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2011.5.11

New Medium-Term Management Plan (FY2011 – FY 2013)

Toward Becoming a True Global Business

Aim to Become No. 1 Partner Selected by Customers Globally

Shimadzu Corporation

President & CEO Akira Nakamoto

I. Looking Back at the Previous Plan - 1/2

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Targets for the Medium-Term Management Plan for FY2008 to FY2010

Fundamental Policy: Establish Shimadzu Brand, Trusted Throughout the World

Sales: 320 billion yen; Operating margin: 11.3 %; Overseas sales ratio: Over 42 %

***Assumed exchange rates: $1 = ¥105, €1 = ¥155**

Changes in External Environment

- √ Global economic recession due to the financial crisis and subsequent recovery
- √ Growth in newly emerging economies
- √ Sharp increase in yen

Shimadzu's Response

- √ Expand sales in newly emerging economies, especially China
- √ Capture business from demand due to economic stimulus measures by various countries
- √ Improve cost structure by implementing emergency measures

Results of FY 2010

Sales: 252.7 billion yen; Operating margin: 6.4 %; Overseas sales ratio: 39.7 %

***Assumed exchange rates for year ending March 2011: $1 = ¥86.50, €1 = ¥113.88**

I. Looking Back at the Previous Plan - 2/2

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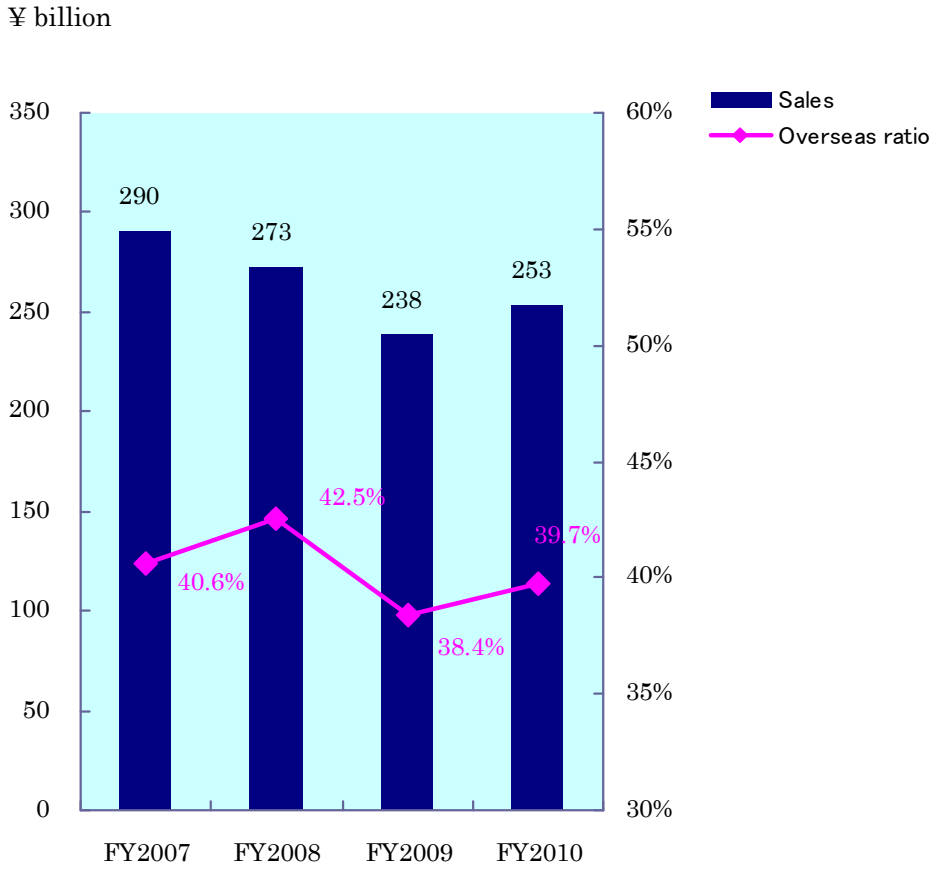
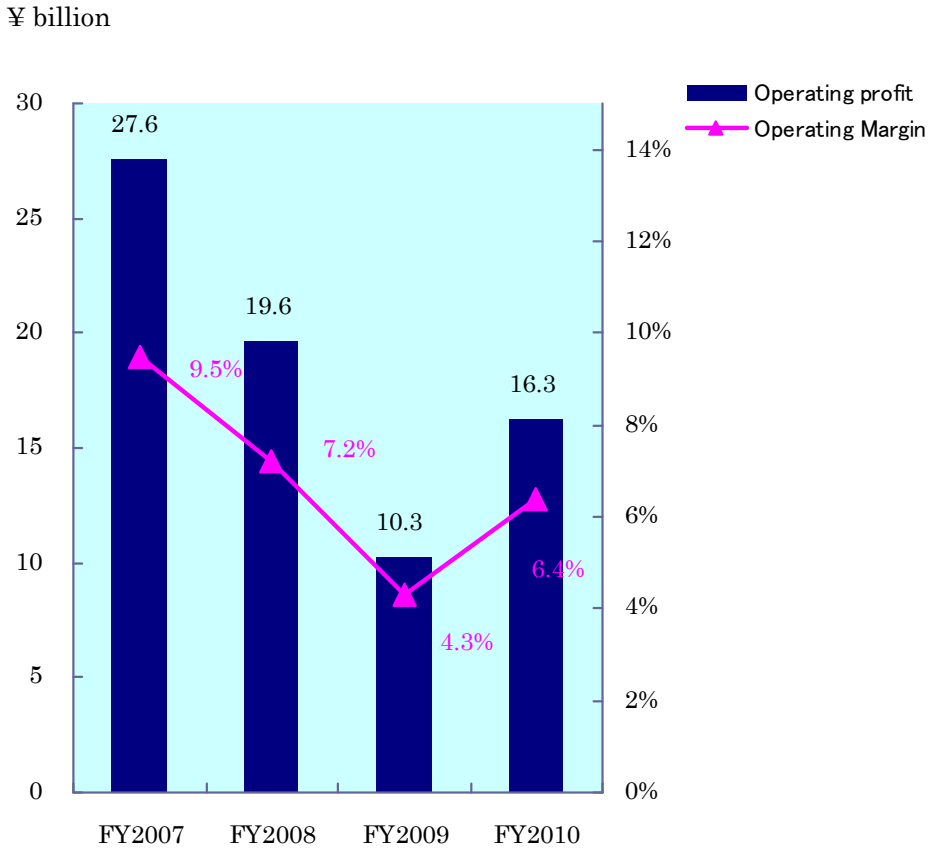
《Sales》



《Operating margin》



II. Fundamental Policies of New Medium-Term Management Plan

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Toward Becoming a True Global Business
Aim to Become No. 1 Partner Selected by Customers Globally

Growth Strategy

Be global leader with products and solutions based on global strategies

* **Pursue global growth:** Achieve growth in both developed and newly emerging economies
* **Provide new value to customers:** Further strengthen ability to supply solutions
* **Focus on growth markets and strong businesses:** Produce more globally No. 1 products by focusing resources

Improve Profitability

*** Use management resources effectively:**
Reduce inventory from a global perspective and make performance indicators more visible

*** Improve productivity in all divisions:**
Improve breakeven point by implementing production reforms, improving business efficiency, and downsizing administrative departments

III. Global Market Strategy

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Aim to achieve strong growth in both developed and newly emerging economies by basing growth strategies on their respective market characteristics

Products	
	Promote expanding high-end products
	Actively introduce mid-low and high cost-effective products
	Strengthen network compatibility
R&D and Production	
	Strengthen local R&D capabilities
	Expand local production
Applications and Aftermarket	
	Strengthen capabilities to offer applications for safety and security in food product and environmental fields
	Expand aftermarket business

Ⅳ. Targets -1/3

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Targets for FY 2013

Sales: 320 billion yen; Operating margin: 10 %
Overseas sales ratio: Over 45 %
Increase number of products with 15 % or more global market share

¥ billion

	FY 2013, plan	FY 2010	Change	% Change
Sales	**320.0**	252.7	67.3	26.6%
Operating profit	**32.0**	16.3	15.7	96.4%
Op margin	**10.0%**	6.4%	—	3.6% point
Overseas sales	**146.0**	100.4	45.6	45.5%
Overseas sales ratio	**45.6%**	39.7%	—	5.9% point

*Assumed exchange rates: $1 = ¥85, €1 = ¥110

Ⅳ. Targets -2/3

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Industry segment sales plan

¥ billion

	FY 2013 plan	FY 2010	Change	% Change
Analytical & Measurement Instruments	**188.0**	140.8	47.2	33.5%
Medical Equipment	**56.0**	49.5	6.5	13.1%
Aircraft Equipment	**28.0**	25.0	3.0	12.0%
Industry Machinery	**42.0**	29.2	12.8	43.8%
Other	**6.0**	8.2	-2.2	-26.8%
Total	**320.0**	252.7	67.3	26.6%

Ⅳ. Targets -3/3

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Regional Sales plan

¥ billion

	FY 2013	FY 2010	Change	% Change
Japan	**174.0**	152.3	21.7	14.2%
North & South America	**31.0**	22.7	8.4	36.9%
〔North America〕	***〔23.5〕***	*〔17.2〕*	*〔6.3〕*	*〔36.7%〕*
Europe	**25.0**	18.5	6.5	35.3%
China	**50.0**	32.0	18.0	56.0%
Other Asian countries	**28.0**	18.9	9.1	48.0%
〔India〕	***〔9.0〕***	*〔5.7〕*	*〔3.3〕*	*〔57.8%〕*
Other	**12.0**	8.3	3.7	44.9%
Total	**320.0**	252.7	67.3	26.6%

〈Key Points〉

※70% of sales growth is in overseas.

※60% of sales growth in overseas is in China & other Asian countries.

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Increase in Operating Income: 15.7 Billion yen

¥ billion

	Item	Amount
Operating Income for FY 2010		16.3
Increase/Decrease Factors	Increased gross profit due to increased sales	+26
	Increased gross profit due to increased profitability (cost reductions, manufacturing expense reductions, etc.)	+9.7
	Decrease in income due to increase in selling, general, and administrative expenses	-16
	Expansion of strategic investments	-4
Operating Income Planned for FY 2013		32

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Capital Investment: 47 Billion Yen

* Based on results from last 3 years, a major increase of 20 billion yen is planned
* Invest 16 billion yen toward global growth (expand overseas plants and equipment, establish information network between locations in Japan and overseas, etc.)
* Invest 4.5 billion yen in strengthening IT systems (such as using implementation of IFRS system as opportunity to establish customer information system)
* Invest 25 billion yen for maintenance, upgrading, and other ongoing investment in regular equipment

R&D Investment: 51 Billion Yen

* Based on results from last 3 years, a major increase of 12.5 billion yen is planned
* Set a strategic investment budget of 9 billion yen to focus investment on important models, such as chromatographs

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3-Year Increase in Personnel: 1,180 People

Units: People

Region		Personnel Count
Personnel at End of FY2010		9,820
Breakdown of Increase	Japan (Shimadzu Corporation & Subsidiaries in Japan)	+280
	Overseas	+900
	[North & South America]	*[+200]*
	[Europe]	*[+160]*
	[China]	*[+470*
	[Others]	*[+70]*
Personnel at End of FY 2013		11,000

Key Points:

* 76 % of 12 % 3-year increase in personnel is overseas
* Major increase in R&D from increase of last 3 years

VIII. Capital Policy and Dividend Policy

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* Continue making every effort to increase sales, strengthen earning capacity and financial status, and improve ROE

* Continue stable dividends, dividends calculated based on profit status

IX. Business Strategy
- Analytical & Measuring Instruments - 1/3

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¥ billion

	FY2013 plan	FY2010	Change	change(%)
Sales	**188.0**	140.8	47.2	33.5%
〔Chromatograph〕	***〔85.5〕***	*〔61.5〕*	*〔24.0〕*	*〔39.1%〕*

Fundamental Strategies and Policies

Growth in Both Developed and Newly Emerging Economies

- **Introduce high-end products with significantly higher added value and compelling cost competitiveness and mid-low products designed to offer exceptional performance for the cost, in respective markets.**

Focus on Important Points

- **Focus on chromatographs, develop globally No. 1 products, and strengthen software**

Aftermarket

- **Integrate service subsidiaries, expand business in Japan, and deploy overseas**

Advanced Technology and Growth Fields

- **Expand business in areas such as pharmaceuticals, MS for diagnostic, and nanotechnology**
- **Actively pursue growth fields - life, green, and materials**

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Strategies for Chromatography Products - 1/2

LC - Sales target for FY 2013: 45.5 billion yen (35.8 % increase from FY2010)

High-End Products

- Achieve additional increases in added value to ultra fast LC by incorporating advanced results through joint development with customers, then supply the system to advanced users in pharmaceutical and life science fields

Strengthen Capabilities in Newly Emerging Economies

- Develop LC systems at the Shimadzu International Trading (Shanghai) Co., Ltd. – Shimadzu China R&D Division (which started operation January 2011) that offer much higher performance for the cost
- Ensure business is captured in markets with expected future expansion, such as pharmaceuticals and foods in China and pharmaceuticals in India, and aim to capture top market shares in both countries

MS - Sales target for FY2013: 21 billion yen (60.3 % increase from FY2010)

Increase Product Line

- Pursue higher sensitivity MSMS and increase high-end product line
- Develop advanced applications for clinical use, new materials R&D, and identifying drugs

Market Development

- Capture demand in pharmaceuticals, food inspection, drug identification, and other fields that are expected to continue expanding in China

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Strategies for Chromatography Products - 2/2

GC - Sales target for year FY 2014: 19 billion yen (27.5 % increase from FY2010)

Local Development

- Develop GC systems at the Shimadzu International Trading (Shanghai) Co., Ltd. – Shimadzu China R&D Division with much higher performance for the cost
- Strengthen petroleum refining and petrochemical applications to expand market share in China, Middle East, and other areas

High-End Products

- Supply new products that offer high speed, high sensitivity, and high separation to high-end users in chemistry, foods, and other fields

Software

- Strengthen development of workstation software and driver systems capable of integrated control of LC, MS, GC, and other analytical instruments

IX. Business Strategy - Medical Systems - 1/2

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¥ billion

	FY2013 plan	FY2010	Change	Change(%)
Sales	**56.0**	49.5	6.5	13.1%

Fundamental Strategies and Policies

Pursue Challenge of Treatment Fields

- **Deploy sophisticated diagnostic imaging technology in medical treatment fields, such as for radiation treatment**

Overseas Expansion

- **Actively pursue mid-low markets by strengthening local R&D capabilities in China**
- **Promote expansion in U.S. and EU by strengthening marketing alliances**

Aftermarket Business Expansion

- **Promote expansion of remote maintenance and further development of global parts supply capabilities**

Promoting Cost Reductions

- **Promote improved profitability through product design, shorter lead times, and other measures aimed at achieving significant cost reductions**

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Digital X-Ray Strategy

FPD: Flat Panel Detector

Promote expansion of digital X-ray systems (FPD) by satisfying detailed needs of global customers

Applications

Increase added value and competitive strength by offering many useful applications

Tomosynthesis: Achieves multilayered radiography using low-exposure dose levels (even shows early-stage tumors)

Slot radiography: Helps improve diagnostic efficiency by using advanced digital technology to produce single longitudinal images of lower extremities or other areas conventionally split into multiple images

IX. Business Strategy - Aircraft Equipment

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¥ billion

	FY2013 plan	FY2010	Change	Change(%)
Sales	**28.0**	25.0	3.0	12.0%

Fundamental Strategies and Policies

Equipment for passenger Aircrafts

Expand equipment installed on Boeing aircraft and promote cost reductions

Defense Business in Japan

Strengthen production capabilities toward mass production of P-1 (new patrol plane) and XC-2 (new transport aircraft)

IX. Business Strategy - Industrial Machinery - 1/2

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¥ billion

	Fy2013 plan	FY2010	Change	Change (%)
Sales	**42.0**	29.2	12.8	43.8%
〔TMP〕	***〔13.5〕***	*〔11.2〕*	*〔2.3〕*	*〔20.5%〕*
〔CVD〕	***〔5.3〕***	*〔2.4〕*	*〔2.9〕*	*〔2.2倍〕*

Fundamental Strategies and Policies

Turbomolecular Pumps

Expand product line: Expand line of magnetic bearing models. Also expand into LCD touch panel and organic EL manufacturing equipment

Strengthen aftermarket service: Expand aftermarket service business to end users

Inline Plasma CVD Systems for Solar Cell

Introduce new products with high throughput and outstanding performance for the cost

IX. Business Strategy - Industrial Machinery - 2/2

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¥ billion

	FY2013 plan	FY2010	Change	Change (%)
Sales	**42.0**	29.2	12.8	43.8%
〔Hydraulic〕	***〔10.5〕***	*〔7.2〕*	*〔3.3〕*	*〔46.8%〕*

Fundamental Strategies and Policies

Hydraulic Equipment

Promote developing new customers overseas

-U.S. and EU: Promote developing local users in forklift, construction machinery, and agricultural machinery fields

-China : Expand product line of locally manufactured and imported products (from Japan) and actively deploy them in forklift, construction machinery, and agricultural machinery fields

X. China Market Strategies - 1/3

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Fundamental Policies

* Promote growth in mid-low volume zone markets, where significant growth is expected
* Expand/develop local R&D/production capabilities toward growth in volume zone markets
* Also expand high-end products to prepare for increase in demands associated with advanced technology through development of industry and academic sciences and so on
* Pursue active expansion through a wide range of models and services, from high end to mid-low end
* Significantly expand and develop sales and service locations

Plan for FY 2013

Sales: 50 billion yen

Compared to FY 2010: +18 billion yen and +56.0 %

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Key Measures

Analytical & Measuring Instruments

* **Strengthen local R&D capabilities and actively introduce new products targeted at volume zone**
  - Built Shimadzu International Trading (Shanghai) Co., Ltd. – Shimadzu China R&D Division in Shanghai in January 2011
  - Promote R&D that reflects local needs of volume zone and incorporates mostly local parts
  - Develop mainly chromatographs targeted at the volume zone, but also spectrophotometers and environmental measurement instruments, and increase the proportion of locally developed products to 20 %
* **Build a sales organization that can accommodate increasingly diversified markets**
  - Expand/develop sales capabilities for the mid-low markets
  - Establish a specialized sales organization that can focus on life sciences and petrochemicals
* **Use China's 12th 5-year plan as a boost to expanding sales**
  - Ensure government projects are obtained
  - Respond appropriately to stricter regulations (such as 2012 revisions to Water Supply Law)

    12th 5-year plan

    The 2011 to 2015 plan for Chinese government activities, switchover to domestic demand guidance, increased investment in R&D (2.2 % of GDP), strengthened environmental and food safety measures, promotion of industry in inland regions, and so on

X. China Market Strategies - 3/3

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Medical Systems

***Develop mid-low markets**

Introduce locally developed general purpose fluoroscopy and mobile X-ray systems targeted to main provincial hospitals

Establish additional sales channels and promote expansion through new sales channels

***Strengthen relationships with more advanced hospitals**

Strengthen relationships with more advanced hospitals through joint research on advanced applications and expand sales of high-end systems, such as models with direct conversion FPDs, to advanced hospitals

Industrial Machinery

***Expand turbomolecular pump sales**

Expand sales to semiconductor, liquid crystal, and solar cell thin film applications and maintain high share of glass coating applications

***Expand sales of hydraulic equipment**

Broaden product line with an increase in locally produced items and items imported from Japan, expand market share in the forklift market, and develop construction and agricultural equipment markets

***Expand sales of Inline Plasma CVD Systems for Solar Cell**

Develop next-generation instruments with higher production efficiency and expand sales in China

XI. Promote New Businesses

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Make reliable progress on new business ventures started during the previous medium-term management plan

Next-Generation Medical Treatment

- New growth areas in fields that merge analytical & measuring instruments with medical systems

Results to Date

* Developed laboratory animal imaging systems (PET, CT, and OPT) and introduced them in market for drug discovery support equipment
* Introduced imaging contract testing services

Additional Progress Required

* Promote clinical diagnostic support applications

  Form deeper partnerships with universities and other institutions to develop clinical diagnostic MS systems, high-functionality PET systems, photodiagnostic systems, and other products.

Industrial Measurement

- From the laboratory to production line measurement

Results to Date

* Developed 3 process monitor models for semiconductor manufacturing equipment
* Developed instruments for measuring automotive engine combustion

Additional Progress Required

* Enter field of in-line measurement for production lines

  Enter industrial in-line inspection field, for inspecting printed circuit boards and other such items, centered around a business partnership with Saki Corporation which has optical automated inspection technologies

XII. Summary

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Further Challenges Toward Achieving Innovation

Contribute to further progress in advanced fields, such as in life sciences, new materials, and environmental applications, by continuing to pursue challenges in developing technology to achieve innovation

Contribution to "Life Innovation"

Innovation in drug discovery process ← Advancements in LC and MS technology: Ultra fast and ultra sensitive, etc.

From diagnostics to treatment ← Apply X-ray technology

Contribution to "Materials Innovation"

Development of new materials ←Pursue technology utilizing analytical instruments for analyzing and evaluating information

Improve productivity of organic EL ← Apply CVD technology (moisture barrier film forming)

Contribution to "Green Innovation"

Develop environmental analysis technology that enables easily measuring air, water, and soil

Engage in alternative energy fields ← Contribute to developing high performance batteries