Half Year 2006 Business Results
Financial Highlights and Future Opportunities

Hisashi Ietsugu
President and CEO
SYSMEX CORPORATION
Outline of Half Year 2006 Results

Results and Future Plans in Each Segment
- Geographical segments
- R&D segments

FY2006 Consolidated Earnings Forecast

Forward-looking Statements
This material contains forward-looking statements about Sysmex Corporation and its group companies (the Sysmex Group). These forward-looking statements are based on current judgments and assumptions of the Sysmex Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors, including but not limited to: global economic conditions, competitive situations and changes in exchange rates. Such risks, uncertainties and other factors may cause our actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.
Outline of Half Year 2006 Results

Summary of Consolidated Statement FY2006 H.Y.

**Profit & Loss Statement**
- Recorded excellent results
  - Net sales have increased for 7 consecutive years
- Overseas sales increased by 4.7 billion yen (up 19.0%)
- Operating income ratio improved (11.9% → 12.9%)
  - Cost ratio improved: 41.9% → 41.5%
  - SG&A ratio improved: 46.2% → 45.6%

**Balance Sheet**
- Increased ROA (13.8% → 14.5%)
- Increased tangible fixed assets
  - Increased construction in progress for establishing new overseas factories: 0.67 billion yen

**Cash Flow Statement**
- Increased operating cash flow (up 4.22 billion yen → up 4.27 billion yen)
- Increased investments (△1.6 billion yen → △3.5 billion yen)
- Increased dividend (△0.62 billion yen → △0.79 billion yen)
Outline of Half Year 2006 Results

Breakdown of Net Sales and Ordinary Income

※FX impact excluded from regional sales below

(in billions of JPY)

- Japan: Up 1.1
- Europe: Up 1.6
- China: AP up 0.1
- AP: Fix impact
- Americas: Up 1.1

Gross margin increased as a result of a 0.3% improvement in cost ratio

Operating income increased as a result of FX impact

- Increased SG&A
- R&D expenses: Up ¥0.39 billion
- Increased SG&A in Americas and Europe
- Non-operating loss decreased
- Exchange gain: △ 0.07 billion and so on

Net Sales

- 2006.3 H.Y.: ¥41.6 billion
- 2007.3 H.Y.: Up 5.8 billion yen

Operating Income

- 2006.3 H.Y.: ¥5.4 billion
- 2007.3 H.Y.: Up 1.0 billion yen

(※FX impact excluded from regional sales below)
Outline of Half Year 2006 Results

Geographical Segment Information

Europe

Operating Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales to Outside Customers</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005.3 H.Y.</td>
<td>11.0</td>
<td>1.3</td>
</tr>
<tr>
<td>2006.3 H.Y.</td>
<td>12.5</td>
<td>1.5</td>
</tr>
<tr>
<td>2007.3 H.Y.</td>
<td>14.7</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Americas

Operating Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales to Outside Customers</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005.3 H.Y.</td>
<td>6.6</td>
<td>0.03</td>
</tr>
<tr>
<td>2006.3 H.Y.</td>
<td>6.9</td>
<td>0.14</td>
</tr>
<tr>
<td>2007.3 H.Y.</td>
<td>9.0</td>
<td>0.15</td>
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Japan

Operating Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales to Outside Customers</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005.3 H.Y.</td>
<td>25.5</td>
<td>2.9</td>
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<tr>
<td>2006.3 H.Y.</td>
<td>27.9</td>
<td>2.8</td>
</tr>
<tr>
<td>2007.3 H.Y.</td>
<td>30.3</td>
<td>3.2</td>
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</table>

China

Operating Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales to Outside Customers</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005.3 H.Y.</td>
<td>3.0</td>
<td>0.16</td>
</tr>
<tr>
<td>2006.3 H.Y.</td>
<td>3.0</td>
<td>0.36</td>
</tr>
<tr>
<td>2007.3 H.Y.</td>
<td>3.1</td>
<td>0.34</td>
</tr>
</tbody>
</table>

AP

Operating Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales to Outside Customers</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005.3 H.Y.</td>
<td>1.2</td>
<td>0.08</td>
</tr>
<tr>
<td>2006.3 H.Y.</td>
<td>1.7</td>
<td>0.20</td>
</tr>
<tr>
<td>2007.3 H.Y.</td>
<td>1.9</td>
<td>0.26</td>
</tr>
</tbody>
</table>
Outline of Half Year 2006 Results

Breakdown of Balance Sheet (Consolidated)

(in billions of JPY)

Assets

Cash and equivalents

Up 5.9 billion yen

87.4

2006.3

2006.9

Current assets

Fixed assets

Up 5.0

Up 0.83

Tangible fixed assets

△ 0.2

Others

1.0

Notes/Account receivable

1.3

Up 5.9 billion yen

Inventories

0.37

Others

1.2

Retained earnings

0.82

Liabilities

Fixed liabilities

△ 0.07

Up 4.0

Up 1.9

Current liabilities

87.4

2006.3

2006.9

Liabilities/Equity

Up 5.9 billion yen

Equity/Minority interest

3.1
## Outline of Half Year 2006 Results

### Consolidated Cash Flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating CF (in billions of JPY)</th>
<th>Investing CF (in billions of JPY)</th>
<th>Finacing CF (in billions of JPY)</th>
<th>Net Increase in Cash and Cash Equivalents (in billions of JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005.3</td>
<td>△3.6</td>
<td>△1.6</td>
<td>△0.57</td>
<td>0.43</td>
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<tr>
<td>2006.3</td>
<td>△3.5</td>
<td>△3.5</td>
<td>△0.63</td>
<td>0.09</td>
</tr>
<tr>
<td>2007.3</td>
<td></td>
<td></td>
<td></td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.2</td>
</tr>
</tbody>
</table>

*Creating a cycle of reinvestment of cash flow as a growing company*

*Net Increase in Cash and Cash Equivalents is factored into the calculation Foreign Currency Translation Adjustments Cash and Cash Equivalents.*
### New Products (to be) Released in FY2006

#### Hematology segment

Automated hematology analyzers

**XS Series**
- **Target area:** Worldwide
- **Launch:** Feb. 2006 in Japan, Europe, and AP; Aug. 2006 in US and China

#### Urinalysis segment

Urine cell analyzer

**UF-1000i**
- **Target area:** Worldwide
- **Launch:** Jun. 2006 in Japan, Europe, and AP

#### Coagulation segment

Coagulation analyzer

**CS-2000i**
- **Target area:** Worldwide
- **Launch:** Sep. 2006 in Japan; Nov. 2006 in Europe

#### Life Science segment

Gene amplification detector

**RD-100i**
- **Target area:** Worldwide
- **Launch:** Apr. 2006 in Europe

#### Clinical chemistry segment

Clinical chemistry analyzer

**CHEMIX-800**
- **Target area:** China/AP
- **Launch:** 2nd half of 2006

#### Immunochemistry segment

Chemiluminescent enzyme immunoassay technology

*Japan Society for Clinical Laboratory Automation (in Kobe in October)*
Sysmex’s market recognition increasing!

<Topics>
- Entered into an exclusive sales agreement with Midwest Health System, an affiliate of the US's largest class hospital group HCA
- Experienced strong sales of the XT series in the small and medium hospital market
- Realized strong sales of urinalysis and coagulation analyzers
- Increased sales and after-sales support staffs of sales and after-sales support in the US to support sales activity coverage (approx. 30 persons)
- Carried out a promotional tour through the US using a demonstration bus
- Received bulk orders from the Costa Rican social security administration

<Marketing>
- Share marketing information
- Enrich and optimize sales staff qualitatively
- Strengthen support and administration of distributors

<Product>
- Start full-scale marketing of the XS series
- Launch SNCS*

* Sysmex Network Communication Systems: Services including real-time, external quality control, automated monitoring of instruments, and Web-based information sharing

Results and Future Plans in Each Segment

Americas

<table>
<thead>
<tr>
<th>(In billions of JPY)</th>
<th>Americas</th>
<th>(Net Sales to Outside customers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005.3</td>
<td>13.5</td>
<td>2006.3</td>
</tr>
<tr>
<td>2006.3</td>
<td>15.6</td>
<td>2007.3</td>
</tr>
<tr>
<td>2007.3 (H.Y.)</td>
<td>9.0</td>
<td>2007.3 (Planned at early this year)</td>
</tr>
<tr>
<td></td>
<td>0.14</td>
<td>0.70</td>
</tr>
<tr>
<td></td>
<td>0.21</td>
<td>0.03</td>
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<tr>
<td></td>
<td>0.19</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>0.1</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>0.03</td>
<td>10</td>
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<td></td>
<td>0.70</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>20</td>
</tr>
</tbody>
</table>

[Graph showing Net Sales and Operating Income for Americas]
Strategic Priorities in the Commercial Lab Market

**Assumed customer concerns**

<table>
<thead>
<tr>
<th>Evaluation point</th>
<th>Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased productivity</td>
<td>Not Concerns</td>
</tr>
<tr>
<td>Footprint saving</td>
<td>Not Concerns</td>
</tr>
<tr>
<td>Performance and quality of product</td>
<td>Not Concerns</td>
</tr>
<tr>
<td>Brand recognition</td>
<td>Concerns</td>
</tr>
<tr>
<td>Replacement cost</td>
<td>Concerns</td>
</tr>
</tbody>
</table>

- Study of customers' analyzer selection process
- Strengthening communication and gaining trust
- Accumulation of achievements and success in the US market
- Offering comprehensive streamlining solutions using the standardization concept and network-capable products

**Diagnostics market in US**

**Data Management Solution**

**Network-capable (SNCS)**

**Laboratory Management Solution**

**POL, Clinics**

**Satellite Laboratory**

**Core Laboratory**

**Automated hematology analyzer XE-2100**

**Integrated hematology system**

**XS series**
Europe

Business steadily expanded by leveraging the Sysmex brand

<Topics>
- Saw strong sales of hematology analyzers through comprehensive proposal-oriented marketing
- Launched the system for rapid detection of breast cancer lymph node metastasis (April)
- Established Sysmex Digitana AG
- Established Sysmex South Africa
- Entered into Animal testing market

Future endeavors

<Marketing>
- Expand marketing areas (countries and area)
- Promote comprehensive proposal-oriented marketing
- Strengthen sales of Life Science products

<Product>
- Start full-scale marketing of the XS series
- Launch UF-1000i
- Launch CS-2000i

Gene amplification detector RD—100i

Results and Future Plans in Each Segment
Influenced by the medical industry’s “clean-up campaign”

- Underwent cost suppression due to reduction of test expenses (insurance points)
- Experienced slow sales of instruments due to the medical industry’s “clean-up campaign”
- Earned strong sales of the automated hematology analyzer XS series
- Received increased orders of coagulation analyzers for replacement and upgrading

Results and Future Plans in Each Segment

China

Future endeavors

<Marketing>
- Strengthen academic activity
- Differentiate support activities
- Establish a proposal-oriented marketing structure

<Product>
- Start full-scale marketing of the XS series
- Launch CHEMIX-800
- Start local manufacturing of clinical chemistry reagents

<table>
<thead>
<tr>
<th>Year</th>
<th>(Net Sales to Outside Customers)</th>
<th>(in billions of JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005.3</td>
<td>1.4</td>
<td>0.16</td>
</tr>
<tr>
<td>2006.3</td>
<td>3.0</td>
<td>0.30</td>
</tr>
<tr>
<td>2007.3</td>
<td>3.1</td>
<td>0.34</td>
</tr>
</tbody>
</table>

※Blue: Full Year
Red: Half Year

H.Y. (Planned at early this year)
<Negative impacts>
- Hospitals refraining from purchasing instruments
- Some bids postponed

<Positive impacts>
- Intermediate margins in distribution suppressed by the authorities
- Intensive investment into medical/sanitary services
  - A total of approx. 20 billion yuan invested
- Patients increasingly interested in better quality healthcare services
- Successful differentiation by the XS series

10th 5-year Plan (2000-2005)  
11th 5-year Plan (2006-2010)

Creation of a sustainable economy/society that harmonizes "reduction of economic disparities" and "income doubling"

(Adopted at the National People's Congress in March 2006)
**Business opportunities in India accelerated**

<Topics>
- Strengthen the marketing structure in India (Established Sysmex India)
  - Established a reagent factory in India
- Strong sales of the automated hematology analyzer XS series
- Promoted the solution business that uses the Laboratory Information System
  - Strong sales of packages with hematology and other diagnostics analyzers

Future endeavors

**<Sales power>**
- Strengthen sales and support in India
- Enrich academic activity
- Stimulate demand for upgrading

**<Product power>**
- Launch CS-2000i
- Launch CHEMIX-800
- Launch UF-1000i

![A reagent factory (Sysmex India)](image)
Japan

**Strengthened business worthy of a comprehensive supplier**

**<Topics>**
- Medical fee reimbursements decreased by 3.16%
- Received an increasing number of orders for large-scale combined solutions from large hospitals
- Received bulk orders for hematology analyzers from the blood center of Japan Red Cross Society
- Delivered hematology systems to a Japanese leading commercial lab (1st phase)
- Strengthened sales promotion of rapid influenza diagnostic kits for the upcoming influenza season

**Future endeavors**

**<Sales power>**
- Strengthen comprehensive proposal-oriented marketing
- Reinforce the veterinary and hospital businesses
- Encourage academic activities in immunochemistry

**<Product power>**
- Launch CS-2000i
- Start full-scale marketing of UF-1000i

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**Results and Future Plans in Each Segment**

![Graph showing net sales and operating income with detail on Japan and including Korea and Taiwan.](graph)

*Blue: Full Year  Red: Half Year*
Outline of Techno Park

- Land area: approx. 72 thousand square meters, twice as large as the present R&D base
- New building structures: R&D building (10 floors), Special Laboratory Building (2 floors)
- Total investment for facilities and construction: approx. 10 billion yen (Capacity: approx. 1,000 persons)
Strategic Priorities in Strengthening R&D

- Risk diagnosis
- Early detection
- Definitive diagnosis
- Drug efficacy prediction
- Prediction of prognosis

Source: Ministry of Economy, Trade and Industry

Genetic analysis
Chip technology

Nanotechnology

Gene amplification
Immunochromatography

IT / Pathological simulation

FCM
Chemiluminescence analysis
Immunochromatography

Gene amplification
Multi-protein analysis chips (C2P**)
Cytometry (FCM*)

Ultrasensitive analysis
(Gene amplification, immunoenzyme reaction)

Necessary technology

Acquired technology

Strengthen/Enrich the technological infrastructure as a Technology-Oriented Company

* FCM: Flow cytometry  ** C2P: Cell cycle profiling
Results and Future Plans in Each Segment

Progress in R&D

<table>
<thead>
<tr>
<th>Research</th>
<th>Clinical trial</th>
<th>Application/Approval</th>
<th>Launch</th>
<th>NHI price listing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid detection technology for lymph node metastasis</td>
<td>Colon cancer</td>
<td></td>
<td></td>
<td>Launched in the European market in April</td>
</tr>
<tr>
<td></td>
<td>Breast cancer</td>
<td></td>
<td></td>
<td>Japan: in preparation for application</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>US: clinical trial underway</td>
</tr>
<tr>
<td>Anti-cancer drug sensitivity prediction technology</td>
<td>Expanded applications</td>
<td></td>
<td></td>
<td>Europe: in preparation for launch</td>
</tr>
<tr>
<td></td>
<td>- Types of cancer</td>
<td></td>
<td></td>
<td>Japan: in preparation for clinical trial</td>
</tr>
<tr>
<td></td>
<td>- Various chemotherapeutic agents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prognosis of cancer recurrence</td>
<td></td>
<td>Clinical study completed</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Japan: in preparation for clinical trial)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cervical cancer screening technology</td>
<td></td>
<td>Clinical study underway</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimal invasive blood glucose self-measurement technology</td>
<td></td>
<td>Clinical study underway</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diabetes management system</td>
<td></td>
<td>Clinical trial: Clinical performance trial to obtain approval</td>
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<td></td>
</tr>
</tbody>
</table>
Current Status of Commercialization of Life Science

**Progress after the launch of the system for rapid detection of breast cancer lymph node metastasis**

- Gaining trust from customers!
- Initial sales in Life Science business
- Expand target markets
- Increase and expansion of customers (users)

**Recognized as the highly added value testing**

- Start-up of Life Science homepage (in Sep.)
- Japanese Breast Cancer Society (in Jul.)
- Japanese Society of Pathology (in Apr.)
- ISNS (Italy in Nov.)
- SHBCC (China in Nov.)
- Japanese Cancer Association (in Sep.)
- Breast cancer conference (Germany in Sep.)
- Japan Society of Clinical Oncology (in Oct.)
- St. Gallen Oncology Conference (Switzerland in Mar.)
- SABCS (US in Dec.)
- RD-100i launched in Europe in April ’06

**Market awareness activities**
(Presentations at academic conferences and homepage)

- Exhibition booth
- Homepage of the Life Science

**Standardization of methods to get listed on NHI price list**

- 1 unit in Netherlands (for clinical use)
- A clinical study underway in Netherlands, Germany, France and UK

**Results and Future Plans in Each Segment**
FY2006 Consolidated Earnings Forecast

- **Sales**: ¥98 billion
- **Operating income**: ¥13.3 billion
- **Ratio of Ordinary income**: 13.6%
- **Net Income**: ¥8.2 billion
- **Ratio of Net Income to Net Sales**: 8.4%

**Investment plan**
- **Equipment**: ¥5.6 billion
- **R&D**: ¥8.9 billion

(in billions of JPY)
## Projected Dividend for FY2006

<table>
<thead>
<tr>
<th></th>
<th>Interim dividend</th>
<th>Year-end dividend</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2006</strong></td>
<td>¥16</td>
<td>¥16</td>
<td>¥32</td>
</tr>
<tr>
<td><strong>FY2005</strong></td>
<td>¥20 (including 16 yen commemorative dividend)</td>
<td>¥36</td>
<td></td>
</tr>
</tbody>
</table>

(Reference)

Conversion to dividend after share split

- ¥10
- ¥16

**Total**

- ¥26

(Note: Sysmex split its common shares on a 2 for 1 basis effective November 18, 2005, with the date of assignment on September 30, 2005.)