcare Testing Company." The Group aims to further solidify its position as a leader in the healthcare testing market niche by offering customers solutions that take advantage of its advanced technological capabilities and unique strengths. The primary initiatives by which it is striving to realize its long-term vision are:

(1) Sustainable Development of the Diagnostics Business and Expanded Profitability

Sysmex has been pushing ahead with business development in five regions: Japan, America, Europe, China, and the Asia-Pacific. The company intends to achieve sustainable growth and increased profitability in its core diagnostics business by continuously proposing solutions making full use of our comprehensive strength in systemization, IT, service network and others, adding to its superiority in sophistication and quality of products, which match each region's character.

(2) Reinforcement of Technological Capabilities to Continuously Create High Value-Added Products

In April 2005, Sysmex took over the reagent development function from International Reagents Co., Ltd., a wholly owned subsidiary, of which name was changed to Sysmex International Reagents Co., Ltd., on April 1st, 2006, so as to centralize the Group's R&D capabilities. Through this, the Sysmex Group is hoping to enhance its overall strength and ensure maximum coordination and synergy among its instrument, reagent, and IT capabilities.

Meanwhile, as part of its efforts to improve its R&D environment, Sysmex acquired a property adjacent to the Techno Center, our key base for R&D capabilities, in February 2006; the property includes a building with a total floor area of approximately 19,000 m², standing on approximately 36,000 m² of land. The Sysmex Group is committed to promoting the development of new technologies, as well as integrating our proprietary technologies in a wide array of fields, by building a creative and productive R&D environment.

(3) Growth Thrust through the Life Science Business

The Sysmex Group has been focusing its R&D efforts in the Life Science field, pursuing such themes as confirmed diagnostics for cancers supported by post-genomic technology. The first product to come out of these efforts was a gene amplification detector RD-100i, capable of detecting breast cancer lymph node metastasis, which will debut in Europe in April 2006 along with a number of related reagents. This will be followed by stepped-up promotional activities in Europe and accelerated efforts to establish a Life Science business structure, which will involve cultivating Japanese and American markets.

Sysmex will continue to distribute resources preferentially in the Life Science business, with the goal of broadening the range of applications for the Group's existing technologies and acquiring additional technologies, thereby reinforcing the Group's technological base.

(4) Reform of Management Systems and Revitalization of Human Resources

In response to the diversifying demands of its stakeholders, Sysmex will strengthen its commitment to corporate governance and corporate social responsibility (CSR) while continuing to improve its Internal Control System.

As part of its efforts to enhance the quality of the organization and the individuals who comprise it, Sysmex will carry out initiatives focused on ensuring the vitality of its people. Among these are the establishment of a global human resources management scheme and the restructuring of existing personnel systems to facilitate the development of productive human resources. Sysmex is committed to bolstering its competitiveness through these measures.

Operating Results and Financial Position

1. Operating Results

(1) Summary of Overall Performance for the Current term

< Consolidated Results >

(unit: ¥ million)

	FY2005	FY2004	Increase or Decrease	Rate of Change
Net Sales	87,887	76,934	10,952	14.2%
Operating Income	10,723	9,103	1,619	17.8%
Ordinary Income	11,981	9,871	2,109	21.4%
Net Income	7,422	5,731	1,691	29.5%

During the consolidated financial year now under review, Japan's economy showed increasingly clear signs of recovery, underpinned by stable corporate profits in spite of rising crude oil and raw materials prices, higher capital investment and increased personal consumption, the latter of which reflected improved employment. In the United States, the economy remained generally strong, despite a temporary downturn in business confidence in the wake of a devastating hurricane season. In Europe, the recovery trend continued, albeit at a moderate pace. Asia overall saw sustained economic expansion, led by fast-growing countries such as China and India.

On the healthcare front, it continues to be in a difficult situation. Medicare cost containment efforts are kept in response to the country's rapidly declining birth rate and aging population (which are decreasing the country's population). In the United States and Europe, there was also steady political pressure to reduce overall medical expenditures.

Against this backdrop, the Sysmex Group moved to expand its portfolio of diagnostic products, introducing the XS series, compact automated hematology analyzers, while also striving to upgrade its service and maintenance support capabilities by opening Solution Center equipped with customer and academic support functions. Sysmex took over the reagent development function from its subsidiary International Reagents Corporation, establishing an "R&D Planning" division within Sysmex itself. This move was intended to facilitate cooperation among the company's basic research, instrument development, reagent development, and intellectual property management functions. The change will also aid the development of an overall technological strategy for all R&D operations, and will improve management efficiency.

The Sysmex Group achieved ¥35,418 million in domestic sales (up 6.0 % year-on-year), taking advantage of its closer partnership with CNA Co. Ltd., with which the Group formed a capital and business tie-up in April 2004. The higher domestic sales were also driven by expanded cooperation with Otsuka Pharmaceutical Co., Ltd. and other partners. All of these efforts allowed the Group to provide optimal solutions to meet diverse customer needs.

The Sysmex Group experienced a substantial sales increase in the United States, where it bolstered sales to Integrated Healthcare Networks (IHNs) and Group Purchasing Organizations (GPOs) by changing the distribution channel for its reagents and by improving customer information management. The Group also expanded its customer base among small hospitals and general practitioners in the US, by building a distributor network and mounting a telemarketing campaign. In Europe, the Sysmex Group established a local subsidiary in Poland in April 2005 and a representative office in Moscow, Russia, in September 2005, expanding its presence in those expected high-growth economy. In China, the Group repeatedly conducted academic activities in urban areas to promote the use of higher-grade products. In rural China, where the level of healthcare has been fast improving due to government initiatives, the Group's focus was on the expansion of the sale of compact automated hematology analyzers. The Sysmex Group achieved significant sales growth in the

Asia-Pacific region, as a result of its strategy of focusing on solution packages that consisted of diagnostics instruments, reagents, and information technology products. This strategy proved effective, bringing in some large-volume orders. These regionally focused dynamic sales efforts resulted in overseas sales of ¥52,469 million (up 20.5 % year-on-year) for the Sysmex Group. This figure represents 59.7 % of the Group's total sales (up 3.1 % year-on-year). The total consolidated sales, meanwhile, were ¥87,887 million (up 14.2 % year-on-year).

Operating income amounted to ¥10,723 million (up 17.8 % year-on-year), as the decrease in the cost of goods sold ratio and well-controlled use in selling, general, and administrative (SG&A) expenses offset the increase in Life Science R&D investments. These and other gains brought ordinary income to ¥11,981 million (up 21.4 % year-on-year) and current net income to ¥7,422 million (up 29.5 % year-on-year).

Sysmex revise the year-end dividend from ¥14 per share (ordinary dividend of ¥12 per share, memorial dividend of ¥2 per share to mark the 10th anniversary of its listing on the stock exchange) to ¥16 per share (ordinary dividend of ¥14 per share, memorial dividend of ¥2 per share to mark the 10th anniversary of its listing on the stock exchange).

(2) Geographical Segment Information

< Results for Geographical Segments >

(unit: ¥ million)

		FY2005	FY2004	Increase or Decrease	Rate of Change
Japan	Net Sales	36,760	34,530	2,230	6.5%
	Operating Income	6,483	5,650	833	14.8%
Americas	Net Sales	15,620	13,579	2,040	15.0%
	Operating Income	214	199	15	7.6%
Europe	Net Sales	25,368	21,200	4,168	19.7%
	Operating Income	3,013	2,295	718	31.3%
China	Net Sales	6,403	4,823	1,580	32.8%
	Operating Income	612	495	117	23.7%
Asia Pacific	Net Sales	3,734	2,801	932	33.3%
	Operating Income	360	251	108	43.3%

*"Net Sales" refers to "Sales to outside customers."

[Japan]

Amid the active medical service reform, which is focused on medical cost containment efforts and review of the medical insurance system, our business condition remained severe with restrained capital investment and decline in selling price, Sysmex promoted total solution approach using the best of its diagnostic equipments and reagents, IT, and service support and actively advanced business alliances with other companies such as the joint marketing of a Rapid Influenza Diagnostic Kit with Otsuka Pharmaceutical Co., Ltd.. The company improved product lineup by release of XS series, which are sophisticated and world's smallest size of Automated Hematology Analyzer. As a result, sales of hematology and hemostasis analyzers and reagents increased, adding to increase in sales of POC (point of care) and those in the IT area brought in by coordination with CNA Co., Ltd. which has been consolidated since the previous period. Consequently, sales amounted to ¥36,760 million (up 6.5% year-on-year).

The effects of increased sales including those to its overseas subsidiaries offset increased SG&A expenses, and contributed to earning operating income of ¥6,483 million (up 14.8% year-on-year).

[Americas]

Sales of hematology analyzers, reagents, and service support increased thanks to changing the distribution channel for its reagents, bolstering sales activity to Integrated Healthcare Networks (IHNs) and Group Purchasing Organizations (GPOs) and expansion of sales among small hospitals and general practitioners. Sales in Latin America also increased to a large extent. Consequently, sales amounted to ¥15,620 million (up 15.0% year-on-year).

The effects of increased sales offset increased SG&A expenses, and contributed to earning operating income of ¥214 million (up 7.6% year-on-year).

[Europe]

Although the continued policy of reining in medical expenses has created strong demand for cost reduction and greater efficiency, making for a harsh business environment, the company actively promoted its total solution approach combining various types of analyzer, diversified conveyor line and IT system. As a result, sales for hematology, hemostasis and urinalysis analyzers and reagents having been favorably, sales resulted in ¥25,368 million (up 19.7% year-on-year).

The effects of substantially increased sales and an improved cost of sales ratio due to the increase of local reagents production volume etc. offset increased SG&A expenses resulted from reinforced sales activity and development of sales foundation such as Sysmex Polska Sp.z.o.o. etc., and contributed to earning operating income of ¥3,013 million (up 31.3% year-on-year).

[China]

Sales of hematology and hemostasis analyzers and reagents went favorably thanks to demand expansion associated with improvement of medical environments and Sales amounted to ¥6,403 million (up 32.8% year-on-year).

An improved cost of sales ratio due to a rise in the ratio of reagent sales in addition to the effects of increased sales offset an increase in SG&A expenses, and contributed to earning operating income of ¥612 million (up 23.7% year-on-year).

[Asia Pacific]

Sales of hematology and hemostasis analyzers and reagents went favorably in almost all region of Asia Pacific area and sales increased to ¥3,734 million (up 33.3% year-on-year).

The effects of increased sales and an improved cost of sales ratio offset increased SG&A expenses, and contributed to earning operating income of ¥360 million (up 43.3% year-on-year).

(3) Status of Research and Development efforts

To coincide with the start of this fiscal year, Sysmex established an “R&D planning function” with a view to strengthening overall engineering strategy and product planning for all R&D operations and to optimize the strategy-based allocation of management resources. Guided by its R&D vision of “making prevention-oriented, value-added laboratory testing happen for optimizing and standardizing healthcare,” Sysmex is working on the development of laboratory testing that helps improve patients’ quality of life and extends healthy life spans since the establishment of the Central Research Laboratories in April 2000. Some of its recent R&D projects that look to “disease management” include rapid lymph-node metastasis detection for intra-operative diagnosis, anti-cancer drug sensitivity prediction, and prognosis of cancer recurrence.

At the annual congress of the American Association for Cancer Research in April 2005, Sysmex and The University of Texas M.D. Anderson Cancer Center presented clinical research outcomes of a technology to predict the effectiveness of anticancer drugs. At San Antonio Breast Cancer Symposium in December 2006, the company presented research outcomes of a technology of breast cancer recurrence prediction. The presentation demonstrated that the Cell-cycle profiling technology originally developed by Sysmex could predict not only the sensitivity of tumor tissues to one of the most widely used anti cancer drugs, Taxol (Bristol-Myers Squibb Company) with a high degree of accuracy but also breast cancer patients' prognosis (risk of recurrence). Hereafter, the company aims for implementation of disease management for cancer by practical application of these technologies.

Current research & development expenses amounted to ¥8,184 million (ratio to sales was 9.3%).

(4) Financial Condition

< Total assets & Shareholders' Equity > (unit: ¥ million)

	FY2005	FY2004	Increase or Decrease	Rate of Change
Total assets	87,446	77,660	9,786	12.6%
Shareholders' equity	62,646	56,149	6,497	11.6%
Equity ratio (%)	71.6%	72.3%	-	-

At the end of term, current assets increased by ¥4,791 million from the end of the previous period. The main reasons of the increase are an increase in notes and accounts receivable-trade of ¥2,719 million, an increase in inventory of ¥1,794 million, while aggregate sum of cash and marketable securities decreased by ¥1,030 million. Tangible fixed assets increased to ¥3,482 million, due to acquisition of land and an increase in construction in progress. Intangible fixed assets increased by ¥409 million due to an increase in software etc., and other investments increased by ¥1,103 million. As a result, total assets increased by ¥9,786 million to ¥87,446 million.

On the other hand, total liabilities increased by ¥3,230 million to ¥23,939 million, mainly due to increases in corporate taxes payable of ¥725 million and in notes and accounts payable of ¥628 million.

Shareholder's equity increased by ¥6,497 million to ¥62,646 million, mainly due to an increase in retained earnings of ¥5,499 million. Retained earnings decreased due to the change of closing date of most consolidated subsidiaries were ¥687 million. Equity ratio slightly declined to 71.6% by 0.7 percentage points.

(5) Cash Flow

< Cash Flow Statement summary > (unit: ¥ million)

	FY2005	FY2004	Increase or Decrease
Cash flow from operating activities	8,275	6,691	1,583
Cash flow from investing activities	-7,858	-5,630	-2,228
Cash flow from financing activities	-1,190	-4,376	3,186
Total cash and cash equivalents at the end of term	9,416	10,457	-1,041

Cash and cash equivalents (Cash) decreased by ¥1,041 million (a decrease of ¥3,260 million in the previous period) to ¥9,416 million due to decreased cash flow from investing activities in spite of substantially increased cash flow from operating activities. Further explanation of each activity is below. Other than any of these cash flow activities, cash decreased by ¥542 million due to the change of closing date of most consolidated subsidiaries.

[Cash Flow from Operating Activities]

Cash provided by operating activities was ¥8,275 million (up ¥1,583 million year-on-year). This was mainly due to vastly increased income before income taxes of ¥11,902 million (up ¥2,664 million year-on-year), an increase of accounts receivable of ¥2,383 million (an increase of ¥4,119 million in the previous period) and a decrease of accounts payable of ¥753 million (an increase of ¥1,368 million in the previous period).

[Cash Flow from Investing Activities]

Cash used in investing activities was ¥7,858 million (up 2,228 million year-on-year). This was mainly due to a significant increase of investments for tangible fixed assets to ¥5,795 million (up ¥3,411 million year-on-year), despite a decrease of investments for real estate to ¥58 million (down ¥1,605 million year-on-year).

[Cash Flow from Financing Activities]

Cash used in financing activities was ¥1,190 million (down ¥3,186 million year-on-year). This was mainly due to a net decrease of short-term debt of ¥39 million (down ¥1,907 million year-on-year) and ¥19 million in repayment of long-term debt (down ¥1,572 million year-on-year).

< Cash Flow indices >

	FY2005	FY2004	FY2003	FY2002	FY2001
Shareholders' Equity ratio (%)	71.6	72.3	71.0	65.2	53.5
Shareholders' Equity ratio at market price (%)	293.4	196.7	93.6	73.0	70.0
Years for debt redemption	0.1	0.1	0.4	1.9	2.7
Interest coverage ratio	486.8	308.6	108.1	29.0	21.5

(unit: ¥ million)

Balance of interest-bearing liabilities	695	657	4,175	10,893	11,606
Cash Flow from Operating Activities	8,275	6,691	9,300	5,604	4,234

*Shareholders' Equity Ratio: Shareholders' Equity / Total Assets

*Shareholders' Equity at Market Price: Share Aggregate Market Value/Total Assets

*Years for Debt Redemption: Balance of Interest-Bearing Liabilities/Cash Flow from Operating Activities

*Interest Coverage Ratio: Cash Flow from Operating Activities/Interest Payments

(1) Indices are calculated using consolidated financial figures.

(2) Total Market Value of shares is calculated as term-end price multiplied by the total number of shares issued as of the term end.

(3) Cash Flow from Operating Activities is taken from the cash flow statement summary.

(4) Balance of Interest-Bearing Liabilities refers to all liabilities indicated on the consolidated balance sheet on which interest is being paid.

(5) Interest Payments refers to the amount of interest being paid as indicated on the consolidated cash flow sheet.

2. Outlook for the Fiscal Year ending March 2007

< Consolidated Results Forecast >

(unit: ¥ million)

	FY2006 (forecast)	FY2005	Increase or Decrease	Rate of Change
Net Sales	98,000	87,887	10,112	11.5%
Operating Income	13,000	10,723	2,276	21.2%
Ordinary Income	13,300	11,981	1,318	11.0%
Net Income	8,200	7,422	777	10.5%

Despite concerns about the continuing rise in crude oil prices and fluctuations in interest rates, the Sysmex Group is hopeful that the world economy as a whole will continue to recover, albeit at a moderate pace, led by the continued steady growth of the United States and China. On the other hand, the healthcare business environments in Japan, Americas, and Europe are expected to remain difficult, due largely to the continuation of government efforts to reduce medical expenditures.

Against this backdrop, the Sysmex Group is introducing its very first Life Science product, gene amplification detector RD-100i, to the European market, followed by academic activities aimed at building recognition among the public, and will upgrade sales and service structure. In aspects of manufacturing, in Japan the production of reagents is centralized at International Reagents Co., Ltd., (of which name is changed to Sysmex International Reagents Co., Ltd., on April 1st, 2006), for improved manufacturing efficiency. The Group will also focus on reinforcing its production capacity –building a new factory in the US and expanding existing factories in Europe – in response to the rising demand for reagents in these regions. In Japan, the Sysmex Group will continue to offer the high-value services expected of an industry leader, by strengthening its service and maintenance support capabilities and diversifying its product range. Overseas, in the US, its focus will be on broadening its customer base and market share by building brand awareness and establishing contacts with potential customers through academic activities.

Following up on the establishment of bases in East Europe and Russia in FY 2005, the Sysmex Group is opening a local subsidiary in South Africa in FY 2006, as part of its efforts to develop opportunities in emerging markets. In China, the Group will actively seek to expand its biochemistry business by introducing new products.

In terms of the business outlook for the next fiscal period, total sales of ¥98,000 million are projected (up 11.5% year-on-year) thanks to expansion of market share by brand penetration and enhancement of sales promotion in the United States, business expansion in East Europe and Russia and expectations of increase in revenue in China and Asia Pacific area where economic development continue, despite severe environment in Japan where medical reforms make progress.

The company projects ordinary income of ¥13,300 million (up 11.0% year-on-year) and net income of ¥8,200 million (up 10.5% year-on-year) thanks to increased sales and an improvement in cost ratio. Assumptions for average foreign exchange rates applied to these calculations throughout the period are ¥115 to the U.S dollar and ¥138 to the euro.

The company expects to pay an annual cash dividend of ¥32 per share for the fiscal period (¥16 at the interim and ¥16 at year-end).

3. Business Risk Factors

Major risk factors that could seriously affect the Sysmex Group's operating results and financial position in the process of developing its businesses are described below.

(1) Overseas Sales

Our company and its affiliates (hereinafter, the "Sysmex Group") are engaged primarily in the development, manufacture, and sale of diagnostic equipment and reagents. The Sysmex Group is selling to overseas customers through its overseas affiliates and agents, with the composition ratio of overseas sales to consolidated total sales steadily on the rise: 51.8% for the period ended March 2004; and 56.6% for the period ended March 2005; and 59.7% for the period ended March 2006. The group has hedged against the risk of currency fluctuations through exchange contracts etc., yet foreign currency risk remains a factor that could affect the group's operating results and financial position.

Meanwhile, our international sales by region, and the ratio of each region to the total consolidated sales, were as follows;

(unit: ¥ million)

	FY2002	FY2003	FY2004	FY2005
Americas	6,376 (11.1%)	9,182 (13.9%)	13,633 (17.7%)	15,762 (17.9%)
Europe	14,548 (25.4%)	17,628 (26.7%)	21,234 (27.6%)	25,437 (29.0%)
China	3,142 (5.5%)	4,066 (6.2%)	4,824 (6.3%)	6,411 (7.3%)
Asia Pacific	2,732 (4.8%)	3,308 (5.0%)	3,835 (5.0%)	4,857 (5.5%)
Overseas Sales	26,800 (46.8%)	34,185 (51.8%)	43,527 (56.6%)	52,469 (59.7%)
Consolidated Total Sales	57,252 (100.0%)	65,970 (100.0%)	76,934 (100.0%)	87,887 (100.0%)

(2) Effects of Medical Reforms

In Japan, reform of the healthcare system is underway, aimed at moderating medical expenditures while ensuring efficient, quality healthcare services. Japan's changing healthcare environment is characterized by a sharp decline in the birthrate and the rapid aging of the population, by advances in medical technology, and by greater demand from patients for better medical care. The reforms now underway may have an impact on the Sysmex Group's operating results and financial position.

Government cost moderation measures are expected to continue, making it increasingly important for hospitals to improve management efficiency while adopting new technologies and acquiring capabilities for new testing procedures. The Sysmex Group will respond to this trend by focusing its investments in the Life Science field, including confirmed diagnostics for cancers, and by addressing diverse needs with total solution packages consisting of diagnostics instruments and reagents, IT systems, and service support.

(3) Raw Materials Procurement

The Sysmex Group procures raw materials from about 300 domestic and about 50 overseas companies in order to produce the diagnostic equipment and reagents etc. it sells. It is possible that some important components may become difficult to procure, due to such factors as revisions to the laws and regulations of the countries of their origin, and business reorganization and quality problems at the suppliers.

The Sysmex Group is in the process of advancing a unified information management scheme under which member companies can exchange the information on suppliers they need for steady procurement, including trends in the industry and in national legislation and regulatory moves.

Sysmex Trade Mission (STM), an electronic procurement system inaugurated in FY 2004 as part of this scheme, has since been introduced to all of the Group companies in Japan in order to help them share information with their suppliers and to prepare for contingencies.

(4) Countermeasures against Risks in the Use of Information Systems

The Sysmex Group has forged ahead with the across-the-board implementation of IT(Information Technology), i.e., in R&D, purchasing, production, marketing, planning, and management, and requests for decisions and final decisions are carried via networks, so any extended system failure could seriously damage business operations. Therefore, we have established two-tier systems for important networks to provide redundancy

through such methods as hot standby.

To protect each PC from viruses, we have implemented a double security scheme comprised of anti-virus software in every PC and firewalls at Internet connections.

There has been a recent proliferation of information leaks in connection with portable computers. In response, we have made use of a fingerprint authentication device obligatory for owners of portable computers likely to be taken out of offices, in order to prevent unauthorized access by persons other than the owner.

We are prepared to restore data one day back for mission-critical systems that support major businesses, even in the worst system failure, through daily data backups. Also, we have separated the server room from the backup data storage space, thereby ensuring that any accident that may damage the former would not affect the important data stored in the latter.

We have set up the servers for our HP that is front end of external communications, e-mail servers, and those for SNCS (Sysmex Network Communication Systems) that provide value-added services to customers, in off-premise service centers, where professional engineers monitor system operations 24 hours a day, 365 days a year, to prevent service interruptions and continue to provide service to our global customers.

Note:

This document includes forward-looking statements about the future performance of the Sysmex Group based on management's assumptions and beliefs in light of the information currently available, involving both known and unknown risks and uncertainties. Actual events and results may differ materially from those anticipated in these statements.

Consolidated Balance Sheet

(unit: million yen)

Items	Period		Current term	
	Previous term		(as of March 31,2006)	
	Amount	%	Amount	%
(Assets)				
Current assets				
Cash	8,490		9,485	
Notes and accounts receivable trade	23,426		26,145	
Marketable securities	2,053		28	
Inventories	13,496		15,291	
Deferred tax assets	2,004		2,540	
Prepaid expenses	484		614	
Short-term loans receivable	3		3	
Others	417		1,161	
Allowance for doubtful debts	-317		-419	
Current assets total	50,060	64.5	54,851	62.7
Fixed assets				
Tangible fixed assets				
Buildings and structures	14,765		15,872	
Accumulated depreciation	-7,754		-8,316	
Net buildings and structures	7,011		7,555	
Machinery, equipment and vehicles	5,259		5,781	
Accumulated depreciation	-3,648		-4,036	
Net machinery, equipment and vehicles	1,610		1,744	
Tools, furniture and fixtures	13,376		14,051	
Accumulated depreciation	-10,286		-10,664	
Net tools, furniture and fixtures	3,089		3,387	
Land	6,004		7,738	
Construction in progress	246		1,018	
Tangible fixed assets total	17,962	23.1	21,444	24.5
Intangible fixed assets				
Goodwill	6		—	
Software	2,457		2,921	
Consolidation goodwill	294		217	
Others	76		105	
Intangible fixed assets total	2,834	3.6	3,244	3.7
Investments				
Investments in securities	2,493		3,988	
Long-term loans receivable	6		3	
Long-term prepaid expenses	124		110	
Investment real estate	2,288		2,173	
Others	1,465		1,454	
Deferred tax assets	453		177	
Allowance for doubtful debts	-29		-3	
Investments total	6,802	8.8	7,905	9.1
Fixed assets total	27,599	35.5	32,594	37.3
Total assets	77,660	100.0	87,446	100.0

(Note) fractions of one million yen are rounded off

Consolidated Balance Sheet

(unit: million yen)

Items	Period	Previous term (as of March 31,2005)		Current term (as of March 31,2006)	
		Amount	%	Amount	%
(Liabilities)					
Current liabilities					
Notes and accounts payable trade		8,239		8,868	
Short-term loans payable		73		146	
Corporation taxes payable		1,939		2,664	
Deferred tax liabilities		—		3	
Accrued expenses		2,057		2,221	
Reserve for bonuses		1,758		2,057	
Reserve for product warranties		225		407	
Others		3,867		4,598	
Current liabilities total		18,161	23.4	20,967	24.0
Fixed liabilities					
Long-term loan payable		22		3	
Deferred tax liabilities		766		1,067	
Reserve for retirement benefits		322		162	
Reserve for directors' retirement benefits		298		284	
Others		1,136		1,454	
Fixed liabilities total		2,546	3.3	2,971	3.4
Total liabilities		20,708	26.7	23,939	27.4
(Minority interest)					
Minority interest		802	1.0	860	1.0
(Shareholders' equity)					
Capital stock		7,954	10.2	7,954	9.1
Capital surplus		11,182	14.4	11,184	12.8
Earned surplus		36,050	46.4	41,550	47.5
Unrealized gain or loss of investments in securities		656	0.9	1,234	1.4
Foreign currency translation adjustment		423	0.6	872	1.0
Treasury stock		-118	-0.2	-150	-0.2
Total shareholders' equity		56,149	72.3	62,646	71.6
Total liabilities, minority interest and shareholders' equity		77,660	100.0	87,446	100.0

(Note) fractions of one million yen are rounded off

Consolidated Statements of Income

(unit: million yen)

Items	Period	Previous term (as of March 31, 2005)		Current term (as of March 31, 2006)	
		Amount	%	Amount	%
Sales		76,934	100.0	87,887	100.0
Cost of sales		32,803	42.6	36,739	41.8
Gross profit		44,130	57.4	51,148	58.2
Selling, general and administrative expenses		35,027	45.6	40,425	46.0
Operating income		9,103	11.8	10,723	12.2
Non-operating income					
Interest income		62		67	
dividends earned		27		34	
Royalties earned		36		48	
Income from investment real estate		502		395	
Equity in earnings of investees		8		25	
Exchange gain		441		828	
Others		140		158	
Non-operating income total		1,218	1.6	1,558	1.8
Non-operating expenses					
Interest expense		43		22	
Amortization of goodwill		70		6	
Preoperating costs		67		—	
Cash discount		—		32	
Maintenance cost of investment real estate		203		197	
Others		65		43	
Non-operating expenses total		450	0.6	300	0.4
Ordinary income		9,871	12.8	11,981	13.6
Extraordinary income					
Extraordinary profits					
Gain on sales of investment securities		8		0	
Gains on sale of fixed assets		6		9	
Reversal of allowance for doubtful debts		4		42	
Reversal of reserve for directors' retirement benefits		—		1	
Investment income from change of equity		—		6	
Extraordinary profits total		19	0.0	59	0.1
Extraordinary losses					
Write-down of securities		176		6	
Loss on disposal of fixed assets		100		131	
Restructuring charges in the U.S. subsidiary		265		—	
Provision of reserve for retirement benefits		110		—	
Extraordinary losses total		652	0.8	138	0.2
Net income before income taxes and minority interest		9,237	12.0	11,902	13.5
Income taxes		3,614	4.7	5,010	5.7
Deferred income taxes		-108	-0.1	-561	-0.6
Minority interest		0	0.0	31	0.0
Net income		5,731	7.4	7,422	8.4

(Note) fractions of one million yen are rounded off

Consolidated Statements of Retained Earnings

(unit: million yen)

Items	Period	Previous term (as of March 31,2005)		Current term (as of March 31,2006)	
(Capital Surplus)					
Capital Surplus at Beginning of period			11,170		11,182
Increase in Capital Surplus					
1.Inclusion from Issue of stocks		11		—	
2.Gain on Disposal of Treasury stocks		0	11	2	2
Capital Surplus at End of term			11,182		11,184
(Earned Surplus)					
Earned Surplus at Beginning of period			31,243		36,050
Increase in Earned Surplus					
Net Income for Current Period		5,731	5,731	7,422	7,422
Decrease in Earned Surplus					
Dividend Payments		823		1,123	
Bonuses to Directors (including auditors)		100 (14)		111 (15)	
Decrease by the change of closing date of subsidiaries		—	924	687	1,923
Earned Surplus at End of term			36,050		41,550

(Note) fractions of one million yen are rounded off

Consolidated Statements of Cash Flow

(unit: million yen)

Items	Period	Previous term (as of March 31,2005)	Current term (as of March 31,2006)
Cash flow from operating activities			
Net income before income taxes and minority interest		9,237	11,902
Depreciation and amortization		3,296	3,592
Amortization of consolidation goodwill		7	33
Increase/decrease in reserve for bonuses		278	378
Increase/decrease in reserve for directors' retirement benefits		27	-14
Increase/decrease in reserve for retirement benefits		-40	-161
Increase/decrease in allowance for doubtful debts		177	21
Interest income and dividends earned		-89	-102
Interest expense		43	22
Equity in earnings/loss of investees		-8	-25
Gain/loss on sales of investment securities		-8	-0
Write-down of securities		176	6
Loss on disposal of fixed assets		94	131
Increase/decrease in notes and accounts receivable		-4,119	-2,383
Increase/decrease in inventories		-744	-684
Increase/decrease in notes and accounts payable		1,368	-753
Increase/decrease in consumption taxes payable/receivable		-88	-165
Bonuses to directors		-100	-111
Others		986	698
Subtotal		10,495	12,383
Interest and dividends received		76	99
Interest paid		-21	-16
Corporation taxes paid		-3,859	-4,191
Cash flow from operating activities		6,691	8,275
Cash flow from investing activities			
Payments for funding of time deposit		-58	-66
Proceeds from refundment of time deposit		137	30
Payments for purchases of tangible fixed assets		-2,383	-5,795
Payments for purchases of intangible fixed assets		-1,763	-1,421
Payments for purchases of investment securities		-12	-494
Gains on investment securities sold		36	0
Cash flow from equity investment in subsidiaries		34	—
Payments for investments in real estates		-1,664	-58
Others		42	-52
Cash flow from investing activities		-5,630	-7,858
Cash flow from financing activities			
Net increase/decrease of short-term loans		-1,946	-39
Proceeds from long-term loans		4	—
Repayment of long-term loans		-1,591	-19
Proceeds from issue of stocks		22	—
Gains on paid-in capital from minority shareholders		—	21
Payments for purchases of treasury stocks		-42	-30
Dividend paid		-823	-1,123
Cash flow from financing activities		-4,376	-1,190
Effect of exchange rate changes on cash and cash equivalent		55	275
Increase/decrease in cash and cash equivalent		-3,260	-498
Cash and cash equivalent at beginning of year		13,718	10,457
Decrease of Cash and cash equivalent by the change of closing date of subsidiaries		—	-542
Cash and cash equivalent at end of year		10,457	9,416

(Note) fractions of one million yen are rounded off

Segment Information

1. Information about operations by geographic area Previous term(from April 1,2004 to March 31,2005)

(Millions of Yen)

	Japan	Americas	Europe	China	Asia Pacific	Total	Eliminations/ Corporate	Consolidated
Sales and Operating income								
Sales								
Net Sales to outside customers	34,530	13,579	21,200	4,823	2,801	76,934	—	76,934
Interarea transfer	18,941	158	353	11	96	19,561	(19,561)	—
Total net sales	53,472	13,737	21,553	4,834	2,898	96,496	(19,561)	76,934
Operating expenses	47,821	13,538	19,257	4,339	2,646	87,604	(19,773)	67,830
Operating income	5,650	199	2,295	495	251	8,891	(-211)	9,103
Assets	64,531	6,113	10,100	3,284	2,302	86,333	(8,673)	77,660

Current term(from April 1,2005 to March 31,2006)

(Millions of Yen)

	Japan	Americas	Europe	China	Asia Pacific	Total	Eliminations/ Corporate	Consolidated
Sales and Operating income								
Sales								
Net Sales to outside customers	36,760	15,620	25,368	6,403	3,734	87,887	—	87,887
Interarea transfer	22,621	176	299	10	109	23,217	(23,217)	—
Total net sales	59,381	15,796	25,668	6,414	3,844	111,105	(23,217)	87,887
Operating expenses	52,898	15,581	22,654	5,801	3,483	100,420	(23,256)	77,164
Operating income	6,483	214	3,013	612	360	10,685	(-38)	10,723
	68,546	7,953	14,555	4,376	2,996	98,427	(10,981)	87,446

2. Net Sales to Foreign Customers

Previous term(from April 1,2004 to March 31,2005)

(Millions of Yen)

	Americas	Europe	China	Asia Pacific	Total
Net Sales to Foreign Customers	13,633	21,234	4,824	3,835	43,527
Consolidated Sales	—	—	—	—	76,934
The rate of net sales to foreign customers to consolidated sales	17.7%	27.6%	6.3%	5.0%	56.6%

Current term(from April 1,2005 to March 31,2006)

(Millions of Yen)

	Americas	Europe	China	Asia Pacific	Total
Net Sales to Foreign Customers	15,762	25,437	6,411	4,857	52,469
Consolidated Sales	—	—	—	—	87,887
The rate of net sales to foreign customers to consolidated sales	17.9%	29.0%	7.3%	5.5%	59.7%