

Aug. 7, 2017

Operating Results and Financial Position

(For the Three Months Ended June 30, 2017)

1. Operating Results

(1) Consolidated Overview

In the three months ended June 30, 2017, the North American economy continued its recovery, due to an improvement in the labor environment and firm consumer spending. The European economy demonstrated a moderate recovery despite Britain's decision to exit the European Union and other issues. China showed signs of economic improvement owing to various government measures. Southeast Asia also showed signs of an uptick in economic activity and India's economy continued its recovery. The Japanese economy continued to demonstrate a moderate recovery due to improvements in labor and wage environments backed by higher corporate earnings.

In the midst of such circumstances, the Shimadzu Group started a new 3-year medium-term management plan in April 2017. Based on this plan and the slogan "Become a Company That Solves Challenges in Society in Collaboration with Partners All Around the World," we are implementing aggressive growth measures, such as investing in advanced healthcare and other high-growth fields, improving profitability by strengthening competitiveness in key business categories and applying AI and IoT technologies to expand the aftermarket business, and implementing organizational foundation reforms.

As a result, for the first quarter, the Shimadzu Group posted consolidated net sales of 75,803 million yen (a year-on-year increase of 8.7 %), operating income of 3,884 million yen (a year-on-year decrease of 13.8 %), ordinary income of 3,593 million yen (a year-on-year decrease of 13.5 %), and profit attributable to owners of parent of 2,428 million yen (a year-on-year decrease of 21.3 %).

Note that Shimadzu Group sales tend to be concentrated in the second and fourth quarters.

The results for reportable business segments were as follows.

I. Analytical & Measuring Instruments

In Japan, results were strong particularly for testing machines, liquid chromatographs, and gas chromatographs, due to active private-sector demand in machinery, electrical products, and pharmaceutical fields and as a consequence of large public-sector projects.

Sales in North America decreased due in part to project delays. In Europe, strong sales were driven by liquid chromatograph and mass spectrometer sales in pharmaceuticals and food fields, fueled not only by expanding sales in Western Europe, but also by a trend towards recovery in Russia. In China, sales were strong mainly for liquid chromatographs, gas chromatographs, mass spectrometers, and environmental measurement instruments, not only for pharmaceuticals and contract analysis but also as a result of active private-sector demand in general, such as for chemicals and electronic/electrical products. In other Asian countries, overall sales decreased due to stalled public-sector demand in Southeast Asia and other factors.

As a result, the Analytical & Measuring Instruments segment posted sales of 46,112 million yen (a year-on-year increase of 8.6 %) for the first quarter.

II. Medical Systems

In Japan, sales of general radiography systems expanded, with strong sales to clinics especially. Sales in North America increased due to high sales growth for general radiography systems, as a result of a revision in fees for medical services that accelerated the transition to digital technology. In Southeast Asia as well, sales increased due to growing sales of general radiography systems based on satisfying market needs for switching to digital technology.

In China, however, though sales of multipurpose X-ray fluoroscopy systems increased, sales of general radiography systems decreased in the face of competition from domestic brands, so that overall sales increased only slightly. In Europe, sales struggled in response to the market

slowdown in Western Europe and other factors.

As a result, the Medical Systems segment posted sales of 13,232 million yen (a year-on-year increase of 3.0 %) for the first quarter.

III. Aircraft Equipment

In North America, sales decreased as a consequence of a decline in commercial aircraft production by Boeing. In Japan, however, sales were strong due to an increase in aircraft component sales for the Japanese Ministry of Defense.

As a result, the Aircraft Equipment segment posted sales of 5,957 million yen (a year-on-year increase of 14.3 %) for the first quarter.

IV. Industrial Machinery

Sales of turbo-molecular pumps continued to grow in Japan, North America, China, and South Korea, mainly on stronger demand from semiconductor manufacturing equipment and flat panel display manufacturing equipment. Glass winder sales also increased as demand recovered for electronic circuit boards, automobiles, and wind power generation in China. Hydraulic equipment sales were also strong, due to expanding forklift trucks and construction machinery markets in China.

As a result, the Industrial Machinery segment posted sales of 9,312 million yen (a year-on-year increase of 24.6 %) for the first quarter.

V. Other

Sales in other businesses amounted to 1,187 million yen (a year-on-year decrease of 31.6 %) for the first quarter.

(2) Consolidated Outlook

Looking forward, modest economic recovery is expected in Japan, economic expansion is expected in North America despite the uncertainty over political and policy changes, and in Europe, recovery is predicted in the struggling Russian economy. A recovery trend is expected for private-sector demand in China. An economic recovery trend is expected globally.

Given the current business environment, business results are expected to progress roughly according to plan, with no significant changes from the consolidated earnings outlook reported on May 11, 2017.

Due to improper practices by the Aircraft Equipment Division with respect to a repair contract with the Japanese Ministry of Defense, the Ministry suspended transactions with Shimadzu for 3.5 months, starting from June 9, 2017. However, that action will have minimal effect on business results.

2. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(In million yen)

	As of June 30, 2017	As of March 31, 2017
Assets		
Current assets:		
Cash and time deposits	¥60,913	¥56,698
Trade notes and accounts receivable	93,546	112,877
Marketable securities	20	—
Merchandise and products	43,149	40,588
Work in process	20,482	16,899
Raw materials and supplies	19,817	19,213
Deferred tax assets	9,244	9,603
Other	8,828	8,342
Allowance for doubtful receivables	(1,149)	(1,142)
Total current assets	¥254,851	¥263,080
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	¥39,787	¥39,975
Machinery, equipment and vehicles, net	5,968	5,904
Land	18,883	18,879
Leased assets, net	2,887	2,510
Construction in progress	792	628
Other, net	11,194	10,853
Total property, plant and equipment	¥79,514	¥78,751
Intangible fixed assets	¥8,396	¥8,396
Investments and other assets:		
Investment securities	¥14,766	¥13,779
Long-term receivables	183	174
Deferred tax assets	3,901	4,160
Other	9,847	7,535
Allowance for doubtful receivables	(523)	(523)
Total investments and other assets	¥28,175	¥25,126
Total noncurrent assets	¥116,086	¥112,273
Total assets	¥370,937	¥375,354

(In million yen)

	As of June 30, 2017	As of March 31, 2017
Liabilities		
Current liabilities		
Trade notes and accounts payable	¥55,056	¥57,263
Short-term loans	3,925	2,963
Lease obligations	1,085	1,007
Accounts payable	10,559	11,363
Income taxes payable	1,611	4,870
Allowance for employees' bonuses	3,175	8,188
Allowance for director's bonuses	96	275
Provision for loss on defense equipment	484	484
Other	22,209	17,730
Total current liabilities	¥98,203	¥104,147
Long-term liabilities		
Unsecured bonds	¥15,000	¥15,000
Long-term debt	611	648
Lease obligations	2,085	1,758
Liability for directors' retirement benefits	177	184
Liability for retirement benefits	10,915	10,708
Other	1,115	1,277
Total long-term liabilities	¥29,906	¥29,577
Total liabilities	¥128,109	¥133,725
Net assets		
Shareholders' capital		
Common stock	¥26,648	¥26,648
Additional paid-in capital	35,188	35,188
Retained earnings	173,871	174,391
Treasury stock	(886)	(885)
Total shareholders' capital	¥234,822	¥235,342
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	¥6,550	¥5,850
Foreign currency translation adjustments	(357)	(1,429)
Cumulative adjustments to retirement benefits	1,513	1,568
Total accumulated other comprehensive income	¥7,706	¥5,988
Non-controlling interests		
Total net assets	¥242,828	¥241,629
Total liabilities and net assets	¥370,937	¥375,354

(2) Consolidated Statements of Operations & of Comprehensive Income

Consolidated Statements of Operations

	(In million yen)	
	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016
Net sales	¥75,803	¥69,723
Cost of sales	47,202	40,952
Gross profit	¥28,600	¥28,771
Selling, general and administrative expenses	¥24,715	¥24,262
Operating income	¥3,884	¥4,508
Other income:		
Interest income	¥50	¥67
Dividend income	243	135
Insurance payments received	30	24
Subsidy received	—	399
Other	131	124
Total other income	¥455	¥751
Other expenses:		
Interest expenses	¥27	¥24
Foreign exchange loss	80	773
Compensation expenses	245	72
Other	393	234
Total other expenses	¥747	¥1,104
Ordinary income	¥3,593	¥4,155
Extraordinary income:		
Gain on sale of property, plant and equipment	¥25	¥6
Total extraordinary income	¥25	¥6
Extraordinary losses:		
Loss on disposal of property, plant and equipment	¥20	¥9
Loss on write-down of investment securities	—	7
Total extraordinary losses	¥20	¥16
Income before income taxes	¥3,597	¥4,144
Income taxes	861	433
Income taxes adjustments	297	609
Total income taxes and income taxes adjustments	¥1,159	¥1,043
Profit	¥2,437	¥3,101
Profit attributable to non-controlling interests	9	13
Profit attributable to owners of parent	¥2,428	¥3,087

Consolidated Statements of Comprehensive Income

	(In million yen)	
	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016
Profit	¥2,437	¥3,101
Other comprehensive income:		
Unrealized gain/loss on available-for-sale securities	¥699	¥(450)
Foreign currency translation adjustments	1,076	(7,741)
Retirement benefit adjustments	(54)	316
Total other comprehensive income	¥1,722	¥(7,875)
Comprehensive income	¥4,159	¥(4,774)
(Break down)		
Comprehensive income attribute to owners of parent	¥4,146	¥(4,775)
Comprehensive income attribute to non-controlling interests	¥13	¥1

(3) Note on the Going-Concern Assumption

Not applicable.

(4) Segment Information

1) Income by Business Segment

From April 1st to June 30th of fiscal year ended March 31, 2018

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of income
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
Net Sales									
(1) Sales to customers	¥46,112	¥13,232	¥5,957	¥9,312	¥74,615	¥1,187	¥75,803	—	¥75,803
(2) Inter-segment sales	9	2	23	10	45	386	432	¥(432)	—
Total Sales	¥46,122	¥13,234	¥5,981	¥9,322	¥74,661	¥1,574	¥76,235	¥(432)	¥75,803
Operating income (loss)	¥4,735	¥(583)	¥(420)	¥566	¥4,298	¥69	¥4,368	¥(483)	¥3,884

From April 1st to June 30th of fiscal year ended March 31, 2017

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of income
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
Net Sales									
(1) Sales to customers	¥42,454	¥12,848	¥5,212	¥7,471	¥67,986	¥1,736	¥69,723	—	¥69,723
(2) Inter-segment sales	33	3	24	25	86	325	412	¥(412)	—
Total Sales	¥42,488	¥12,851	¥5,236	¥7,496	¥68,073	¥2,062	¥70,135	¥(412)	¥69,723
Operating income (loss)	¥4,931	¥(473)	¥(245)	¥508	¥4,721	¥184	¥4,905	¥(396)	¥4,508

2) Income by Geographic Segment

From April 1st to June 30th of fiscal year ended March 31, 2018

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥35,214	10,030	5,486	15,373	7,346	2,350	¥75,803

From April 1st to June 30th of fiscal year ended March 31, 2017

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥32,302	9,875	5,469	12,573	7,216	2,287	¥69,723

Note: Major countries or regions belonging to segments other than Japan are as follows.

Americas: United States of America

Europe: Great Britain, Germany

China: China

Other Asian countries: India, Southeast Asia, Republic of Korea, Taiwan

Other: Australia, Middle East, Africa