

Feb. 4, 2022

Operating Results and Financial Position

(For the Nine Months Ended December 31, 2021)

1. Operating Results

(1) Consolidated Overview

During the nine months ended December 31, 2021, uncertainty remained in the global economy due to the spread of COVID-19 variant pandemic and concerns about how supply chain disturbances caused by shortages in semiconductors and other supplies would impact corporate production activities. On the other hand, some economic improvement appeared due to increasing vaccination rates, economic measures by the governments of various countries, and other factors.

Given such circumstances, the Analytical & Measuring Instruments segment achieved strong sales of liquid chromatographs and mass spectrometer systems in healthcare and government/academia fields. The Medical Systems segment began a recovery trend due to capital equipment investments funded by supplementary budget appropriations in Japan. For the Industrial Machinery segment, turbomolecular pump sales were strong for use in semiconductor manufacturing equipment, and hydraulic equipment sales were also strong due to a recovery in capital equipment investment levels. The Aircraft Equipment segment struggled due to a reactionary decline in the defense field after the large projects during the previous year and due to lower demand for commercial aircraft equipment.

Given the above, Shimadzu achieved record consolidated business results for the third quarter, with net sales of 305,858 million yen (a year-on-year increase of 10.8 %), operating income of 45,457 million yen (a year-on-year increase of 38.9 %), ordinary income of 46,632 million yen (a year-on-year increase of 43.5 %), and profit attributable to owners of parent of 33,877 million yen (a year-on-year increase of 43.5 %).

The results for reportable business segments were as follows.

To ensure results for each reportable segment are managed more appropriately, the method used to allocate administrative department expenses was changed, beginning with the first quarter of this fiscal year, to allocate expenses on a more rational basis. Year-on-year comparisons were calculated using the method applicable after the accounting policy change to recalculate last year's values.

I. Analytical & Measuring Instruments

In the healthcare field, sales of liquid chromatographs and mass spectrometer systems, Shimadzu's strongest products, were strong for pharmaceutical and contract analysis applications. Sales of novel coronavirus detection kits and fully automatic PCR testing systems contributed to results. In the manufacturing industry, sales began recovering due to increased gas chromatograph sales for chemical applications. In the government/academia field, sales of liquid chromatographs, mass spectrometer systems, and other products increased due to governments in various countries implementing budgets and academic institutions resuming operations.

As a result, the Analytical & Measuring Instruments segment posted sales of 198,874 million yen (a year-on-year increase of 15.2 %) and an operating income of 37,825 million yen (a year-on-year increase of 35.5 %) due to increased sales and other factors.

Net sales broken down by major regions are indicated below.

	Consolidated Results for Third Quarter of FY 2020 (million yen)	Consolidated Results for Third Quarter of FY 2021 (million yen)	Percent Increase/Decrease (%)	Overview
Japan	65,602	74,030	12.8	Sales of novel coronavirus detection kits and fully automatic PCR testing systems contributed to results. Testing machine sales increased, mainly for government/academia demand based on supplementary budget appropriations.
North America	18,918	21,738	14.9	In addition to strong sales of liquid chromatographs and other products for pharmaceutical, clinical, and other applications, government/academia demand started recovering.
Europe	18,451	21,536	16.7	Sales of liquid chromatographs and mass spectrometer systems increased, not only due to strong demand for food safety and contract analysis applications, but also because impacts from academic lockdowns the previous year were resolved.
China	44,213	50,207	13.6	Sales of liquid chromatographs and mass spectrometer systems increased, due to increasing demand for pharmaceuticals and contract analysis and due to stricter food safety regulations. Also, gas chromatograph sales increased for chemical applications.
Other Asian Countries	19,647	23,130	17.7	Sales of liquid chromatographs and mass spectrometer systems increased for pharmaceuticals.

II. Medical Systems

Demand for mobile X-ray systems used to diagnose pneumonia associated with COVID-19 decreased in all but a few regions, after increasing outside Japan during the previous year. In Japan, sales of fluoroscopy and radiography systems increased due to supplementary budget appropriations and the aftermarket business was also strong.

As a result, the Medical Systems segment posted sales of 46,862 million yen (a year-on-year increase of 1.1 %) and an operating income of 4,126 million yen (a year-on-year increase of 70.5 %) due to strong aftermarket businesses and other factors.

Net sales broken down by major regions are indicated below.

	Consolidated Results for Third Quarter of FY 2020 (million yen)	Consolidated Results for Third Quarter of FY 2021 (million yen)	Percent Increase/Decrease (%)	Overview
Japan	24,073	25,528	6.0	Sales of fluoroscopy and radiography systems increased due to supplementary budget appropriations and the aftermarket business was also strong.
North America	6,132	6,023	-1.8	Though capital equipment investment levels at healthcare institutions were recovering, sales decreased from the previous year due to a reactionary decline in sales of mobile X-ray systems.
Europe	3,823	2,661	-30.4	Demand for mobile X-ray systems significantly decreased.
China	3,999	3,553	-11.2	Investment in capital equipment stalled due to intensifying competition with Chinese-owned manufacturers, bidding delays, and other factors.
Other Asian Countries	4,187	4,832	15.4	Sales of mobile X-ray systems increased significantly due to a resurgence of the COVID-19 pandemic in Southeast Asia.

III. Industrial Machinery

Sales of turbomolecular pumps, the segment's strongest product line, were strong for use in semiconductor manufacturing equipment due to increased semiconductor demand for compliance with 5th-generation communication network requirements, IoT, and other DX measures. Demand also increased for glass construction materials, thin-film solar cells, and other coating applications.

Sales of hydraulic equipment also significantly increased due to increasing demand in industrial vehicle, construction machinery, and agricultural equipment fields.

As a result, the Industrial Machinery segment posted sales of 41,460 million yen (a year-on-year increase of 28.5 %) and an operating income of 4,457 million yen (a year-on-year increase of 90.3 %) due to increased sales and other factors.

Net sales broken down by major regions are indicated below.

	Consolidated Results for Third Quarter of FY 2020 (million yen)	Consolidated Results for Third Quarter of FY 2021 (million yen)	Percent Increase/Decrease (%)	Overview
Japan	16,534	19,625	18.7	Turbomolecular pump sales were strong for use in semiconductor manufacturing equipment and hydraulic equipment sales were strong for use in industrial vehicles, construction machinery, and agricultural equipment.
North America	3,845	5,861	52.4	Turbomolecular pump sales were strong for use in semiconductor manufacturing equipment and hydraulic equipment sales were strong for use in industrial vehicles, construction machinery, and agricultural equipment.
Europe	1,607	2,157	34.2	Turbomolecular pump sales were strong for use in semiconductor manufacturing equipment.
China	7,179	9,699	35.1	Turbomolecular pump sales were strong for use in semiconductor manufacturing equipment, glass construction material, and thin-film solar cell coating applications. In addition to hydraulic equipment for industrial vehicles and agricultural equipment, glass winder sales also increased significantly.
Other Asian Countries	2,990	4,017	34.4	Demand increased for turbomolecular pumps used in semiconductor manufacturing equipment and aftermarket service sales were also strong. Glass winder sales also increased significantly.

IV. Aircraft Equipment

Sales in the defense field decreased significantly due to a reactionary decline after large projects during the previous year. Commercial aircraft equipment sales decreased due to lower demand for aircraft caused by the COVID-19 pandemic.

As a result, the Aircraft Equipment segment posted sales of 15,063 million yen (a year-on-year decrease of 31.4 %) and an operating loss of 69 million yen (a 968 million yen operating income during the same period last year) due to decreased sales in the defense field and other factors.

Net sales broken down by major regions are indicated below.

	Consolidated Results for Third Quarter of FY 2020 (million yen)	Consolidated Results for Third Quarter of FY 2021 (million yen)	Percent Increase/Decrease (%)	Overview
Japan	19,188	12,305	-35.9	Reactionary decline in the defense field following the large projects in the previous year
North America	2,610	2,600	-0.4	Demand decreased for commercial aircraft equipment.

V. Other

Other business segments posted sales of 3,597 million yen (a year-on-year increase of 24.6 %) and an operating income of 765 million yen (a year-on-year increase of 38.3 %).

(2) Consolidated Outlook

In terms of the future outlook, despite risks of a resurgence of the COVID-19 pandemic due to its variant strains, supply chain disturbances caused by global semiconductor and other supply shortages, and other uncertainties in the business environment, increasing vaccination rates and development of a therapeutic drug in and outside Japan, and economic measures implemented by various countries are predicted to result in a continuation of the global economic recovery.

Given such business conditions, we intend to expand sales of liquid chromatographs and mass spectrometer systems in healthcare markets, such as in response to active investments in pharmaceuticals, and expand our market share of turbomolecular pumps for semiconductor manufacturing equipment applications.

We have revised the consolidated earnings forecast announced on November 5, 2021, to reflect the progress in results achieved during the third quarter of this fiscal year.

(In million yen)

	Consolidated Earnings Forecast for FY 2021	Percent Increase/Decrease Year-on-Year	(Reference) Previous Forecast
Net Sales	425,000	8.0 %	420,000
Operating Income	61,000	22.6 %	59,000
Ordinary Income	62,000	28.2 %	60,000
Profit Attributable to Owners of Parent	44,000	21.9 %	43,000

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.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In million yen)

	As of December 31, 2021	As of March 31, 2021
Assets		
Current assets:		
Cash and time deposits	¥139,518	¥112,760
Trade notes, accounts receivable, and contract assets	104,582	117,857
Merchandise and products	60,014	59,117
Work in process	22,586	18,383
Raw materials and supplies	24,324	20,150
Other	10,589	9,296
Allowance for doubtful receivables	(1,935)	(2,119)
Total current assets	¥359,681	¥335,446
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	¥53,061	¥53,016
Machinery, equipment and vehicles, net	6,927	6,366
Land	18,976	18,955
Leased assets, net	1,879	2,275
Construction in progress	655	1,703
Other, net	19,874	20,075
Total property, plant and equipment	¥101,375	¥102,392
Intangible fixed assets	¥10,819	¥11,615
Investments and other assets:		
Investment securities	¥15,777	¥13,663
Long-term receivables	145	132
Assets related to retirement benefits	19,566	19,175
Deferred tax assets	9,472	11,498
Other	3,862	3,883
Allowance for doubtful receivables	(346)	(348)
Total investments and other assets	¥48,476	¥48,005
Total noncurrent assets	¥160,671	¥162,013
Total assets	¥520,353	¥497,459

(In million yen)

	As of December 31, 2021	As of March 31, 2021
Liabilities		
Current liabilities:		
Trade notes and accounts payable	¥62,310	¥61,424
Short-term loans	1,504	1,462
Lease obligations	3,076	3,568
Accounts payable	13,528	12,960
Income taxes payable	3,956	7,645
Contract liabilities	37,539	35,696
Allowance for employees' bonuses	5,428	11,430
Allowance for director's bonuses	226	292
Provision for loss on order received	42	126
Provision for loss on fire	115	—
Other	11,396	9,490
Total current liabilities	¥139,124	¥144,096
Long-term liabilities:		
Long-term debt	¥224	¥281
Lease obligations	4,440	4,945
Liability for directors' retirement benefits	147	132
Liability for retirement benefits	13,270	11,342
Liability for stock benefits	113	89
Other	906	1,066
Total long-term liabilities	¥19,103	¥17,857
Total liabilities	¥158,227	¥161,954
Net assets		
Shareholders' capital:		
Common stock	¥26,648	¥26,648
Additional paid-in capital	34,910	34,910
Retained earnings	285,346	262,966
Treasury stock	(1,243)	(1,259)
Total shareholders' capital	¥345,662	¥323,267
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	¥8,010	¥6,579
Foreign currency translation adjustments	3,786	118
Cumulative adjustments to retirement benefits	4,666	5,540
Total accumulated other comprehensive income	¥16,463	¥12,237
Total net assets	¥362,125	¥335,504
Total liabilities and net assets	¥520,353	¥497,459

(2) Consolidated Statements of Operations & of Comprehensive Income

Consolidated Statements of Operations

	(In million yen)	
	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2020
Net sales	¥305,858	¥276,053
Cost of sales	176,339	166,253
Gross profit	¥129,518	¥109,799
Selling, general and administrative expenses	¥84,061	¥77,081
Operating income	¥45,457	¥32,718
Other income:		
Interest income	¥189	¥146
Dividend income	218	332
Insurance payments received	76	142
Subsidy received	563	646
Foreign exchange profit	195	—
Other	504	320
Total other income	¥1,748	¥1,588
Other expenses:		
Interest expenses	¥123	¥111
Foreign exchange loss	—	965
Other	448	735
Total other expenses	¥572	¥1,811
Ordinary income	¥46,632	¥32,494
Extraordinary income:		
Gain on sale of property, plant and equipment	¥155	¥43
Total extraordinary income	¥155	¥43
Extraordinary losses:		
Loss on fire	¥561	—
Loss on disposal of property, plant and equipment	104	147
Loss on write-down of investment securities	13	61
Total extraordinary losses	¥679	¥208
Income before income taxes	¥46,108	¥32,329
Income taxes	10,686	5,177
Income taxes adjustments	1,544	3,540
Total income taxes and income taxes adjustments	¥12,230	¥8,717
Profit	¥33,877	¥23,611
Profit attributable to owners of parent	¥33,877	¥23,611

Consolidated Statements of Comprehensive Income

	(In million yen)	
	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2020
Profit	¥33,877	¥23,611
Other comprehensive income:		
Unrealized gain/loss on available-for-sale securities	¥1,431	¥2,933
Foreign currency translation adjustments	3,668	648
Retirement benefit adjustments	(874)	(105)
Total other comprehensive income	¥4,225	¥3,477
Comprehensive income	¥38,103	¥27,088
(Break down)		
Comprehensive income attributable to owners of parent	¥38,103	¥27,088
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes on Consolidated Financial Statements

Notes on Going-Concern Assumptions

Not applicable.

Notes on the Event of Significant Fluctuations in Shareholders' Capital

Not applicable.

Accounting Policy Changes

Shimadzu has decided to apply the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter "Fair Value Standard") beginning with the first quarter of this fiscal year and implement the new accounting policy in the future by applying transitional methods specified for transitioning to the Fair Value Standard in Article 19 of the Fair Value Standard and Article 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). However, the changes do not affect third-quarter consolidated results in the quarterly consolidated financial statement.

(4) Segment Information

1) Income by Business Segment

From April 1st to December 31st of fiscal year ending March 31, 2022

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of income
	Analytical & Measuring Instruments	Medical Systems	Industrial Machinery	Aircraft Equipment	Total				
Net sales									
(1) Sales to customers	¥198,874	¥46,862	¥41,460	¥15,063	¥302,261	¥3,597	¥305,858	—	¥305,858
(2) Inter-segment sales	6	45	84	10	147	1,516	1,664	(1,664)	—
Total sales	¥198,880	¥46,907	¥41,545	¥15,074	¥302,408	¥5,113	¥307,522	¥(1,664)	¥305,858
Operating income	¥37,825	¥4,126	¥4,457	¥(69)	¥46,340	¥765	¥47,105	¥(1,648)	¥45,457

From April 1st to December 31st 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	Industrial Machinery	Aircraft Equipment	Total				
Net sales									
(1) Sales to customers	¥172,583	¥46,357	¥32,258	¥21,965	¥273,165	¥2,887	¥276,053	—	¥276,053
(2) Inter-segment sales	4	18	51	—	74	1,267	1,342	(1,342)	—
Total sales	¥172,587	¥46,376	¥32,310	¥21,965	¥273,240	¥4,155	¥277,395	¥(1,342)	¥276,053
Operating income	¥27,924	¥2,419	¥2,342	¥968	¥33,654	¥553	¥34,208	¥(1,489)	¥32,718

Changes to Reportable Segments

To ensure results for each reportable segment are managed appropriately, the method used to allocate administrative department expenses was changed, beginning with the first quarter of this fiscal year, to allocate expenses on a more rational basis.

Note that the segment information for the nine months ended December 31, 2020, is based on the calculation methods applicable after the accounting policy changes.

2) Income by Geographic Segment

From April 1st to December 31st of fiscal year ending March 31, 2022

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥135,086	40,314	26,461	63,468	32,014	8,512	¥305,858

From April 1st to December 31st of fiscal year ended March 31, 2021

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥128,283	34,477	23,985	55,398	26,886	7,021	¥276,053

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

3. Supplemental Information

Overview of Financial Results for the Third Quarter of the Fiscal Year Ending March 2022

Row No.			Consolidated	Consolidated	Year-on-Year		FY 2020	FY 2021
			Results for Third Quarter of FY 2020	Results for Third Quarter of FY 2021	Increase/Decrease	Percent Increase/Decrease	Results	Forecast
1	Net Sales	million yen	276,053	305,858	29,805	10.8 %	393,499	425,000
2	Net Sales (Analytical & Measuring Instruments)	million yen	172,583	198,874	26,291	15.2 %	248,550	—
3	Net Sales (Medical Systems)	million yen	46,357	46,862	504	1.1 %	66,903	—
4	Net Sales (Industrial Machinery)	million yen	32,258	41,460	9,201	28.5 %	45,082	—
5	Net Sales (Aircraft Equipment)	million yen	21,965	15,063	-6,901	-31.4 %	28,560	—
6	Net Sales (Other)	million yen	2,887	3,597	709	24.6 %	4,401	—
7	Net Sales by Region (Japan)	million yen	128,283	135,086	6,803	5.3 %	193,420	—
8	Net Sales by Region (Outside Japan)	million yen	147,769	170,771	23,001	15.6 %	200,078	—
9	Net Sales (The Americas)	million yen	34,477	40,314	5,836	16.9 %	47,793	—
10	Net Sales (Europe)	million yen	23,985	26,461	2,475	10.3 %	32,703	—
11	Net Sales (China)	million yen	55,398	63,468	8,070	14.6 %	72,872	—
12	Net Sales (Other Asian Countries)	million yen	26,886	32,014	5,128	19.1 %	37,094	—
13	Net Sales (Other)	million yen	7,021	8,512	1,490	21.2 %	9,615	—
14	Operating Income	million yen	32,718	45,457	12,738	38.9 %	49,742	61,000
15	Ordinary Income	million yen	32,494	46,632	14,137	43.5 %	48,378	62,000
16	Profit Attributable to Owners of Parent (FY 2021 Q3)	million yen	23,611	33,877	10,266	43.5 %	36,097	44,000
17	Earnings per Share (FY 2021 Q3)	Yen	80.14	114.98	—	—	122.52	149.33
18	Dividend per Share	Yen	—	—	—	—	34.00	41.00
19	Capital Equipment Investment	million yen	10,539	10,100	-439	-4.2 %	14,471	16,000
20	Depreciation and Amortization	million yen	11,491	12,072	581	5.1 %	15,536	16,500

Row No.			Consolidated Results for Third Quarter of FY 2020	Consolidated Results for Third Quarter of FY 2021	Year-on-Year		FY 2020	FY 2021
			Results	Results	Increase/Decrease	Percent Increase/Decrease	Results	Forecast
21	Total Assets	million yen	458,758	520,353	61,594	13.4 %	497,459	—
22	Net Assets	million yen	311,613	362,125	50,512	16.2 %	335,504	—
23	Equity Ratio	%	67.9	69.6	—	—	67.4	—
24	Number of All Group Employees	Employees	13,292	13,479	187	—	13,308	—
25	Number of Consolidated Subsidiaries	Companies	76	76	—	—	76	—
26	Japan	Companies	23	23	—	—	23	—
27	Outside Japan	Companies	53	53	—	—	53	—