

# Half Year 2007 Business Results

Financial Highlights and Future Opportunities

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President and CEO  
SYSMEX CORPORATION

- Outline of Half Year 2007 Results
- Future Opportunities
- FY2007 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 the current judgments and assumptions of the Sysmex Group in light of the information currently available to it, and involve both 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 the actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied within these forward-looking statements.

# Outline of Half Year 2007 Results

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- Topics
- Financial Highlights
- Breakdown of Net Sales and Ordinary Income
- Breakdown of Balance Sheet
- Consolidated Cash Flow
- Geographic Segment Information

# Topics - 1

## New products

- Marketing of the three products in the POCTEM S series of rapid diagnostic kits for respiratory infections
  - ✓ Subject infections: influenza, RS virus, adenovirus
  
- Marketing of multiparameter automated hematology analyzer XE-5000 (Japan)
  - ✓ New model in the XE series



Rapid diagnostic kit for respiratory infections  
*POCTEM S series*

Automated hematology analyzer *XE-5000*



## Alliances

- Renewal of the sales and support agreement with Roche related to our products
  - ✓ Start review of terms for relevant countries
  - ✓ Addition of non-exclusive sales and support agreement for our urinalysis analyzers
  
- Conclusion of a sales and support agreement with Biomerieux for our urinalysis analyzers
  - ✓ Entry into microbiology segment



Urine Cell Analyzer *UF-1000i*

### About Biomerieux

Biomerieux has been leading the world in the field of in-vitro diagnostics for more than 40 years, and is the top company in microbiology testing. It has 35 subsidiaries with offices in more than 150 countries around the world, and has constructed a huge sales network. Its fiscal 2006 sales amounted to about 1 billion euro, and countries other than France accounted for 83 percent of this total.

# Topics - 2

## Affiliates and offices

- Expansion of our sales and support network in Central Europe
  - ✓ Establishment of bases in Austria, Hungary, Czecho, and Slovakia
- Acquisition of a pharmaceutical production license at our plant in Wuxi, China (first Japanese company in the industry to obtain such a license)
  - ✓ Acquisition of licenses for production of both pharmaceuticals and medical instruments
- Transformation of CNA into a wholly-owned subsidiary
- Transformation of Sysmex Thailand into a wholly-owned subsidiary
- Completed construction of new reagent plant and expanded existing overseas reagent production plants



Sysmex Thailand



Plant for reagent production in Chicago

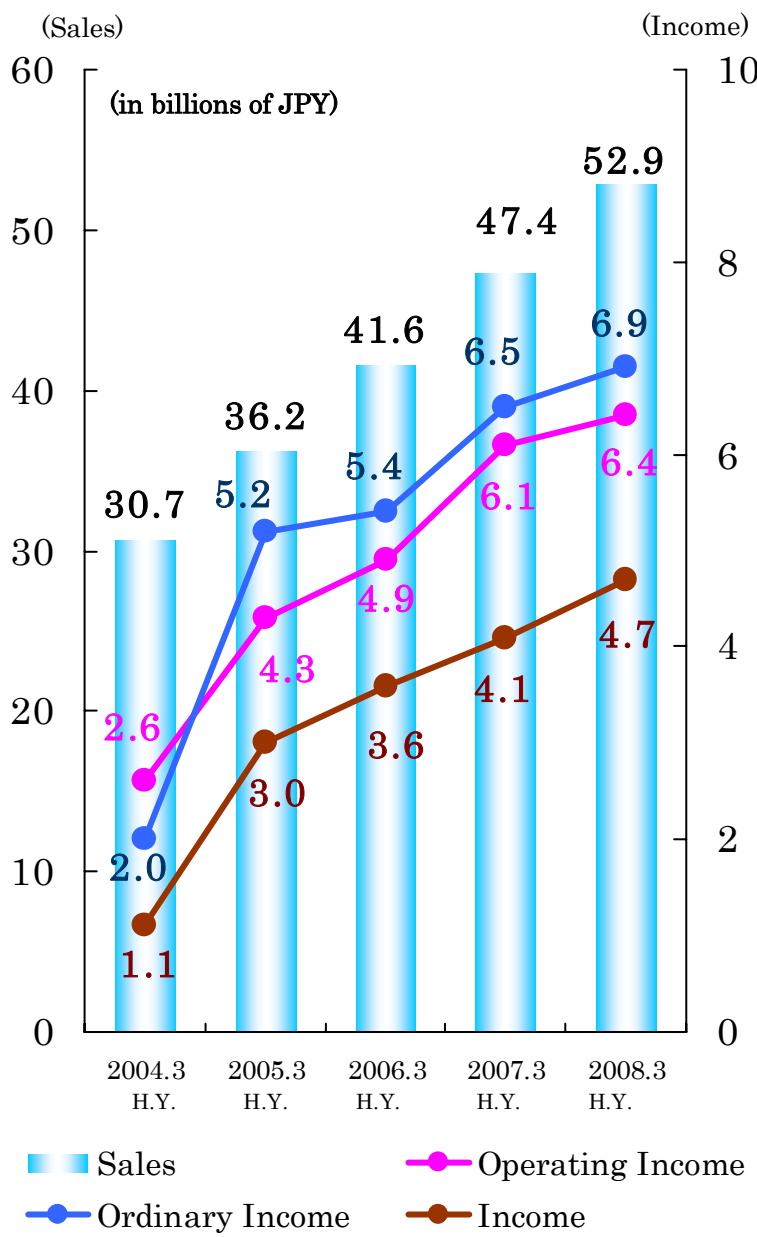


## Other developments

- Formulation of the Sysmex Way, the corporate philosophy of the Sysmex Group
- Preparation of the mid-term plan for the Sysmex Group
  - Aim for continued steady growth and yearly sales of at least 200 billion yen

# Sysmex Way

# Financial Highlights



Exchange rate in the preceding midterm report:  
 1US\$=¥115.4, 1EUR=¥146.0

Exchange rate in this midterm report:  
 1US\$=¥119.3, 1EUR=¥162.3

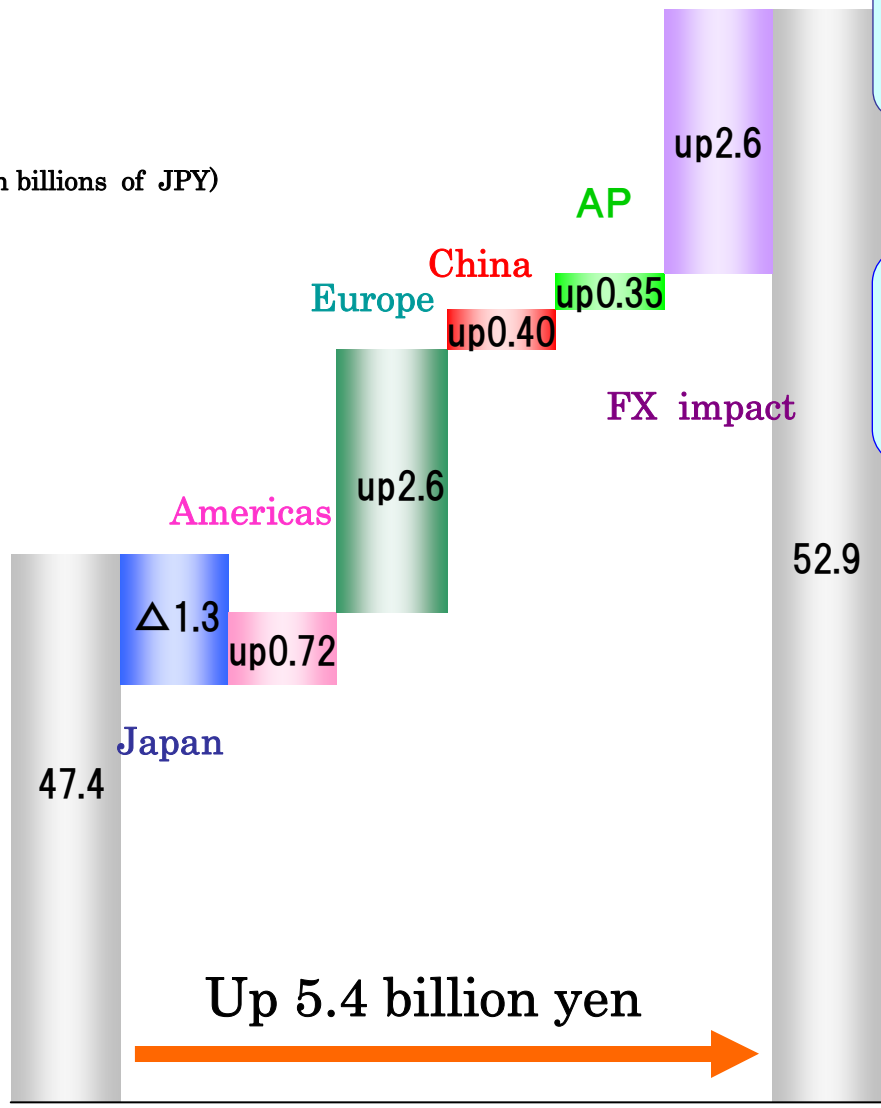
	2008.3 H.Y.	As percentage of the public consensus figures	As percentage of the 2007.3 H.Y.
Sales	52.9	99.9%	111.5%
Operating Income	6.4	95.0%	105.3%
Ordinary Income	6.9	98.9%	105.8%
Income	4.7	105.7%	114.6%

- Midterm statement showed increases in sales and income for the 8th and 4th consecutive year, respectively.
- Increase in the overseas sales share(62.6%→68.9%)
- Public consensus figures from Japan not exceeded
- Increase in sales and improvement of income in the hematology segment in the US
- Stable growth driven by brands in Europe
- Impact of exchange rates (weak yen)

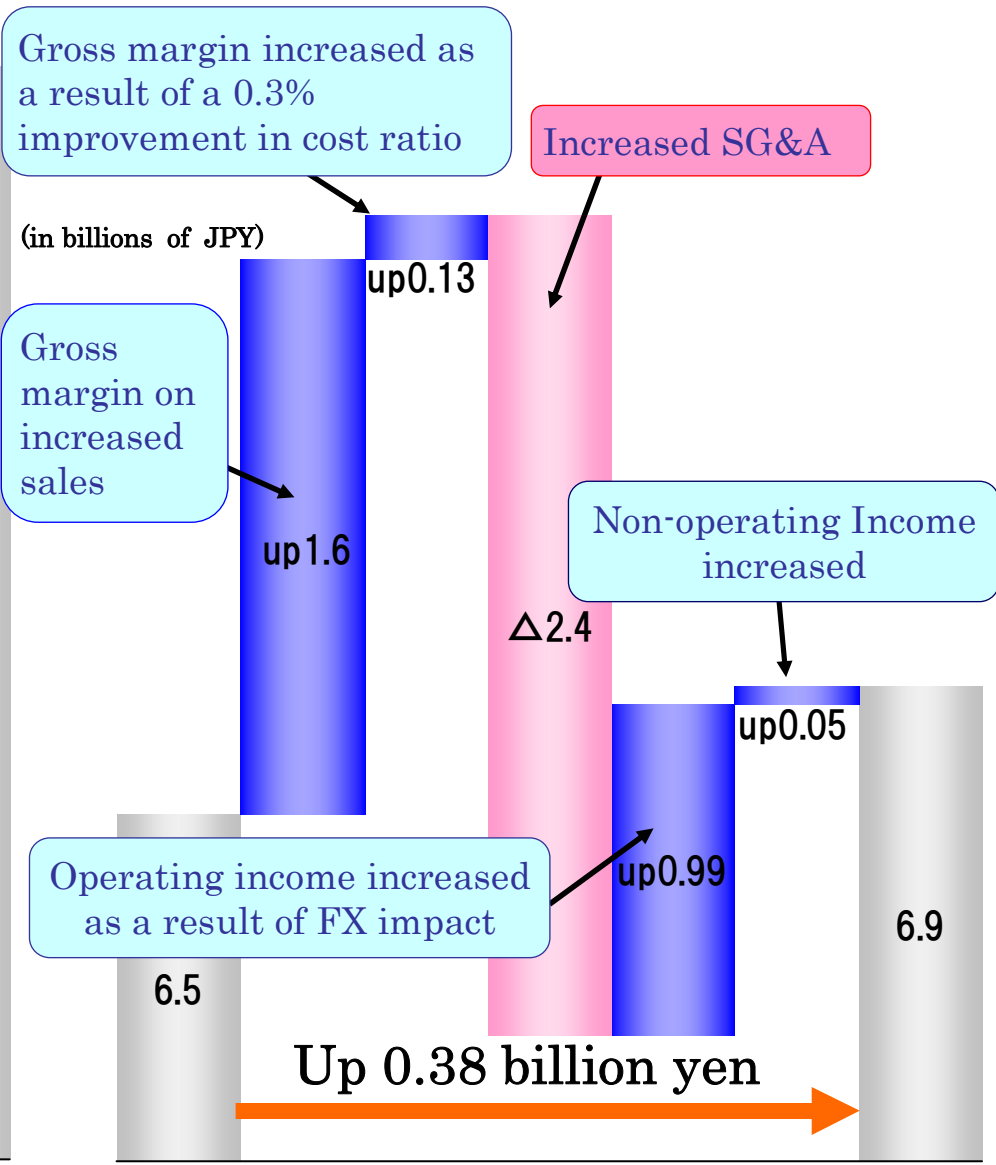
# Breakdown of Net Sales and Ordinary Income

※FX impact excluded from regional sales below

(in billions of JPY)



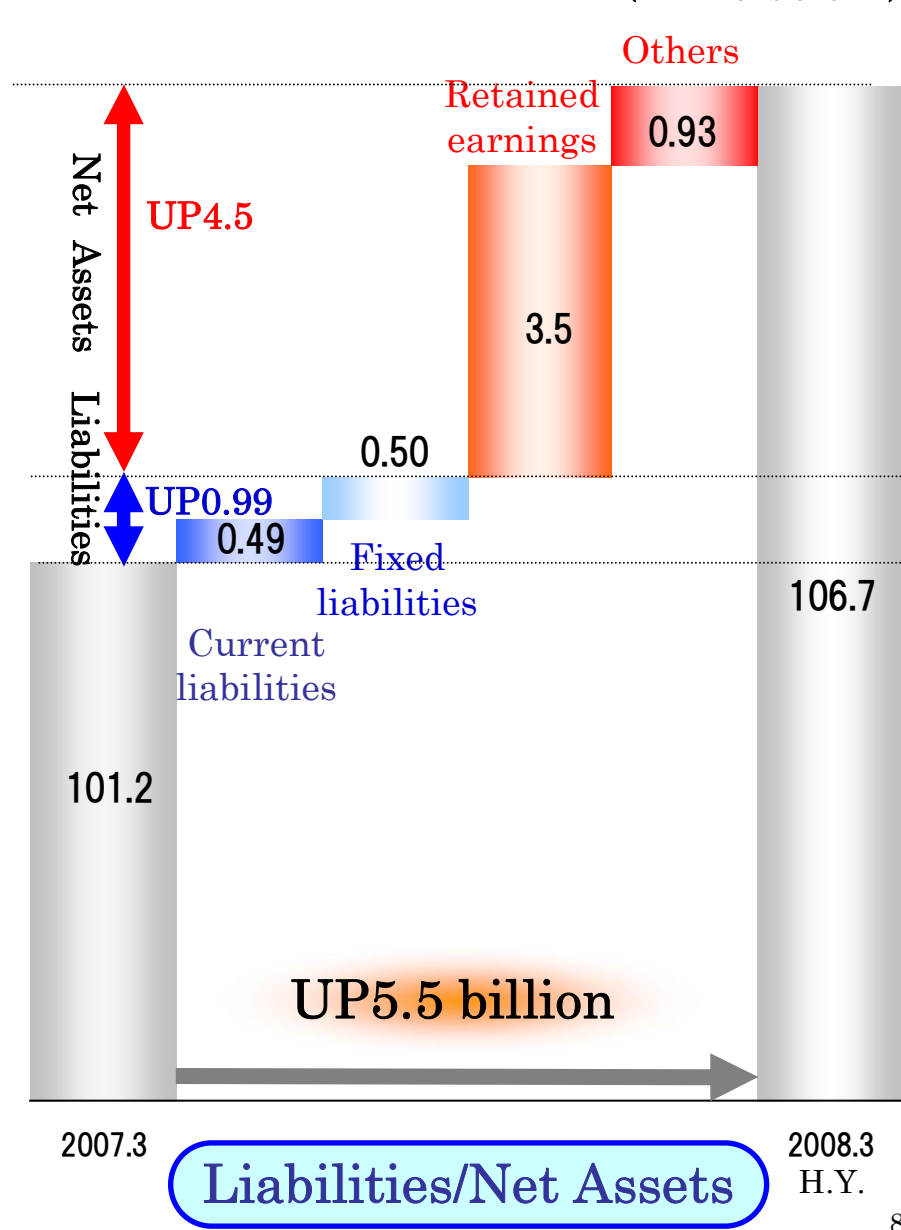
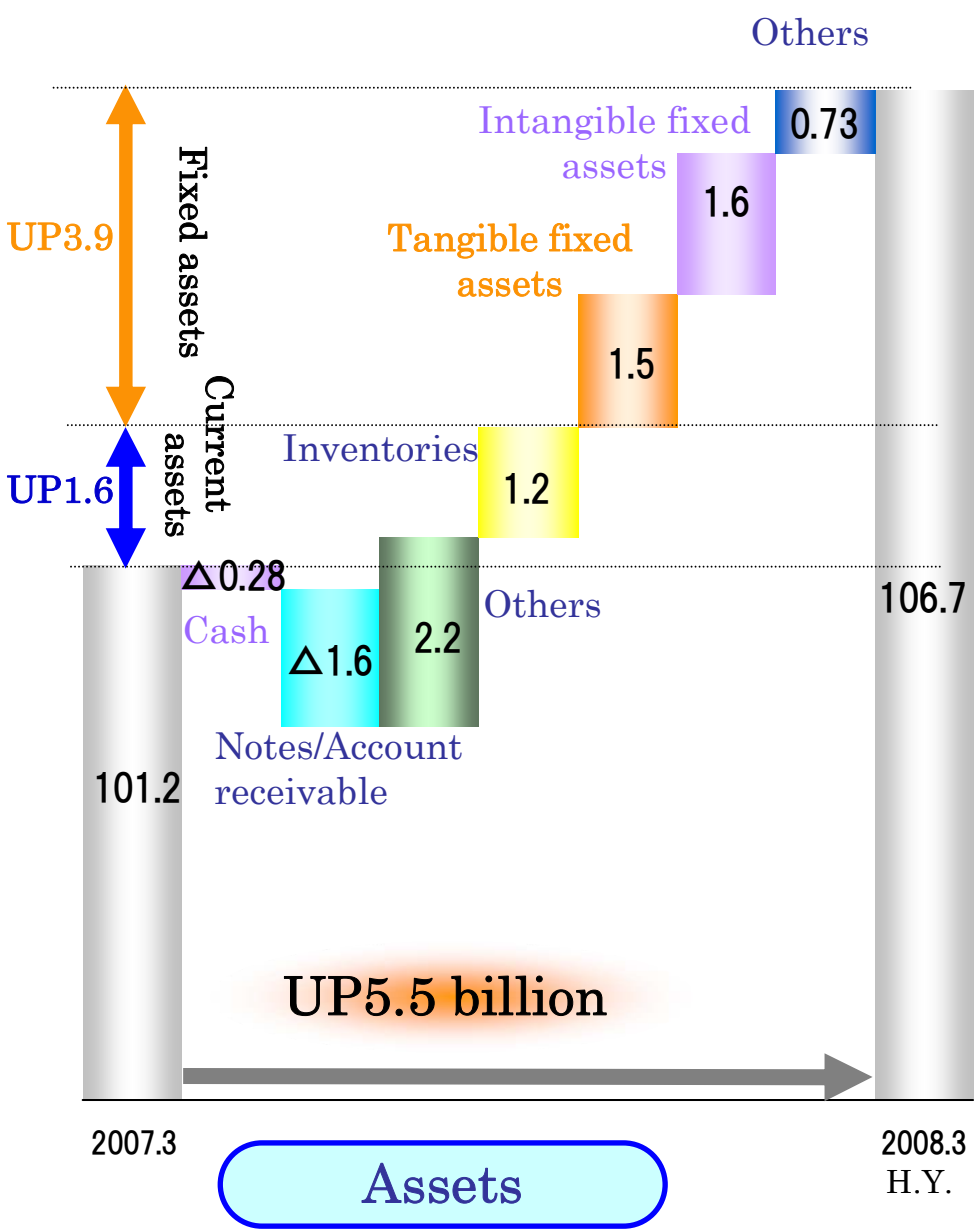
**Sales**



**Ordinary Income**

# Breakdown of Balance Sheet

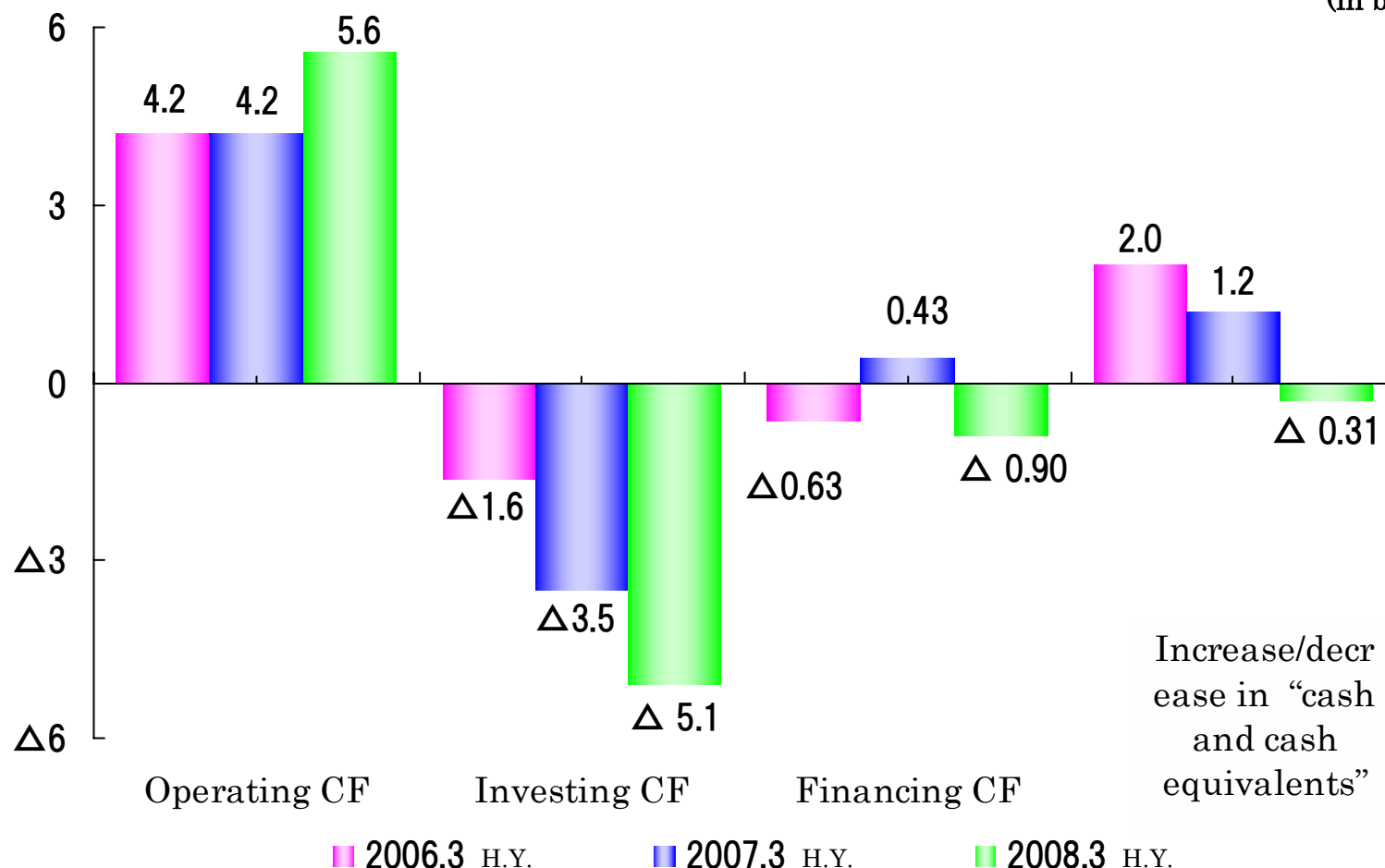
(in billions of JPY)





# Consolidated Cash Flow

(in billions of JPY)



※Increase/decrease in "cash and cash equivalents" include translation differences of cash and cash equivalents.

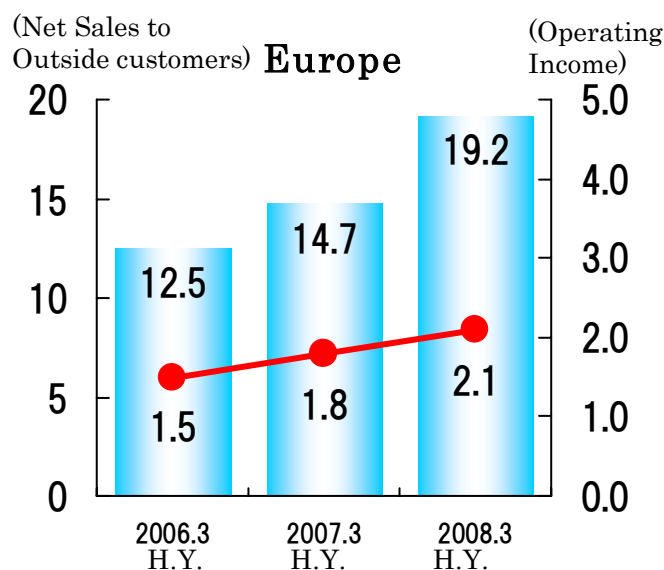
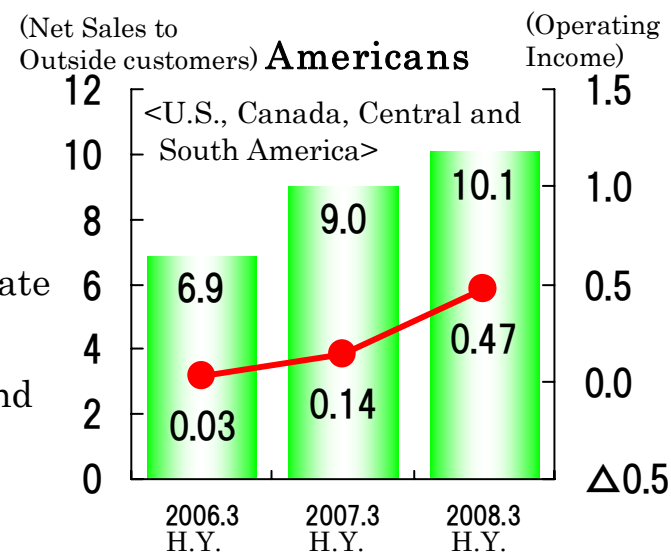
Creating a cycle of reinvestment of cash flow as a growing company

# Geographic Segment Information (Americas & Europe)

## 【 Americas 】

- Favorable trend in sales to blood centers
- Extensive orders from integrated health networks (IHN; for sales in the second half)
- Slow sales of urinalysis analyzers and coagulation analyzers
- Increase in the US sales and support staff for a higher coverage rate
- Receipt of orders for large customers in Brazil
- Brisk sales of the XS series of hematology analyzers in Central and South America
- Completion of preparation for startup of the reagent production plant in Chicago

(in billions of JPY)



## 【 Europe 】

- Favorable trend of sales of hematology analyzers through ICS (Integrated Concept Solution) marketing
- Slow sales of coagulation analyzers
- Establishment of business bases in Austria, Hungary, Czecho, and Slovakia
  - ✓ Expansion of sales and support network in Central Europe
- Brisk sales of hematology analyzers in the Mideast
- Completed expansion of the reagent production plant in Neumuenster

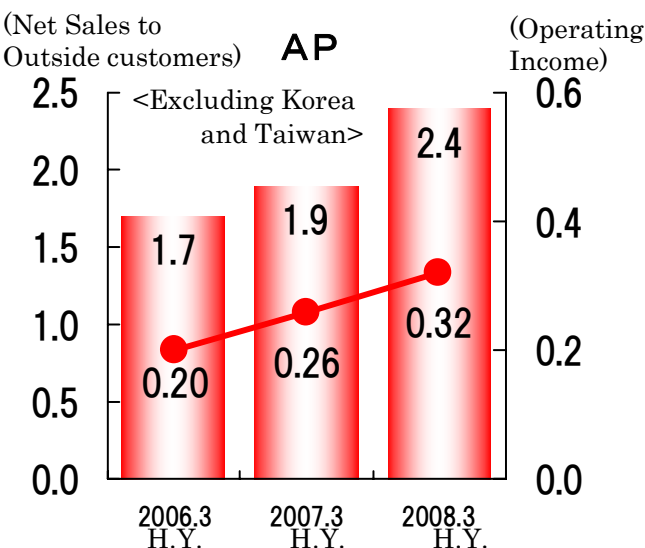
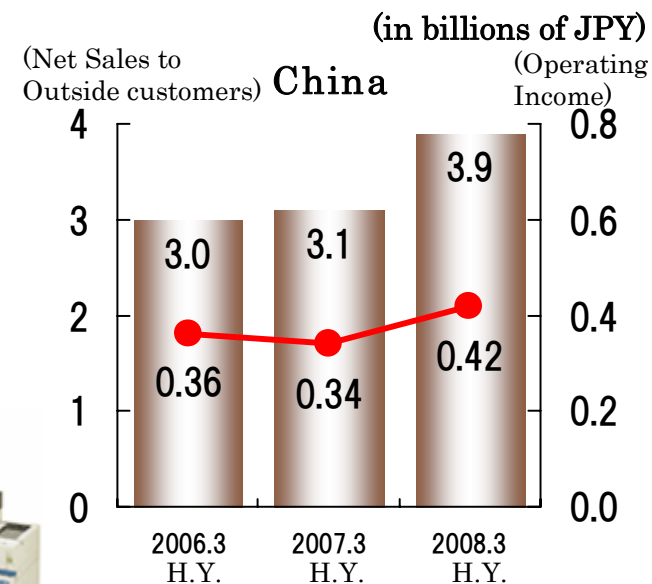
# Geographic Segment Information (China & AP)

## 【China】

- Extensive orders for systems in the hematology segment
- Cost pressure due to reduction of test expenses (insurance points)
- Less stagnation in instrument sales due to "clean-up campaign"
  - ✓ Decrease in the rate of successful bidding in tenders along with rise of indigenous manufacturers
- Increase in contracts for replacement/upgrading in the coagulation segment
- Brisk sales of urinalysis analyzers



Integrated hematology system *HST series*



## 【AP】

- Increase in system contracts through ICS (Integrated Concept Solution) marketing
- Influence of delayed marketing of new products
  - ✓ Sluggish sales in the segments of coagulation and clinical chemistry
- Transformation of Sysmex Thailand into a wholly-owned subsidiary
- Completed expansion of existing reagent plant and construction of new reagent production plant
  - Reagent production plants in Singapore and Baddi (India)

# Geographic Segment Information (Japan)

## 【Japan】

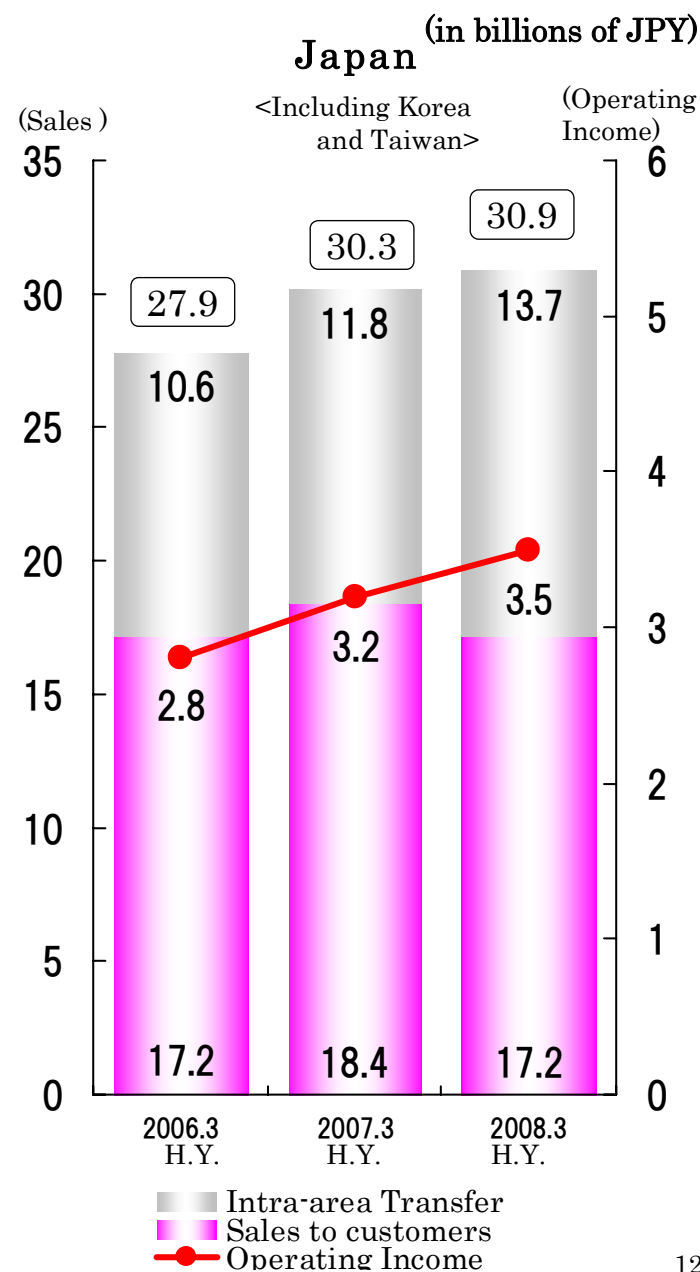
- Cost pressures from medical institutions whose management faces harsh circumstances
- Accelerated reorganization of the industry including manufacturers, distributors, and commercial labs
- Deployment of low-price strategies by competitors
- Concentration of big deals in the first half of the last year
- Successful bids for big contracts at university hospitals (sales in the second half)
- Influence of delayed marketing of new products
  - ✓ Delayed debut of new products in the segments of immunochemistry and coagulation
- Marketing of the multiparameter automated hematology analyzer XE-5000
- Favorable trend of sales of the UF-1000i series of urinalysis analyzers
  - ✓ Increased recognition of utility based on the guidelines for the diagnosis of hematuria



Automated hematology analyzer *XE-5000*



Urine cell analyzer *UF-1000i*



# Future Opportunities

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- Approaches in each geographical segment
  - ✓ Coverage of the US hospital market
  - ✓ Direct and indirect sales areas in Europe
- Life science business development
- Progress in R&D (Life Science)

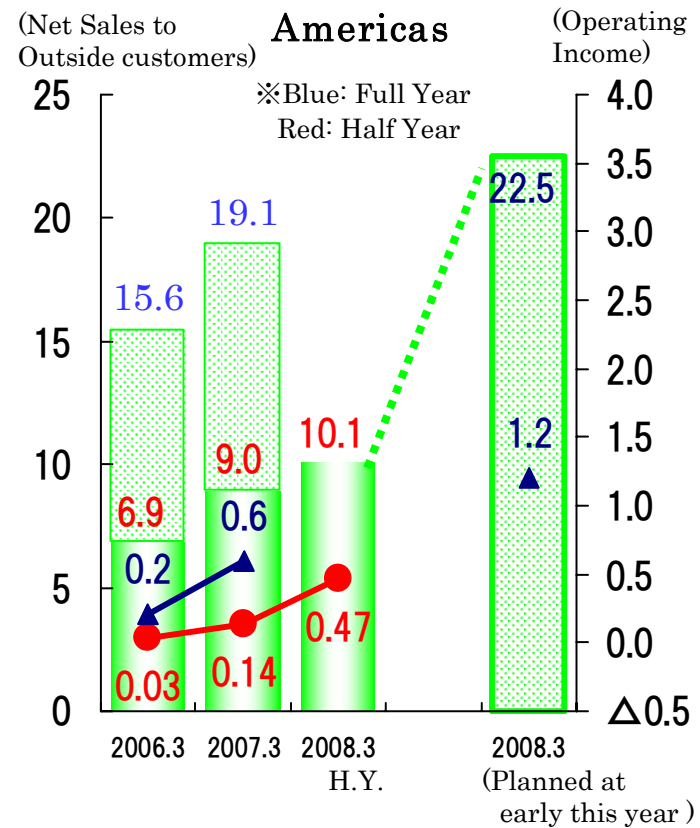
# Americas - *increased recognition in the market!*

2008.3 H.Y.

As percentage of  
the 2007.3 H.Y.

(in billions of JPY)

Sales	10.1	111.9%
Operating income	0.47	333.3%



## 【Future approaches】

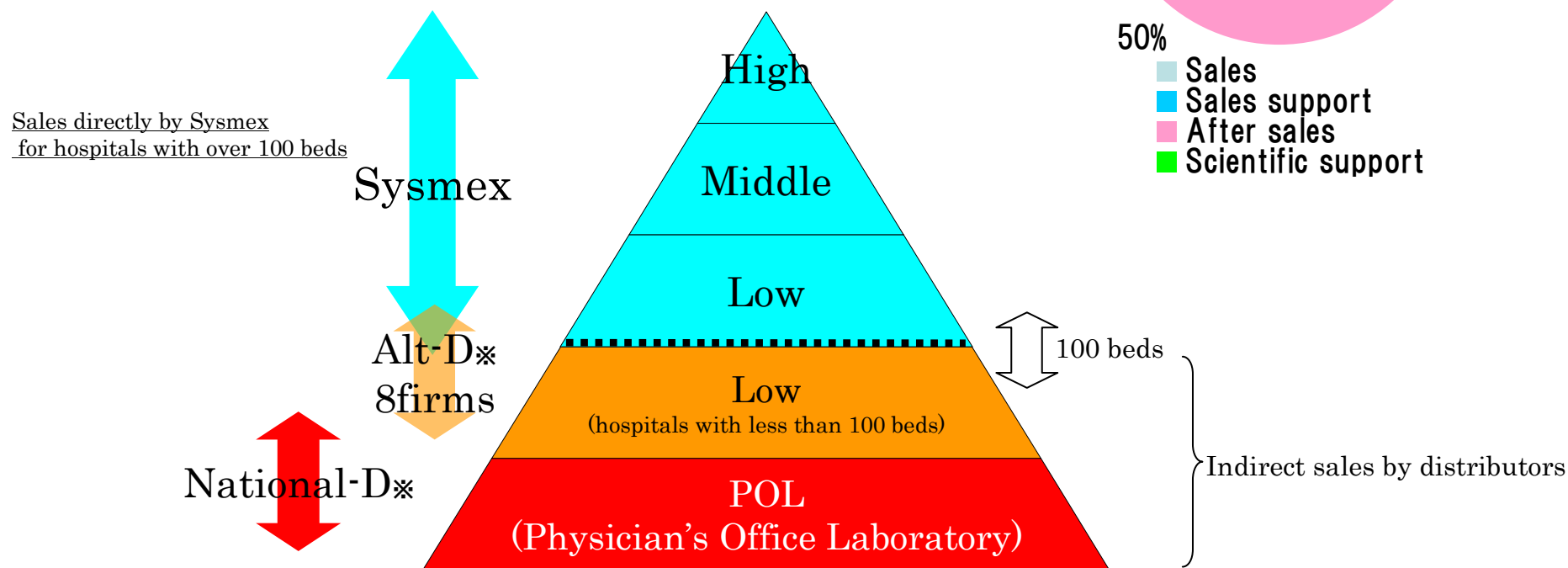
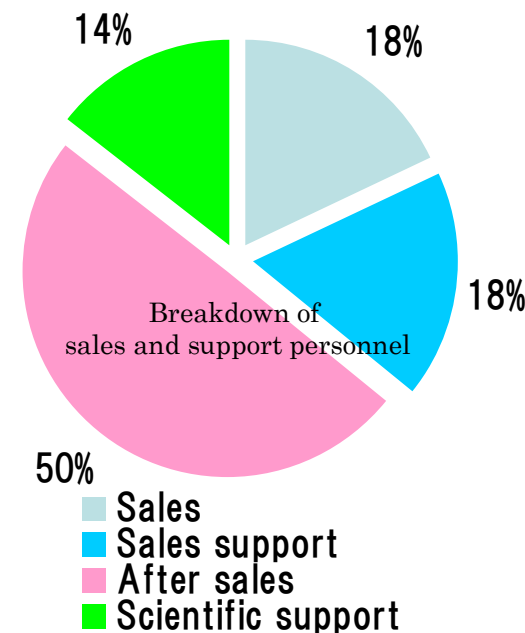
- Reinforcement of sales activities for integrated health networks (IHN) and the US Veteran's Integrated Service Networks (VISN)
- Reinforcement of sales activities for blood centers and commercial labs
- Conclusion of contracts with distributors in the physician's office laboratory (POL) market
- Establishment of Sysmex Canada
  - ✓ Slated start of direct sales and support activities in January 2008
- Start of production at reagent plant in Chicago

Reagent production plant in Chicago



# Coverage of the US hospital market

- Completion of the basic setup for sales in the US hospital market
- Sales and support setup
  - ✓ Improvement of support personnel capabilities for higher levels of customer satisfaction
  - ✓ Division of sales personnel into regional and national accounts



Sales directly by Sysmex for hospitals with over 100 beds

Sysmex

Alt-D\*  
8 firms

National-D\*

100 beds

Indirect sales by distributors

Low  
(hospitals with less than 100 beds)

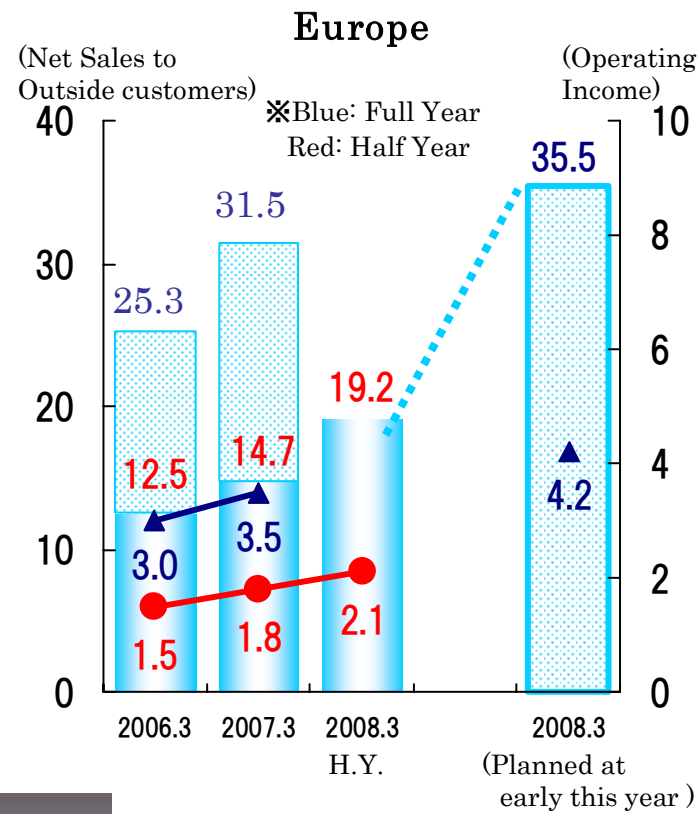
POL  
(Physician's Office Laboratory)

\*Alt-D: Alternative distributors; sales agencies in the market consisting of hospitals with less than 100 beds in specified areas of the US  
 \*National-D: Large-scale sales agencies with nationwide coverage in the market consisting of hospitals with less than 100 beds

# Europe - Full development of business driven by brands

(in billions of JPY)

	2008.3 H.Y.	As percentage of the 2007.3 H.Y.
Sales	<b>19.2</b>	<b>130.2%</b>
Operating income	<b>2.1</b>	<b>118.7%</b>



## 【Future approaches】

- Expansion of the geographical area for direct sales
  - ✓ Reinforcement and improvement of ICS (Integrated Concept Solution) marketing
- Diversification of types of sales channels
- Reinforcement of sales activities for the urinalysis analyzer UF-1000i
- Reinforcement of sales activities in the veterinary market



Integrated hematology system *HST series*



Urine cell analyzer *UF-1000i*



# Direct and indirect sales areas in Europe

## 【Direct sales areas】

- Establishment of the subsidiary Sysmex Digitana in Switzerland
  - ✓ Transformation of a local distributor into a subsidiary
- Establishment of business bases in Austria, Hungary, Czecho, and Slovakia
  - ✓ Takeover of sales and support business from distributors

## 【Indirect sales areas】

- Renewal of the DSS agreement with Roche
  - ✓ Construction of a sales setup utilizing mutual strengths



Outline of the DSS agreement with Roche

- Date of conclusion: June 7, 2006
- Description: performance of sales, supply, and support for our products by Roche in the role of sales agency
- Term: September 1, 2007 – March 31, 2017
- Products: Sysmex hematology analyzers and related products (exclusive sales by Roche in the concerned regions), and Sysmex urinalysis analyzers and related products
- Regions: parts of Central & South America, Europe, Southern Africa, and Oceania

- : Direct sales area
- : Indirect sales area
- ✳ Plan to start direct sales support activities in France from April, 2008.

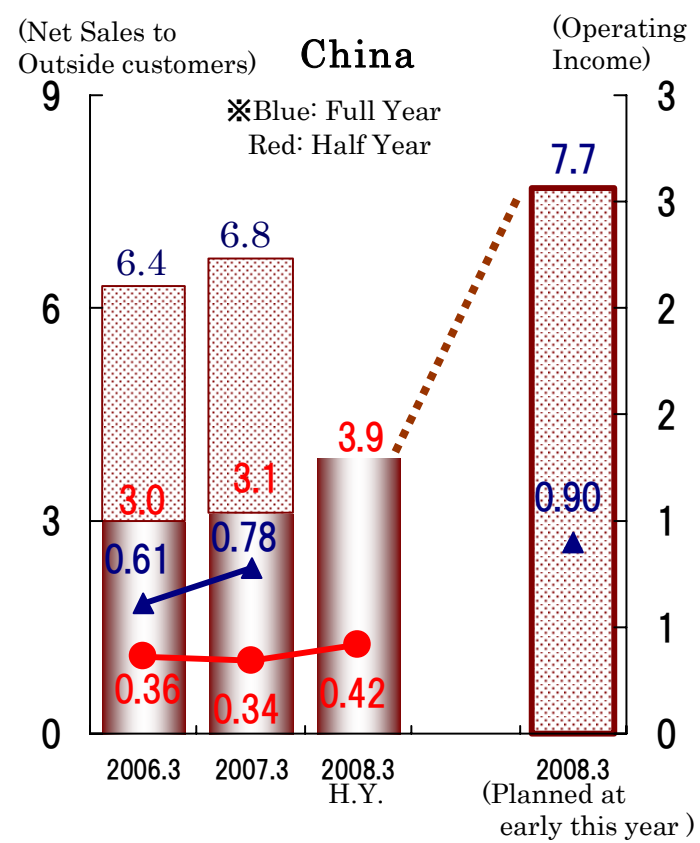
# China - Bolstering of activities as a total supplier

	2008.3 H.Y.	As percentage of the 2008.3 H.Y.
Sales	<b>3.9</b>	<b>122.2%</b>
Operating Income	<b>0.42</b>	<b>123.5%</b>

(in billions of JPY)

### 【Future approaches】

- Reinforcement of solution-oriented sales in the hematology segment
  - ✓ Advantage of post-sales support as well as product differentiation
- Deployment of sales measures adapted to each region in China
  - ✓ Push in proposals for upgrading in urban areas
  - ✓ Selection of tenders
- Reinforcement of sales activities in the coagulation segment
- Sales promotion campaign for urinalysis analyzers
- Penetration of the clinical chemistry analyzer CHEMIX-800 into the market

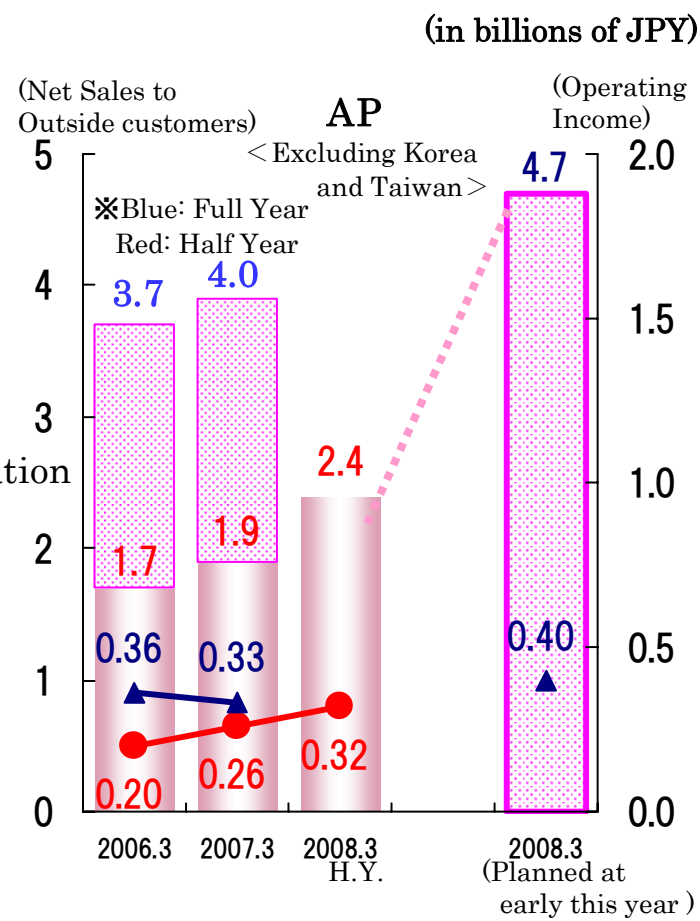


Integrated hematology system *HST series*



Clinical chemistry analyzer *CHEMIX-800*

	2008.3 H.Y.	As percentage of the 2007.3 H.Y.
<i>&lt;Excluding the ROK and Taiwan&gt;</i>		
Sales	<b>2.4</b>	<b>124.1%</b>
Operating Income	<b>0.32</b>	<b>123.9%</b>



**【Future approaches】**

- Development of ‘solution’ business, driven by laboratory information systems
  - ✓ Reinforcement of activity to win large-scale system contracts
- Increase in proposals for upgrading hematology instruments
- Reinforcement of sales activities for hematology instruments in new areas
- Penetration of the clinical chemistry analyzer CHEMIX-800 into the market
- Start of production at the reagent plant in Baddi (India)



Clinical chemistry analyzer *CHEMIX-800*



Automated hematology analyzer *XT-2000i*

# Japan - buildup of business as a total supplier

<Including the ROK and Taiwan>	2008.3 H.Y.	As percentage of the 2007.3 H.Y.
Sales	30.9	102.0%
Sales to Customers	17.2	93.2%
Intra-area Transfer	13.7	115.6%
Operating Income	3.5	107.4%

### 【Future approaches】

- Development of 'solution' business, driven by laboratory information systems
  - ✓ Reinforcement of activity to win large-scale system contracts
- Full sales activities for the multi-parameter automated hematology analyzer XE-5000
- Full sales activities for the coagulation analyzer CS-2000i
- Sales of the full-automated immunoassay analyzer HISCL-2000i
- Reinforcement of sales promotion activities for influenza testing kits before the full onset of the flu season

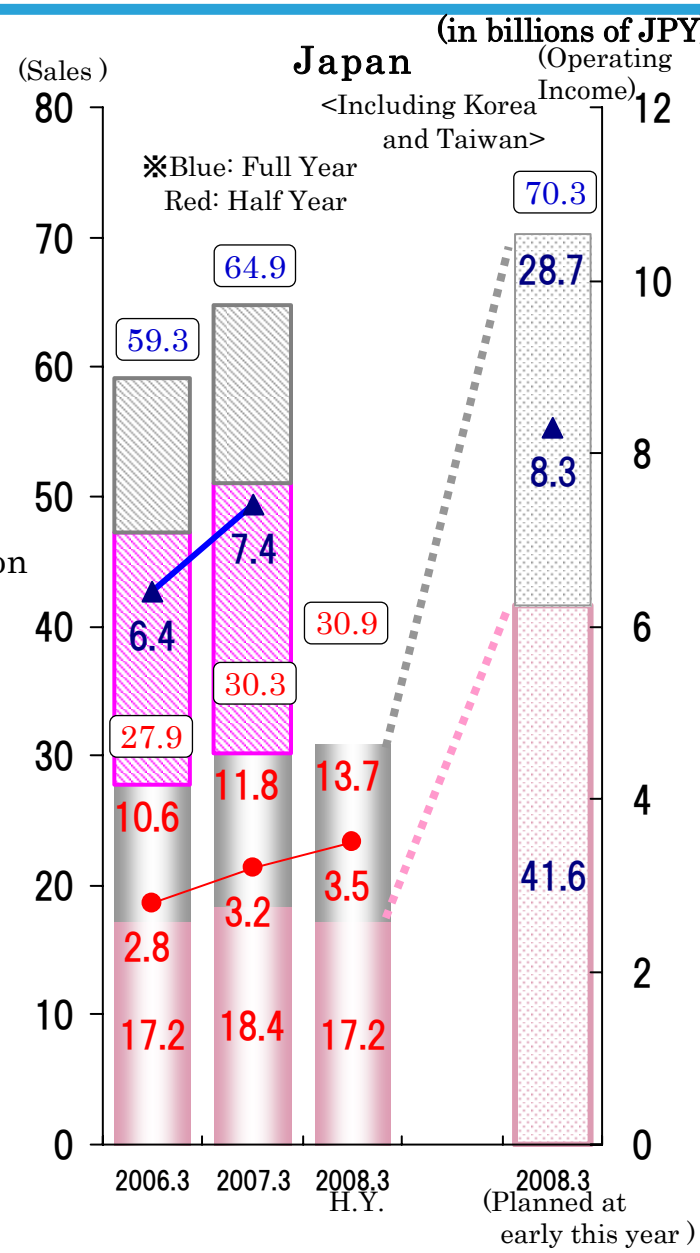


Coagulation analyzer *CS-2000i*

High-sensitivity, rapid assay with even trace specimens



Full-automated immunoassay analyzer *HISCL-2000i*



※ Sales to Customers (Pink), Intra-area Transfer (Grey)

# Life science business development

## ➤ System for rapid detection of lymph node metastasis



Gene amplification detector *RD-100i*

- ◆ Promotion of clinical utility through presentations and papers at learned societies
  - ✓ St. Gallen presentation, "Clinical Oncology" publication
- ◆ Assessment of performance at medical institutions with a view to purchase
  - ✓ France, UK, Germany, Switzerland (14 institutions in all)
- ◆ Application for eligibility under the provisions for advanced medicine (France)
- ◆ Clinical trials underway in the US
- ◆ Preparations for marketing in Japan (Under application to the Ministry of Health, Labor and Welfare)
  - ✓ Technical introduction and study groups for major institutions in the field of breast cancer treatment

## ➤ Genetic analysis systems and DNA chips (manufactured by Affymetrix)



Analytical system



DNA chips

- ◆ Marketing of analytical systems (for research use)
  - ✓ Preparation for applying for the Ministry of Health, Labor and Welfare for clinical analytical systems

## ➤ Cancer recurrence prognosis

- ◆ Completion of clinical research
  - ✓ Japan/US: preparations for therapeutic trials
  - ✓ Europe: currently preparing for performance assessment on the clinical level

## ➤ Anti-cancer drug sensitivity prediction

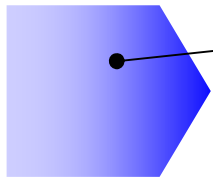
- ◆ Completion of clinical research
  - ✓ Japan: preparations for therapeutic trials
  - ✓ Europe: currently preparing for performance assessment on the clinical level

# Progress in R&D (Life Science)

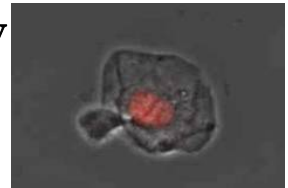


Research	Clinical Study	Application/ Approval	Launch	NHI price listing
	(Clinical Research)	(Clinical trial)		

■ Cervical cancer screening technology

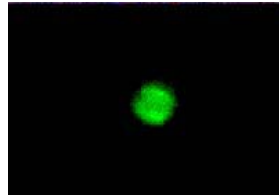
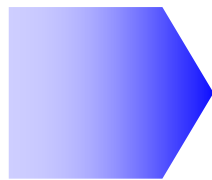


Clinical Research underway



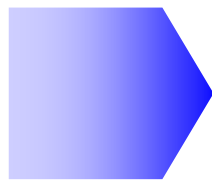
*NEW*

■ High sensitivity Cytological Technology

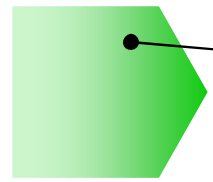


*NEW*

■ Cancer detection technology (DNA Chip)



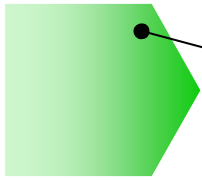
■ Minimally invasive blood glucose self-measurement technology



Clinical Research underway



■ Diabetes management system



Clinical Research underway

# FY2007 Consolidated Earnings Forecast

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- FY2007 Consolidated Earnings Forecast
- Projected Dividend for FY2007

# FY2007 Consolidated Earnings Forecast

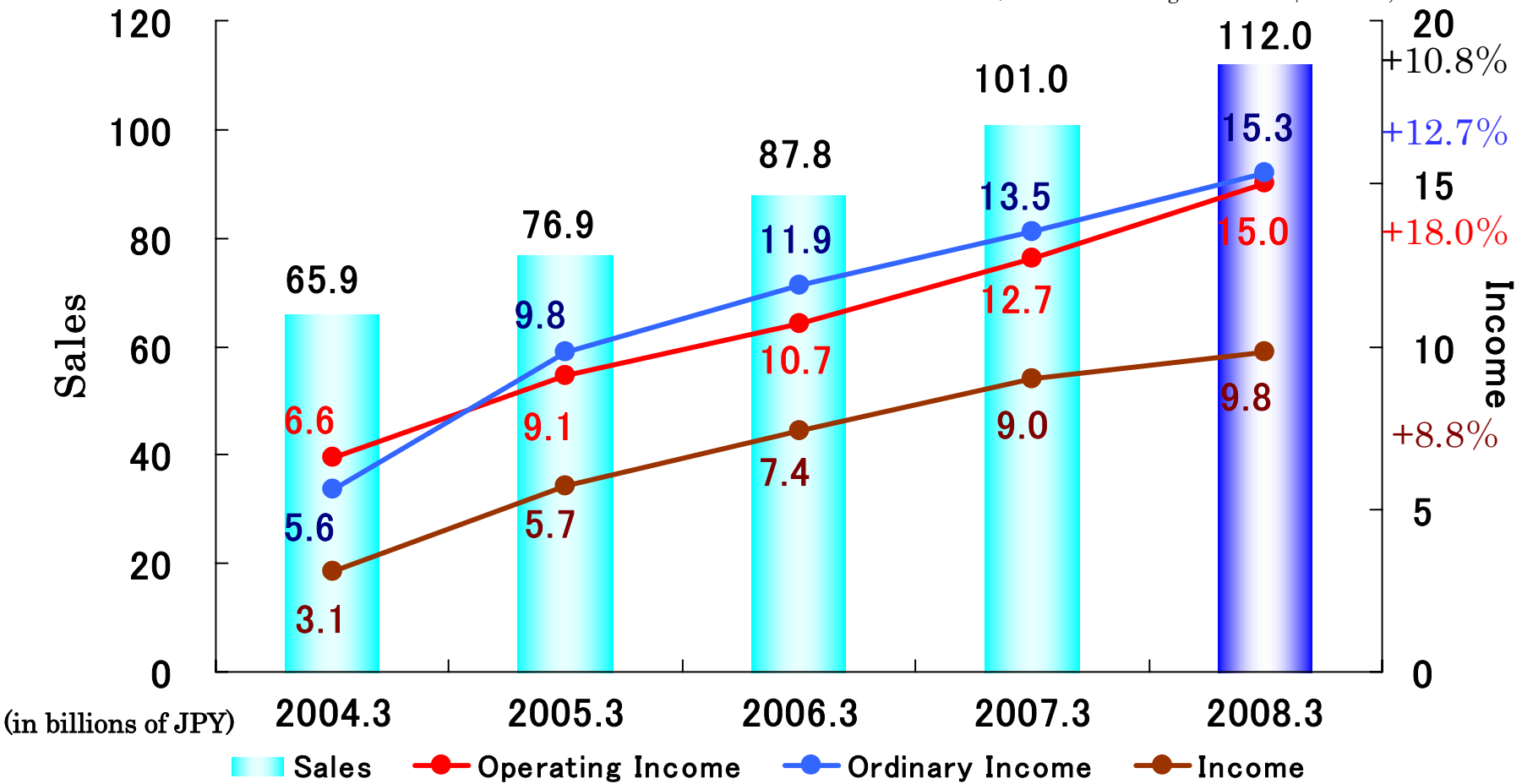
## FY2007 Consolidated Earnings Forecast

- Sales: ¥112 billion
- Ordinary Income: ¥15.3 billion
- Income: ¥9.8 billion
- Ordinary Income ratio: ¥13.7%
- Income ratio: 8.8%

### Investment plan

- Equipment: ¥8.3 billion
- R&D: 9.8 billion

(Planned exchange rate : US\$1= ¥115, EUR1= ¥150)





# Projected Dividend for FY2007

	Interim dividend	Year-end dividend	Total	Dividends ratio (Consolidate)
FY2007	¥ 20	¥ 20	¥ 40	20.8%
FY2006	¥ 16	¥ 20	¥ 36	20.0%

# Challenging the Frontiers of Healthcare Testing

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