

Aug 6 , 2012

## **Operating Results and Financial Position For the Three Months ended June 30, 2012**

### **1. Operating Results**

#### **Consolidated Overview**

In the three months ended June 30, 2012 (first quarter of the fiscal year ending March 31, 2013), the Japanese economy recovered slowly, due to demand from recovering from the Great East Japan Earthquake, and other factors. Overseas, the pace of economic expansion in China has slowed and the economy is weakening in Europe due to concerns over the financial crisis in some countries. In the U.S., the economy has gradually recovered, primarily due to personal spending.

In the midst of such circumstances, the Shimadzu Group has been actively implementing growth measures according to the medium-term management plan, such as promoting local product development in China, introducing globally strategic products, and strengthening the aftermarket business. A new organizational structure was started that integrates the planning, R&D, manufacturing, and sales functions for major markets, namely North America, Europe, China, and Australia, under the control of each division. An International Business Department was established with a mission of developing new markets and growth primarily in newly emerging economies. In addition, we focused efforts on ensuring business results in spite of a strong yen by expanding sales of new competitive products tailored to customer needs and other measures.

As a result, for the current first quarter, sales increased for the Analytical & Measuring Instruments and Medical Systems businesses, but decreased for the Aircraft Equipment business, due to lower demand in Japan, and the Industrial Machinery business, due to stagnating semiconductor and LCD markets. Consequently, overall sales increased only slightly, to 54,599 million yen (a year-on-year increase of 0.4%). In terms of profit and loss, an increase in expenditures, due to the extremely strong yen and aggressive business development measures, resulted in operating losses of 393 million yen, ordinary losses of 512 million yen, and a quarterly net loss of 237 million yen.

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

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

In Japan, sales of mass spectrometers increased due to public sector replacement demand and sales of gas chromatographs increased due to private sector demand from analytical centers and academia. Sales

of liquid chromatographs, our strongest product line, decreased slightly due to strong sales in the chemical field, but somewhat weak sales in the pharmaceutical field. Sales of testing machines and non-destructive inspection systems decreased due to decreased sales in the automotive, electrical, chemical and other fields. Consequently, overall sales of the Analytical & Measuring Instruments in Japan decreased.

Overseas, overall sales increased, with strong sales in North America, China, and other markets. With North America in a gradual recovery, sales of mass spectrometers increased significantly due to active investment in the healthcare field. Mass spectrometer sales increased in China as well, due mainly to public sector demand in the food safety field. European markets remain extremely challenging due to the financial and banking crises.

As a result, sales from the Analytical and Measuring Instruments business increased 2.5% year on year, to 30,181 million yen.

## **II. Medical Systems**

In Japan, overall sales increased due to strong sales of X-ray systems, as well as new X-ray fluoroscopy systems featuring portable FPD to customers such as small and medium-sized hospitals and clinics.

Overseas, overall sales increased, primarily in North America and Europe. In North America, sales of digital mobile X-ray systems and other products continued to increase, due to strong replacement demand for digital models. In Europe, sales of digital mobile X-ray systems and other products increased in spite of the severe conditions due to the continuing effects from the financial and banking crises. In China, sales decreased due to an emerging trend towards delaying equipment and supply purchases at hospitals.

As a result, sales from the Medical Systems business increased 3.9% year on year, to 10,780 million yen.

## **III. Aircraft Equipment**

In Japan, though sales of F-15 fighter upgrade equipment increased in spite of the ongoing severe trend in defense industry demand, overall sales decreased due to a decrease in the sales of equipment for the new P-1 patrol plane and service parts. Overseas, sales of passenger aircraft equipment to Boeing decreased temporarily.

As a result, sales from the Aircraft Equipment business decreased 9.9% year on year, to 4,885 million yen.

## **IV. Industrial Machinery**

Sales of turbomolecular pumps decreased due to stagnant semiconductor and LCD markets. Sales of liquid crystal inspection systems and solar cell anti-reflective film deposition systems are also weak due to difficult market conditions. Hydraulic equipment sales increased primarily due to strong sales for increased production of industrial vehicles (forklifts) in Japan.

As a result, sales from the Industrial Machinery business decreased 12.2% year on year, to 6,043 million yen.

## **V. Other**

Quarterly net sales for other business segments increased 20.8% year on year, to 2,708 million yen.

## **2. Consolidated Outlook**

The economy is still expanding in China, although the pace is slowing. In addition, gradual economic recovery is expected in the U.S. and Japan. However, confusion from the financial and banking crises in Europe and a persistent strong yen are expected to result in a challenging external business environment. Given such difficult business conditions, the Shimadzu Group intends to recover profitability by actively expanding sales of new competitive products tailored to customer needs and strengthening our aftermarket businesses. In addition, we will strive to achieve strong growth by actively implementing measures globally according to our medium-term management plan. To increase our ability to respond to changes in the business environment, such as sharp market fluctuations or severely strong yen currency, we will implement measures to further improve profitability. In addition, we will promote reducing inventory levels, strengthen our capabilities at major manufacturing locations in the U.S. and China, and expand our local procurement functions overseas.

Taking into account the progress in current first quarter results and the business circumstances described above, we have revised the forecast for consolidated results announced on May 10, 2012.

### **<Consolidated outlook of this fiscal year>**

(In million yen)

	1 <sup>st</sup> Half outlook			Year outlook		
	New announcement	Increase or decrease, YoY	Last announcement	New announcement	Increase or decrease, YoY	Last announcement
Net Sales	126,000	0.5%	128,000	278,000	4.4%	280,000
Operating income	6,000	(17.9%)	8,000	21,000	8.4%	23,000
Ordinary income	5,500	(13.3%)	7,000	19,500	4.6%	21,000
Net income	3,200	49.2%	4,200	12,000	32.1%	13,000

*Notice: This outlook is based on information available when Shimadzu is prepared. They are subject to risks and uncertainties. Factors that may influence are fluctuation of economic conditions change mainly in Japan, US, Europe and Asia, products demand, and foreign exchange rates.*

### **3. Consolidated Financial Statements**

#### **(1) Consolidated Balance Sheets**

(In million yen)

	As of June 30, 2012	As of March 31, 2012
<b>Assets</b>		
Current assets		
Cash and time deposits	29,067	31,218
Trade notes and accounts receivable	73,452	85,435
Merchandise and products	37,392	33,348
Work in process	20,567	19,359
Raw materials and supplies	17,802	16,364
Deferred tax assets	7,542	6,701
Other	4,342	4,804
Allowance for doubtful receivables	(935)	(987)
Total current assets	189,231	196,244
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	71,889	71,058
Accumulated depreciation	(36,935)	(36,255)
Buildings and structures, net	34,954	34,802
Machinery, equipment and vehicles	18,213	18,071
Accumulated depreciation	(14,625)	(14,502)
Machinery, equipment and vehicles, net	3,588	3,569
Land	18,755	18,730
Leased assets	3,367	3,168
Accumulated depreciation	(1,524)	(1,542)
Leased assets, net	1,842	1,626
Construction in progress	611	713
Other	27,465	26,864
Accumulated depreciation	(21,561)	(21,093)
Other, net	5,903	5,770
Net property, plant and equipment	65,656	65,213
Intangible fixed assets	7,167	7,218
Investments and other assets		
Investment securities	8,880	9,292
Long-term receivables	590	593
Deferred tax assets	9,047	8,776
Other	4,045	4,104
Allowance for doubtful receivables	(594)	(602)
Total investments and other assets	21,968	22,164
Total non-current assets	94,793	94,596
Total assets	284,025	290,840

(In million yen)

	As of June 30, 2012	As of March 31, 2012
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	46,251	50,045
Short-term loans	5,834	7,519
Current portion of unsecured bonds	10,000	10,000
Lease obligations	665	619
Accounts payable, other	8,807	9,268
Income taxes payable	884	2,917
Allowance for employees' bonuses	1,941	5,980
Allowance for director's bonuses	83	204
Other	14,394	9,449
Total current liabilities	88,862	96,004
Long-term liabilities		
Long-term debt	11,536	11,556
Lease obligations	1,307	1,127
Liability for employees' retirement benefits	14,575	14,528
Liability for directors' retirement benefits	252	259
Other	5,789	5,795
Total long-term liabilities	33,462	33,266
Total liabilities	122,324	129,271
<b>Net assets</b>		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	110,565	111,968
Treasury stock	(703)	(699)
Total shareholders' capital	171,699	173,105
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	1,478	1,995
Foreign currency translation adjustments	(11,709)	(13,754)
Total valuation and translation adjustments	(10,230)	(11,758)
Minority interests	231	221
Total net assets	161,700	161,568
Total liabilities and net assets	284,025	290,840

## (2) Consolidated Statements of Operations

(In million yen)

	Year ended June 30, 2012	Year ended June 30, 2011
Net sales	54,599	54,371
Cost of sales	34,950	33,769
Gross profit	19,649	20,601
Selling, general and administrative expenses	20,042	18,909
Operating income(loss)	(393)	1,692
Other income		
Interest income	38	30
Dividend income	90	91
Insurance payments received	71	102
Rent received	26	41
Other	241	198
Total other income	469	462
Other expenses		
Interest expense	97	103
Foreign exchange loss, net	338	160
Other	152	287
Total other expenses	588	551
Ordinary income(loss)	(512)	1,604
Extraordinary income		
Gain on sale of property, plant and equipment	3	4
Total extraordinary income	3	4
Extraordinary losses		
Loss on write-down of investment securities	61	28
Loss on disposal of property, plant and equipment	9	10
Total extraordinary losses	70	38
Income before income taxes and minority interests(loss)	(579)	1,569
Income taxes	391	572
Refund of income taxes for past fiscal years	—	1,743
Income taxes adjustments	(736)	(188)
Total income taxes and income taxes adjustments	(344)	2,127
Income before minority interests	(235)	(557)
Minority interests in net income	1	7
Net income (loss)	(237)	(565)

## (3) Consolidated Statements of Comprehensive Income

	Year ended June 30, 2012	Year ended June 30, 2011
Net income before minority loss	(235)	(557)
Other Comprehensive income		
Unrealized loss on available-for-sale securities	(517)	(193)
Foreign currency translation adjustments	2,053	1,163
Total other comprehensive income	1,536	969
Comprehensive income	1,300	411
Total comprehensive income attribute to		
Owners of the parent	1,290	402
Minority interests	10	9

#### (4) Notes on Going Concern

Not applicable

#### (5) Segment Information

##### 1) Sales and income (loss) by reportable segment

In an effort to promote the creation of new businesses, the method of allocating research and development expenses was reconsidered. As a result, starting in this first quarter, a portion of the research and development expenses previously allocated to reportable segments will be included in adjustments. Results from the previous first quarter are also indicated calculated using the new method.

The segment income (loss) results calculated using the previous method are indicated below.

Fiscal year ended March 31, 2012 (1 April, 2012 – 30 June, 2012)

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of operations
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
I. Sales									
(1) Sales to customers	30,181	10,780	4,885	6,043	51,890	2,708	54,599	—	54,599
(2) Inter-segment sales	12	—	21	5	39	268	307	(307)	—
Total	30,193	10,780	4,906	6,049	51,929	2,977	54,907	(307)	54,599
Segment income (loss)	431	(493)	(339)	261	(139)	378	238	(632)	(393)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of operations
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
Segment income (loss)	56	(618)	(430)	218	(773)	378	(394)	1	(393)

Fiscal year ended March 31, 2011 (1 April, 2011– 30 June, 2011)

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of operations
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
I. Sales									
(1) Sales to customers	29,444	10,377	5,425	6,880	52,128	2,242	54,371	—	54,371
(2) Inter-segment sales	9	1	16	8	36	257	293	(293)	—
Total	29,454	10,379	5,441	6,888	52,164	2,500	54,664	(293)	54,371
Segment income (loss)	1,715	(343)	114	529	2,016	271	2,287	(595)	1,692

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of operations
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
Segment income (loss)	1,361	(463)	28	493	1,419	271	1,691	1	1,692

##### 2) For reference

Sales by geographic segment

Fiscal year ended March 31, 2012 (1 April, 2012– 30 June, 2012)

(In million yen)

Japan	The Americas	Europe	China	Other Asia	Other	Total
30,574	5,855	3,779	8,214	4,504	1,672	54,599

Fiscal year ended March 31, 2011 (1 April, 2011– 30 June, 2011)

(In million yen)

Japan	The Americas	Europe	China	Other Asia	Other	Total
30,445	5,108	4,139	8,683	4,189	1,805	54,371

**(6) Notes on Significant Changes in Shareholders' Capital**

Not applicable