

Feb. 7, 2018

## Operating Results and Financial Position (For the Nine Months Ended December 31, 2017)

### 1. Operating Results

#### (1) Consolidated Overview

In the nine months ended December 31, 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. The Chinese economy remained strong, due to various government measures related to the 13th 5-year plan and other factors. Southeast Asia also showed signs of an uptick in economic activity and India's economy demonstrated a moderate 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 applying AI and IoT technologies to expand the aftermarket business and strengthening competitiveness of key models, for example, and implementing organizational foundation reforms.

For the first nine months of this fiscal year, the Shimadzu Group posted consolidated net sales of 263,327 million yen (a year-on-year increase of 11.4 %), operating income of 25,437 million yen (a year-on-year increase of 15.9 %), ordinary income of 25,660 million yen (a year-on-year increase of 13.6 %), and profit attributable to owners of parent of 18,031 million yen (a year-on-year increase of 13.9 %).

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

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

In North America, sales were strong for mass spectrometers in chemical and government fields and liquid chromatographs in pharmaceutical fields. In Europe, sales of mass spectrometers and liquid chromatographs in pharmaceutical and food fields were strong. Sales in China were strong for mass spectrometers, liquid chromatographs, gas chromatographs, and environmental measurement instruments, as a result of strong activity in food safety, contract analysis, and environmental regulation fields. In Southeast Asia, sales decreased due to stagnation in government demand. In India, sales of liquid chromatographs increased slightly. In Japan, demand for liquid chromatographs expanded in pharmaceutical and chemical fields and testing machines in the automotive field.

As a result, the Analytical & Measuring Instruments segment posted sales of 160,852 million yen (a year-on-year increase of 11.4 %) for the first nine months of this fiscal year.

#### **II. Medical Systems**

In North America, sales of multipurpose fluoroscopy systems were strong. In Europe, sales showed a recovery trend, mainly for fluoroscopy systems. In China, sales of radiography systems were strong, as a consequence of a recovery in demand and a strengthened product offering that better fits customer needs. In Southeast Asia, sales of high-priority angiography system models were strong. In Japan, sales of general radiography systems were strong due to expanded sales to clinics and other smaller facilities.

As a result, the Medical Systems segment posted sales of 45,517 million yen (a year-on-year increase of 4.7 %) for the first nine months of this fiscal year.

#### **III. Aircraft Equipment**

In North America, sales struggled as a consequence of a decline in mid- and large-size 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 19,358 million yen (a year-on-year increase of 8.1 %) for the first nine months of this fiscal year.

#### IV. Industrial Machinery

Sales of turbomolecular pumps continued to be strong, mainly in semiconductor and flat panel display manufacturing equipment fields and in building glass markets in Japan, North America, China, and Europe. Glass winder sales also increased significantly as demand for electronic circuit boards, automobiles, and wind power generation equipment remained strong in China. Hydraulic equipment sales were strong for construction machinery and industrial vehicles (forklift trucks) mainly in China.

As a result, the Industrial Machinery segment posted sales of 32,452 million yen (a year-on-year increase of 24.0 %) for the first nine months of this fiscal year.

#### V. Other

Sales in the Other businesses segment amounted to 5,146 million yen (a year-on-year increase of 19.0 %) for the first nine months of this fiscal year.

#### (2) Consolidated Outlook

Outside Japan, the overall market expansion trend is expected to continue, with continued steady economic improvement in the United States, continued gradual economic recovery in Europe, stable economic growth in China due to various government measures, and a collectively strong economy in Southeast Asia. In Japan, the gradual economic improvement is expected to continue as employment and income conditions continue to improve.

Taking into account the progress in the results and the business circumstances described above for the first nine months of this fiscal year, we have revised the forecast for consolidated results announced on November 7, 2017, as follows.

Consolidated Earnings Forecast for Year Ending March 2018 (In million yen)

	FY2017 Forecast		
		Percent Increase/Decrease Year-on-Year	(Reference) Previous Forecast
Net Sales	375,000	9.5 %	365,000
Operating Income	41,000	10.5 %	40,000
Ordinary Income	40,500	9.3 %	39,500
Profit Attributable to Owners of Parent	29,000	9.5 %	28,500

Note: The forecasted results above were calculated based on information available on the date this report was released. Actual results may vary from forecast values, due to various factors in the future. Some of the more significant factors include the economic circumstances in major markets (Japan, Europe, the United States, and Asia), fluctuations in product demand, and fluctuations in the foreign exchange rates.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In million yen)

	As of December 31, 2017	As of March 31, 2017
<b>Assets</b>		
Current assets:		
Cash and time deposits	¥66,928	¥56,698
Trade notes and accounts receivable	102,179	112,877
Marketable securities	20	—
Merchandise and products	44,453	40,588
Work in process	23,071	16,899
Raw materials and supplies	20,522	19,213
Deferred tax assets	8,333	9,603
Other	8,672	8,342
Allowance for doubtful receivables	(1,368)	(1,142)
Total current assets	¥272,813	¥263,080
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	¥39,846	¥39,975
Machinery, equipment and vehicles, net	6,024	5,904
Land	18,910	18,879
Leased assets, net	2,769	2,510
Construction in progress	1,313	628
Other, net	12,441	10,853
Total property, plant and equipment	¥81,306	¥78,751
Intangible fixed assets	¥8,729	¥8,396
Investments and other assets:		
Investment securities	¥17,433	¥13,779
Long-term receivables	186	174
Deferred tax assets	3,416	4,160
Other	12,045	7,535
Allowance for doubtful receivables	(534)	(523)
Total investments and other assets	¥32,547	¥25,126
Total noncurrent assets	¥122,582	¥112,273
Total assets	¥395,395	¥375,354

(In million yen)

	As of December 31, 2017	As of March 31, 2017
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	¥60,791	¥57,263
Short-term loans	3,090	2,963
Lease obligations	1,071	1,007
Accounts payable	12,472	11,363
Income taxes payable	2,611	4,870
Allowance for employees' bonuses	3,774	8,188
Allowance for director's bonuses	195	275
Provision for loss on defense equipment	484	484
Other	20,680	17,730
Total current liabilities	¥105,170	¥104,147
Long-term liabilities		
Unsecured bonds	¥15,000	¥15,000
Long-term debt	915	648
Lease obligations	2,013	1,758
Liability for directors' retirement benefits	173	184
Liability for retirement benefits	12,020	10,708
Liability for stock benefits	56	—
Other	1,487	1,277
Total long-term liabilities	¥31,667	¥29,577
Total liabilities	¥136,837	¥133,725
<b>Net assets</b>		
Shareholders' capital		
Common stock	¥26,648	¥26,648
Additional paid-in capital	35,188	35,188
Retained earnings	186,231	174,391
Treasury stock	(1,409)	(885)
Total shareholders' capital	¥246,659	¥235,342
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	¥8,196	¥5,850
Foreign currency translation adjustments	1,978	(1,429)
Cumulative adjustments to retirement benefits	1,369	1,568
Total accumulated other comprehensive income	¥11,544	¥5,988
Non-controlling interests	¥353	¥297
Total net assets	¥258,557	¥241,629
Total liabilities and net assets	¥395,395	¥375,354

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

### Consolidated Statements of Operations

(In million yen)

	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2016
Net sales	¥263,327	¥236,314
Cost of sales	159,269	141,646
Gross profit	¥104,057	¥94,667
Selling, general and administrative expenses	¥78,620	¥72,722
Operating income	¥25,437	¥21,945
Other income:		
Interest income	¥175	¥177
Dividend income	338	209
Insurance payments received	102	85
Foreign exchange profit	—	440
Subsidy received	318	405
Other	443	416
Total other income	¥1,379	¥1,733
Other expenses:		
Interest expenses	¥94	¥83
Foreign exchange loss	2	—
Compensation expenses	296	83
Other	761	933
Total other expenses	¥1,155	¥1,100
Ordinary income	¥25,660	¥22,578
Extraordinary income:		
Gain on sale of property, plant and equipment	¥57	¥15
Total extraordinary income	¥57	¥15
Extraordinary losses:		
Loss on disposal of property, plant and equipment	¥109	¥92
Loss on write-down of investment securities	66	—
Impairment loss	—	201
Total extraordinary losses	¥175	¥293
Income before income taxes	¥25,542	¥22,300
Income taxes	5,935	3,483
Income taxes adjustments	1,513	2,944
Total income taxes and income taxes adjustments	¥7,448	¥6,427
Profit	¥18,094	¥15,872
Profit attributable to non-controlling interests	62	45
Profit attributable to owners of parent	¥18,031	¥15,827

### Consolidated Statements of Comprehensive Income

(In million yen)

	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2016
Profit	¥18,094	¥15,872
Other comprehensive income:		
Unrealized gain/loss on available-for-sale securities	¥2,346	¥632
Foreign currency translation adjustments	3,413	(370)
Retirement benefit adjustments	(198)	477
Total other comprehensive income	¥5,560	¥738
Comprehensive income	¥23,655	¥16,611
(Break down)		
Comprehensive income attribute to owners of parent	¥23,586	¥16,571
Comprehensive income attribute to non-controlling interests	¥68	¥39

### (3) Note on the Going-Concern Assumption

Not applicable.

### (4) Segment Information

#### 1) Income by Business Segment

From April 1st to December 31st 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	¥160,852	¥45,517	¥19,358	¥32,452	¥258,180	¥5,146	¥263,327	—	¥263,327
(2) Inter-segment sales	29	13	63	87	194	1,219	1,413	¥(1,413)	—
Total Sales	¥160,881	¥45,530	¥19,422	¥32,540	¥258,374	¥6,365	¥264,740	¥(1,413)	¥263,327
Operating income (loss)	¥22,940	¥676	¥(153)	¥2,937	¥26,401	¥496	¥26,897	¥(1,460)	¥25,437

From April 1st to December 31st 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	¥144,430	¥43,489	¥17,906	¥26,164	¥231,991	¥4,323	¥236,314	—	¥236,314
(2) Inter-segment sales	50	7	63	57	179	1,104	1,284	¥(1,284)	—
Total Sales	¥144,481	¥43,497	¥17,970	¥26,222	¥232,171	¥5,427	¥237,598	¥(1,284)	¥236,314
Operating income (loss)	¥20,743	¥(114)	¥247	¥1,839	¥22,715	¥501	¥23,217	¥(1,272)	¥21,945

#### 2) Income by Geographic Segment

From April 1st to December 31st of fiscal year ended March 31, 2018

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥124,446	34,446	19,842	52,071	24,812	7,706	¥263,327

From April 1st to December 31st of fiscal year ended March 31, 2017

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥114,705	31,250	17,760	41,170	24,408	7,018	¥236,314

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