

February 9, 2016

Operating Results and Financial Position **《For The Nine Months ended December 31, 2015》**

1. Operating Results

(1) Consolidated Overview

In the nine months ended December 31, 2015, the U.S. economy continued to grow at a stable rate, while the European economy demonstrated a moderate recovery. While China's pace of growth remained moderate and the expansion of Southeast Asian economies began to slow, India's economy staged a moderate recovery. The Japanese economy, meanwhile, continued to demonstrate a moderate recovery, as corporate earnings and employment conditions improved with the support of government economic and financial policies.

In this economic environment, the Shimadzu Group actively promoted growth-oriented measures in accordance with its medium-term management plan. These measures included launching global "Number One/Only One" products, expanding collaborative R&D with leading-edge research institutes, universities, and companies, strengthening our business base in emerging markets, bolstering the aftermarket business, and launching new businesses.

As a result, for the nine months ended December 31, 2015, the Shimadzu Group posted consolidated net sales of 241,255 million yen (a year-on-year increase of 11.7%), operating income of 22,245 million yen (a year-on-year increase of 50.6%), ordinary income of 22,261 million yen (a year-on-year increase of 39.1%), and net income attributable to parent company shareholders of 15,270 million yen (a year-on-year increase of 45.5%).

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, sales of liquid chromatographs, testing machines and gas chromatographs increased owing to higher private-sector demand in the chemical, pharmaceutical, and steel industries, along with higher demand among universities and in the public sector.

In North America, sales of liquid chromatographs and mass spectrometers grew in the pharmaceutical and healthcare industry, in particular on a rebound in demand for pain management. In Europe, sales rose steadily on demand for liquid chromatographs and gas chromatographs in the pharmaceutical and chemical industries.

In China, despite a challenging environment in the materials industry, sales grew steadily overall on higher demand for liquid chromatographs, mass spectrometers, and gas chromatographs in the public sector as well as higher private-sector demand in the pharmaceutical, contract analysis, and petro- and coal-chemical industries. In Southeast Asia and India, demand for liquid chromatographs and mass spectrometers grew in the public sector and among such private-sector industries as pharmaceuticals.

As a result, the Analytical & Measuring Instruments segment posted sales of 148,078 million yen (a year-on-year increase of 13.0%) for the first nine months of the fiscal year.

II. Medical Systems

In Japan, sales of X-ray fluoroscopy systems and general radiography systems were robust amid a rebound from the impact of the consumption tax hike in the previous fiscal year.

In North America, sales rose on strong demand for newly launched digital mobile X-ray systems and X-ray fluoroscopy systems. In Southeast Asia, sales of angiography systems and multi-purpose X-ray fluoroscopy systems grew sharply.

In Europe, sales declined due to a sluggish market in Eastern Europe. In China, sales were impacted by the prolongation of the bidding process and intensified competition.

As a result, the Medical Systems segment posted sales of 44,599 million yen (a year-on-year increase of 9.3%) for the first nine months of the fiscal year.

III. Aircraft Equipment

Overseas, sales of passenger aircraft components and replacement parts increased owing to the Boeing Company's growing aircraft production and successful marketing activities towards airlines implemented by U.S. subsidiaries. In Japan, sales of aircraft components to Japan's Ministry of Defense increased.

Overall, the Aircraft Equipment segment posted sales of 19,275 million yen (a year-on-year increase of 12.7%) for the first nine months of the fiscal year.

IV. Industrial Machinery

Sales of turbo-molecular pumps grew in Japan and North America, mainly on stronger demand from semiconductor manufacturing equipment and liquid crystal display manufacturing equipment. Sales of glass winders grew on large orders in China. Sales of hydraulic equipment increased on brisk sales for industrial vehicles (forklifts), specially equipped industrial vehicles, and other applications.

Overall, the Industrial Machinery segment posted sales of 24,791 million yen (a year-on-year increase of 9.3%) for the first nine months of the fiscal year.

V. Other

Sales in the Other businesses segment amounted to 4,510 million yen (a year-on-year increase of 0.8%) for the first nine months of the fiscal year.

(2) Consolidated Outlook

Regarding the outlook for the full year, although the U.S. economy is expected to continue expanding at a moderate pace, the economic outlook for China, Europe, Southeast Asia and other regions has become increasingly clouded. Japan's moderate economic recovery is expected to continue amid the continued improvement of employment conditions and wages.

Amid this business environment, based on our long-term vision "Toward Becoming a True Global Business," the Shimadzu Group launched a three-year medium-term management plan in April 2014. The basic policy behind the plan is to "Become an Innovative Company Contributing to the Growth of Customers around the World" and our key objectives are to increase Shimadzu's corporate value by implementing growth strategies and reforming the profit structure, while strengthening our global organization and capabilities necessary to achieve these goals.

Our full-year consolidated earnings outlook is unchanged from the targets announced on November 6, 2015.

2. Other Information

(1) Changes in the consolidation status (scope of consolidation) of material subsidiaries during the period

Not applicable

(2) Use of simplified accounting procedures and/or accounting procedures specific to the preparation of quarterly consolidated financial statements

Not applicable

(3) Changes in Accounting Policy, Changes in Accounting Estimates, and Retrospective Restatements

(Changes in accounting policy)

Effective from the first quarter of the current consolidated fiscal year, “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of September 13, 2013), “Accounting Standard for Business Divestiture” (ASBJ Statement No. 7 of September 13, 2013), etc. have been applied. As a result, differences caused by change in the Company’s equity in the subsidiaries with controlling interests shall now be adjusted in additional paid-in capital, and acquisition-related expenses shall now be changed to be reported as expenses incurred during the consolidated fiscal year in which said acquisition takes place. Furthermore, as to business combinations taking place since the beginning of the first quarter of the current fiscal year and onwards, finalization of the provisional accounting treatment of the amount of the acquisition cost allocation shall now be changed to be reflected in the relevant quarterly consolidated fiscal period where the date of said business combination actually falls. Additionally, the presentation has been changed in the net income, etc. and also from minority interests to non-controlling interests. For the sake of reflecting this change in the said presentation, restatement has been made in the consolidated financial statements of the third quarter of the previous fiscal year and of the previous full fiscal year.

The implementation of Accounting Standard for Business Combinations and its related standards is subject to the transitional treatments stipulated in the provisions of Article 58-2 (4) of Accounting Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of Accounting Standard for Business Divestiture, and has been and will be under way since the beginning of the first quarter of the current fiscal year and going forward.

There is no impact of this change on the profit and loss statement.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In million yen)

	As of December 31, 2015	As of March 31, 2015
Assets		
Current assets:		
Cash and time deposits	¥43,200	¥41,360
Trade notes and accounts receivable	92,132	103,205
Merchandise and products	43,370	41,535
Work in process	21,831	16,193
Raw materials and supplies	18,511	17,137
Deferred tax assets	7,576	9,492
Other	7,572	6,998
Allowance for doubtful receivables	(1,158)	(1,106)
Total current assets	¥233,037	¥234,817
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	¥39,494	¥38,749
Machinery, equipment and vehicles, net	6,346	5,344
Land	18,667	18,243
Leased assets, net	2,323	2,399
Construction in progress	344	1,558
Other, net	9,525	9,134
Net property, plant and equipment	¥76,703	¥75,430
Intangible fixed assets	¥7,374	¥7,298
Investments and other assets:		
Investment securities	16,072	13,761
Long-term receivables	186	177
Deferred tax assets	5,164	5,195
Other	3,596	3,606
Allowance for doubtful receivables	(406)	(454)
Total investments and other assets	¥24,613	¥22,286
Total noncurrent assets	¥108,691	¥105,015
Total assets	¥341,728	¥339,832

(In million yen)

	As of December 31, 2015	As of March 31, 2015
Liabilities		
Current liabilities		
Trade notes and accounts payable	¥51,634	¥51,596
Short-term loans	7,468	8,738
Lease obligations	959	897
Accounts payable	11,385	12,034
Income taxes payable	1,144	5,056
Allowance for employees' bonuses	3,268	7,268
Allowance for director's bonuses	207	306
Other	18,025	14,737
Total current liabilities	¥94,093	¥100,635
Long-term liabilities		
Unsecured bonds	¥15,000	¥15,000
Long-term debt	985	930
Lease obligations	1,569	1,698
Liability for directors' retirement benefits	173	187
Liability for retirement benefits	9,207	10,563
Other	713	800
Total long-term liabilities	¥27,649	¥29,179
Total liabilities	¥121,743	¥129,815
Net assets		
Shareholders' capital		
Common stock	¥26,648	¥26,648
Additional paid-in capital	35,188	35,188
Retained earnings	145,129	134,871
Treasury stock	(844)	(796)
Total shareholders' capital	¥206,122	¥195,912
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	¥5,761	¥5,200
Foreign currency translation adjustments	5,753	6,816
Cumulative adjustments to retirement benefits	2,070	1,839
Total valuation and translation adjustments	¥13,585	¥13,856
Non-controlling interests	¥276	¥248
Total net assets	¥219,985	¥210,017
Total liabilities and net assets	¥341,728	¥339,832

(2) Consolidated Statements of Operations & of Comprehensive Income

Consolidated Statements of Operations

(In million yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Net sales	¥241,255	¥216,073
Cost of sales	140,720	128,506
Gross profit	¥100,535	¥87,566
Selling, general and administrative expenses	78,290	72,795
Operating income	¥22,245	¥14,770
Other income:		
Interest income	¥154	¥135
Dividend income	195	188
Insurance payments received	86	164
Foreign exchange profit	0	1,020
Subsidy income	426	350
Other	506	545
Total other income	¥1,368	¥2,404
Other expenses:		
Interest expense	¥127	¥159
Foreign exchange loss	304	0
Other	920	1,012
Total other expenses	¥1,351	¥1,172
Ordinary income	¥22,261	¥16,003
Extraordinary income:		
Gain on sale of property, plant and equipment	¥34	¥31
Gain on sales of investment securities	0	9
Total extraordinary income	¥34	¥41
Extraordinary losses:		
Loss on disposal of property, plant and equipment	¥156	¥132
Loss on sales of investment securities	88	0
Settlement of contract amendment	0	915
Total extraordinary losses	¥244	¥1,047
Income before income taxes	¥22,052	¥14,997
Income taxes	¥5,157	¥3,425
Income taxes adjustments	1,561	1,025
Total income taxes and income taxes adjustments	¥6,719	¥4,451
Profit	¥15,332	¥10,546
Profit attributable to non-controlling interests	¥62	¥54
Profit attributable to owners of parent	¥15,270	¥10,492

Consolidated Statements of Comprehensive Income

	(In million yen)	
	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Profit	¥ 15,332	¥ 10,546
Other Comprehensive income		
Unrealized gain on available-for-sale securities	¥ 561	¥ 1,301
Foreign currency translation adjustments	(1,071)	8,549
Retirement benefit adjustments	230	215
Total other comprehensive income	¥ (279)	¥ 10,066
Comprehensive income	¥ 15,053	¥ 20,613
Comprehensive income attribute to owners of the parent	¥ 15,000	¥ 20,550
Comprehensive income attribute to non-controlling interests	¥ 52	¥ 62

4. Segment Information

Segment information for the nine months ended December 31, 2015

(1) Income by Business Segment

From April 1st to December 31st of Fiscal year ended March 31, 2016

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the Consolidated Statements of Operations
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
Net Sales									
(1) Sales to customers	¥ 148,078	¥ 44,599	¥ 19,275	¥ 24,791	¥ 236,744	¥ 4,510	¥ 241,255	¥ 0	¥ 241,255
(2) Inter-segment sales	56	6	60	55	179	956	1,135	(1,135)	0
Total Sales	¥ 148,134	¥ 44,606	¥ 19,335	¥ 24,847	¥ 236,924	¥ 5,467	¥ 242,391	¥ (1,135)	¥ 241,255
Operating income (loss)	¥ 21,549	¥ (225)	¥ (163)	¥ 1,448	¥ 22,608	¥ 850	¥ 23,459	¥ (1,214)	¥ 22,245

From April 1st to December 31st of Fiscal year ended March 31, 2015

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the Consolidated Statements of Operations
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
Net Sales									
(1) Sales to customers	¥ 131,005	¥ 40,818	¥ 17,097	¥ 22,676	¥ 211,597	¥ 4,476	¥ 216,073	¥ 0	¥ 216,073
(2) Inter-segment sales	26	26	47	60	161	960	1,122	(1,122)	0
Total Sales	¥ 131,032	¥ 40,845	¥ 17,144	¥ 22,736	¥ 211,759	¥ 5,436	¥ 217,195	¥ (1,122)	¥ 216,073
Operating income (loss)	¥ 15,578	¥ 226	¥ (1,640)	¥ 1,362	¥ 15,525	¥ 918	¥ 16,444	¥ (1,673)	¥ 14,770

(2) Income by Geographic Segment

From April 1st to December 31st of Fiscal year ended March 31, 2016

(In million yen)

Japan	Americas	Europe	China	Other Asian countries	Other	Total
¥ 109,896	35,828	20,316	42,044	24,389	8,780	¥ 241,255

From April 1st to December 31st of Fiscal year ended March 31, 2015

(In million yen)

Japan	Americas	Europe	China	Other Asian countries	Other	Total
¥ 103,488	30,067	19,100	37,043	18,261	8,112	¥ 216,073

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