

Aug. 6, 2020

## Operating Results and Financial Position (For the Three Months Ended June 30, 2020)

### 1. Operating Results

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, issued on March 30, 2018) and other accounting changes have been implemented on a transitional basis since the beginning of the first quarter of this fiscal year. That has affected our financial position and operating results. Details are provided in 2. Consolidated Financial Statements, (3) Notes on Consolidated Financial Statements (Accounting Policy Changes).

#### **(1) Consolidated Overview**

In the three months ended June 30, 2020, overall global economic conditions were extraordinarily severe due to the COVID-19 pandemic. In Japan, exports dropped rapidly and capital investment activities were weak, but a recovery in personal spending after the state of emergency was lifted seems to indicate the decline is continuing toward stopping. In North America and Europe, overall conditions remain severe, but countries have started moving toward resuming economic activity in phases and there are signs that the downturn may be bottoming out. In China, conditions are still severe, but continue to improve as they resume economic activity. In Southeast Asia and India, however, economic conditions continue to remain severe.

In the midst of such circumstances, Shimadzu began a new three-year medium-term management plan from April 2020, which is based on the slogan “Become a Company That Solves Challenges in Society in Collaboration with Partners All Around the World.” Though the entire Group remains united in giving the highest priority to activities that will help prevent the spread of the novel coronavirus, we will also implement measures for achieving business growth, while also executing appropriate crisis management measures for the given circumstances. Given the strength of Shimadzu’s liquid chromatograph and mass spectrometer businesses, which are currently fueling Shimadzu business growth, we will focus efforts on strengthening the foundation for achieving sustained business growth, by improving sales of such key products throughout the world and by expanding businesses with recurring revenues.

Consolidated first-quarter earnings were impacted by the COVID-19 pandemic, but demand started to improve in some regions where recovery is starting to appear, resulting in consolidated net sales of 80,176 million yen (a year-on-year decrease of 0.7 %). However, due to thorough cost-reduction measures and other efforts, operating income was 6,085 million yen (a year-on-year increase of 36.3 %), ordinary income was 6,191 million yen (a year-on-year increase of 38.2 %), and profit attributable to owners of parent was 4,160 million yen (a year-on-year increase of 22.0 %).

**The results for reportable business segments were as follows.**

#### **I. Analytical & Measuring Instruments**

Though a rapid increase in sales of the new novel coronavirus detection kit for PCR testing released in April contributed to results and sales of environmental measuring instruments increased within and outside Japan, the COVID-19 pandemic resulted in disappointing sales of liquid chromatographs, mass spectrometer systems (which expanded significantly during the same period last year), and testing machines (used mainly in the materials and automotive industries).

As a result, the Analytical & Measuring Instruments segment posted sales of 47,653 million yen (a year-on-year decrease of 4.0 %), but increased operating income to 5,368 million yen (a year-on-year increase of 9.7 %), due to thorough cost-reductions and other measures.

Net sales broken down by major regions are indicated below.

	Consolidated Results for First Quarter of FY 2019 (million yen)	Consolidated Results for First Quarter of FY 2020 (million yen)	Percent Increase/Decrease (%)	Overview
Japan	16,894	17,071	1.0	Sales of testing machines and other products for materials and automotive applications decreased due to economic uncertainty, but sales increased for PCR testing reagents and liquid chromatographs, one of Shimadzu's strongest product categories.
North America	5,787	5,396	-6.8	Sales of mass spectrometer systems for functionally-enhanced foods continued to expand, but sales of liquid chromatographs and other products decreased due to temporary laboratory closures.
Europe	5,395	4,904	-9.1	Sales increased in Russia, such as for pharmaceuticals, foods, and contract analysis, but decreased in Western Europe due to lockdowns.
China	12,437	13,659	9.8	Results recovered from the large downturn during the January-to-March period, with sales increasing mainly for pharmaceuticals and other private-sector demand.
Other Asian Countries	6,666	5,094	-23.6	Sales decreased significantly due to lockdowns in Southeast Asian countries and India.

## II. Medical Systems

Sales expanded for mobile X-ray systems used to diagnose pneumonia associated with the COVID-19 pandemic, mainly outside Japan, but sales of other models struggled due to the deteriorating profitability of healthcare institutions as they focused on dealing with the spreading pandemic.

As a result, the Medical Systems segment posted sales of 13,106 million yen (a year-on-year decrease of 2.1 %), but increased operating income to 43 million yen (from a 512 million yen operating loss during the same period last year), due to thorough cost-reductions and other measures.

Net sales broken down by major regions are indicated below.

	Consolidated Results for First Quarter of FY 2019 (million yen)	Consolidated Results for First Quarter of FY 2020 (million yen)	Percent Increase/Decrease (%)	Overview
Japan	8,078	6,684	-17.3	Due to postponement or freezing of capital investment plans by hospitals, clinics, and other healthcare institutions, sales decreased, mainly for angiography systems (which increased significantly during the same period last year).
North America	1,738	1,954	12.4	Results expanded, driven by sales of mobile X-ray systems.
Europe	740	848	14.6	Results expanded, driven by sales of mobile X-ray systems.
China	757	1,337	76.5	Sales expanded for mobile X-ray systems, fluoroscopy systems, and angiography systems.
Other Asian Countries	1,028	1,010	-1.8	Sales of mobile X-ray systems were strong, but decreased for angiography systems (which increased significantly during the same period last year).

## III. Aircraft Equipment

Sales in the commercial aircraft equipment field decreased due to a large impact from the COVID-19 pandemic, but large projects for the Japanese Ministry of Defense resulted in significantly higher sales.

As a result, the Aircraft Equipment segment posted sales of 8,175 million yen (a year-on-year increase of 24.7 %) and operating losses of 39 million yen (compared to a 144 million yen operating loss during the same period last year).

Net sales broken down by major regions are indicated below.

	Consolidated Results for First Quarter of FY 2019 (million yen)	Consolidated Results for First Quarter of FY 2020 (million yen)	Percent Increase/Decrease (%)	Overview
Japan	5,035	7,205	43.1	Sales increased due to large projects in the defense field.
North America	1,461	928	-36.5	Commercial aircraft equipment sales were impacted by a major decrease in demand.

#### IV. Industrial Machinery

Sales of turbomolecular pumps were strong due to a recovery of the semiconductor market. In contrast, hydraulic equipment sales struggled due to the COVID-19 pandemic.

As a result, the Industrial Machinery segment posted sales of 10,368 million yen (a year-on-year increase of 11.3 %) and operating income of 983 million yen (a year-on-year increase of 147.5 %), due to increased sales and other factors.

Net sales broken down by major regions are indicated below.

	Consolidated Results for First Quarter of FY 2019 (million yen)	Consolidated Results for First Quarter of FY 2020 (million yen)	Percent Increase/Decrease (%)	Overview
Japan	5,217	5,571	6.8	Sales of hydraulic equipment and other products decreased, but sales of turbomolecular pumps for semiconductor manufacturing equipment expanded due to strong market conditions.
North America	1,032	1,304	26.3	Sales of turbomolecular pumps for semiconductor manufacturing equipment expanded due to strong market conditions.
Europe	752	515	-31.5	Sales decreased due to a reactionary decline after a significant increase in turbomolecular pump sales during the same period last year.
China	1,677	1,941	15.8	Sales of turbomolecular pumps increased, mainly for semiconductor manufacturing equipment.
Other Asian Countries	612	1,019	66.4	Turbomolecular pump sales expanded in South Korea due to increased memory production and other strong semiconductor market conditions.

#### V. Other

Other business segments posted sales of 872 million yen (a year-on-year decrease of 52.8 %) and operating income of 200 million yen (a year-on-year decrease of 41.7 %).

##### (2) Consolidated Outlook

Given no apparent decline in COVID-19 pandemic impacts, we expect the pharmaceuticals, foods, and semiconductor manufacturing equipment markets to be strong and, in terms of regions, we expect demand to increase in China, where economic activity has been resuming sooner than in other regions. However, demand is expected to remain stalled in automotive, and associated steel, electrical good, and chemical markets and we are concerned that medical equipment markets will slow due to worsening profitability at private hospitals.

Given such business conditions, the Shimadzu Group intends to steadily implement measures for achieving growth, as specified in the medium-term management plan.

The current uncertainty in the economic environment is expected to continue through the end of the current fiscal year, so the forecast for consolidated results reported on May 20, 2020, remains unchanged.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In million yen)

	As of June 30, 2020	As of March 31, 2020
<b>Assets</b>		
Current assets:		
Cash and time deposits	¥83,399	¥70,868
Trade notes and accounts receivable	97,182	119,903
Merchandise and products	61,458	46,928
Work in process	20,910	20,643
Raw materials and supplies	21,429	20,301
Other	9,529	8,806
Allowance for doubtful receivables	(1,892)	(1,811)
Total current assets	¥292,017	¥285,640
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	¥46,587	¥46,485
Machinery, equipment and vehicles, net	6,953	7,103
Land	18,878	18,795
Leased assets, net	2,834	2,935
Construction in progress	6,186	6,313
Other, net	19,737	16,142
Total property, plant and equipment	¥101,177	¥97,775
Intangible fixed assets	¥12,138	¥11,441
Investments and other assets:		
Investment securities	¥13,936	¥12,008
Long-term receivables	145	149
Assets related to retirement benefits	12,291	12,147
Deferred tax assets	14,193	13,341
Other	3,903	5,466
Allowance for doubtful receivables	(351)	(352)
Total investments and other assets	¥44,118	¥42,761
Total noncurrent assets	¥157,433	¥151,977
Total assets	¥449,450	¥437,618

(In million yen)

	As of June 30, 2020	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities:		
Trade notes and accounts payable	¥54,047	¥60,189
Short-term loans	1,786	2,081
Commercial papers	10,000	—
Lease obligations	3,217	1,995
Accounts payable	13,799	13,945
Income taxes payable	1,163	4,844
Allowance for employees' bonuses	3,536	9,429
Allowance for director's bonuses	72	268
Liability for stock benefits	—	162
Provision for loss on defense equipment	10	20
Other	45,166	22,535
Total current liabilities	¥132,800	¥115,474
Long-term liabilities:		
Long-term debt	¥29	¥30
Lease obligations	6,189	3,522
Liability for directors' retirement benefits	112	144
Liability for retirement benefits	14,918	14,433
Liability for stock benefits	13	—
Other	1,115	1,237
Total long-term liabilities	¥22,378	¥19,368
Total liabilities	¥155,178	¥134,842
<b>Net assets</b>		
Shareholders' capital:		
Common stock	¥26,648	¥26,648
Additional paid-in capital	34,910	34,910
Retained earnings	235,451	245,254
Treasury stock	(1,339)	(1,419)
Total shareholders' capital	¥295,671	¥305,395
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	¥6,074	¥4,758
Foreign currency translation adjustments	(5,960)	(5,831)
Cumulative adjustments to retirement benefits	(1,513)	(1,546)
Total accumulated other comprehensive income	¥(1,399)	¥(2,620)
Total net assets	¥294,272	¥302,775
Total liabilities and net assets	¥449,450	¥437,618

## (2) Consolidated Statements of Operations & of Comprehensive Income

### Consolidated Statements of Operations

(In million yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Net sales	¥80,176	¥80,776
Cost of sales	49,708	48,449
Gross profit	¥30,468	¥32,326
Selling, general and administrative expenses	¥24,382	¥27,863
Operating income	¥6,085	¥4,463
Other income:		
Interest income	¥56	¥78
Dividend income	136	537
Insurance payments received	85	67
Subsidy received	158	37
Other	116	130
Total other income	¥554	¥852
Other expenses:		
Interest expenses	¥33	¥31
Foreign exchange loss	16	541
Other	399	261
Total other expenses	¥448	¥834
Ordinary income	¥6,191	¥4,481
Extraordinary income:		
Gain on sale of property, plant and equipment	¥11	¥13
Total extraordinary income	¥11	¥13
Extraordinary losses:		
Loss on disposal of property, plant and equipment	¥9	¥12
Loss on write-down of investment securities	6	—
Total extraordinary losses	¥16	¥12
Income before income taxes	¥6,186	¥4,482
Income taxes	703	465
Income taxes adjustments	1,322	609
Total income taxes and income taxes adjustments	¥2,025	¥1,075
Profit	¥4,160	¥3,407
Loss attributable to non-controlling interests	—	(4)
Profit attributable to owners of parent	¥4,160	¥3,411

### Consolidated Statements of Comprehensive Income

(In million yen)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019
Profit	¥4,160	¥3,407
Other comprehensive income:		
Unrealized gain/loss on available-for-sale securities	¥1,316	¥(182)
Foreign currency translation adjustments	(101)	(3,061)
Retirement benefit adjustments	33	50
Total other comprehensive income	¥1,247	¥(3,193)
Comprehensive income	¥5,408	¥213
(Break down)		
Comprehensive income attributable to owners of parent	¥5,408	¥219
Comprehensive income attributable to non-controlling interests	—	¥(6)

### **(3) Notes on Consolidated Financial Statements**

#### **Notes on Going-Concern Assumptions**

Not applicable.

#### **Notes on the Event of Significant Fluctuations in Shareholders' Capital**

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, issued on March 30, 2018) and other accounting changes have been implemented on a transitional basis since the beginning of the first quarter of this fiscal year. More details are indicated in Accounting Policy Changes below.

#### **Accounting Policy Changes**

##### **1) Accounting Standard for Revenue Recognition and Other Accounting Changes**

We have been implementing the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, issued on March 30, 2018, hereinafter "Accounting Standard for Revenue Recognition") since the beginning of the first quarter of this fiscal year. The new standard recognizes revenues for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is conveyed to the customer. The main changes involved are described below.

##### **(1) Recognizing Revenue for Products that Require Installation**

Previously, for products that contractually obligated the Shimadzu Group to provide product installation, revenue for the product itself was recognized when the product was shipped and revenue for services was recognized when installation was completed. However, after differentiating the service obligation and considering the point at which that obligation is fulfilled, based on the Accounting Standard for Revenue Recognition, it was decided that the customer obtains control of the product and the Shimadzu Group satisfies their service obligation at the point installation is complete. Consequently, we decided to recognize the revenue for both the product and service portions at that point.

##### **(2) Recognizing Revenue for Agent Transactions**

For certain transactions that only involve the Shimadzu Group as an agent in providing goods or services to a customer, the entire amount received as compensation from the customer was previously recognized as revenue, but now only the difference between the amount received and the amount paid to the supplier is recognized as revenue.

We have been implementing the Accounting Standard for Revenue Recognition transitionally, in accordance with the proviso in Article 84 of the standard, by calculating the cumulative effect of retroactively applying the new policy from before the beginning of the first quarter, adjusted for retained earnings at the beginning of the first quarter, and applying the new policy to the remaining balance at the beginning of the quarter. Furthermore, using the method specified in explanatory note (1) of Article 86 in the standard, retained earnings at the beginning of the first quarter are adjusted by the cumulative monetary effect of contract terms and conditions effective after applying all contractual changes made before the beginning of the first quarter.

As a result, consolidated net sales for the first quarter increased by 2,828 million yen, the cost of sales increased by 1,229 million yen, selling, general and administrative expenses increased by 118 million yen, and operating income, ordinary income, and income before income taxes all increased by 1,480 million yen, compared to using the previous method. Also, retained earnings at the beginning of the quarter decreased by 9,506 million yen.

##### **2) Leases (U.S. FASB Topic 842)**

Starting in the first quarter of this fiscal year, some consolidated subsidiaries outside Japan are subject to United States Financial Accounting Standards Board (FASB) lease requirements (Topic 842). In implementing the accounting standard, we are using the method of recognizing the cumulative effect of applying the accounting standard on the first date the standard applies, as accepted for interim measures.

As a result, the Other value under Property, plant and equipment in the consolidated balance sheet reported at the beginning of the first quarter increased by 1,956 million yen, the Lease obligations value under Current liabilities increased by 531 million yen, and the Lease obligations value under Long-term liabilities increased by 1,424 million yen. Assets were measured by adjusting the amount measured for lease obligations by the prepaid and unpaid lease amounts, which had no effect on the retained earnings value reported at the beginning of the period. As a result, the change will have minimal effect on operating income, ordinary income, and income before income taxes for the first quarter of this fiscal year.

#### (4) Segment Information

##### 1) Income by Business Segment

From April 1st to June 30th of fiscal year ended March 31, 2021

(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	¥47,653	¥13,106	¥8,175	¥10,368	¥79,304	¥872	¥80,176	—	¥80,176
(2) Inter-segment sales	7	5	—	10	23	433	457	¥(457)	—
Total Sales	¥47,660	¥13,111	¥8,175	¥10,379	¥79,327	¥1,306	¥80,634	¥(457)	¥80,176
Operating income (loss)	¥5,368	¥43	¥(39)	¥983	¥6,356	¥200	¥6,557	¥(471)	¥6,085

From April 1st to June 30th of fiscal year ended March 31, 2020

(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	¥49,661	¥13,385	¥6,558	¥9,320	¥78,926	¥1,850	¥80,776	—	¥80,776
(2) Inter-segment sales	4	5	31	8	49	417	467	¥(467)	—
Total Sales	¥49,666	¥13,391	¥6,589	¥9,328	¥78,975	¥2,267	¥81,243	¥(467)	¥80,776
Operating income (loss)	¥4,895	¥(512)	¥(144)	¥397	¥4,636	¥344	¥4,980	¥(516)	¥4,463

##### Changes to Reportable Segments

(Implementing the Accounting Standard for Revenue Recognition and Other Accounting Changes)

As indicated in Accounting Policy Changes, we have been implementing the Accounting Standard for Revenue Recognition and other accounting changes since the beginning of the first quarter. As a result, in the three months ended June 30, 2020, net sales for the Analytical & Measuring Instruments segment increased by 2,237 million yen and operating income increased by 1,198 million yen, compared to using the previous accounting method, net sales for the Medical Systems segment increased by 313 million yen and operating income increased by 171 million yen, and net sales for the Industrial Machinery segment increased by 277 million yen and operating income increased by 110 million yen.

##### 2) Income by Geographic Segment

From April 1st to June 30th of fiscal year ended March 31, 2021

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥37,405	10,377	6,293	16,939	7,141	2,019	¥80,176

From April 1st to June 30th of fiscal year ended March 31, 2020

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥37,075	11,398	6,914	14,875	8,339	2,174	¥80,776

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