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Operating Results and Financial Position **(for the Six Months Ended September 30, 2008)**

1. Operating Results

Consolidated Overview

During the six months ended September 30, 2008, the Japanese economy began to experience a slowdown due to the impact of the U.S. economic slowdown and rising crude oil and natural resource prices. Overseas, although the U.S. and European economies were weighed down by increasing financial system instability stemming from the subprime mortgage crisis, markets in China, India, and Russia continued to expand.

Under such economic conditions, the Shimadzu Group worked to build global support for the Shimadzu brand, one of the key objectives set out in the three-year medium-term management plan launched in April this year. Toward this objective, the Group maintained growth by bolstering its marketing efforts and drove forward functional and process reforms to build a solid earnings base. At the same time, the Group also focused efforts on expanding sales of new products that meet customer needs.

As a result, the Group's consolidated net sales for the six months ended September 30, 2008, were down 1.0% compared with the year-ago period to ¥136,959 million. Operating income fell 2.9% year-over-year to ¥12,046 million, while ordinary income rose 4.8% to ¥11,846 million. Net income totaled ¥7,875 million, representing year-over-year growth of 19.6%.

Industry Segment Information

I. Analytical and Measuring Instruments

In the domestic market, demand stemming from both capital expenditure and research and development began to slow, while demand from the public sector and universities was also weak. Sales of high-performance liquid chromatographs and industrial X-ray inspection systems, two of the Shimadzu Group's core products, expanded after the product lineup was enhanced and new products introduced. On the other hand, sales of spectrometers declined, as did sales of large analytical devices and testing machines, both of which had performed well throughout last fiscal year, due to a dip in demand for equipment upgrades. In sum, the domestic market as a whole was

weak.

In overseas markets, the Shimadzu Group enjoyed firm sales of high-performance liquid chromatographs, mass spectrometers, spectrometers, and environmental measuring instruments in China and other Asian markets due to growing concern about food safety and environmental issues. In North America and Europe, sales of products such as mass spectrometers, testing machines, and high-performance liquid chromatographs were solid.

As a result, net sales for the segment during the six months ended September 30, 2008, were down 2.1% compared with the year-ago period to ¥73,778 million, while operating income fell 5.8% to ¥11,082 million.

II. Medical Systems

In Japan, poor conditions in the market for medical-use diagnostic imaging equipment resulted in weak sales. Overseas, demand for digitized products was firm and sales increased for direct-transfer FPD X-ray imaging systems. Shimadzu enjoyed strong performance in North America, China, and the Middle East.

In sum, net sales for the segment during the six months ended September 30, 2008, were down 2.6% year over year to ¥24,902 million, while operating income increased 28.6% to ¥1,215 million.

III. Aircraft Equipment and Industrial Machinery

In the aircraft equipment business, domestic sales fell as demand from Japan's Self-Defense Forces entered a cyclical dip after delivery of the next-model fixed-wing maritime patrol aircraft (XP-1) and the next-model large transport plane (C-X) prototypes was completed. Meanwhile, in overseas markets, demand for commercial aircraft continued to recover, resulting in firm performance.

In the industrial machinery segment, despite stagnation in semiconductor-related markets, sales of turbomolecular pumps increased due to increasing demand for products such as liquid crystal panels and glass coatings. Underpinned by growth in the solar power industry, sales of CVD (chemical vapor deposition) equipment for solar panels rose considerably, particularly in China and Taiwan, where capital expenditure has been robust. Although some customers have reduced inventories and slowed production, sales of hydraulic equipment to forklift manufacturers and other industrial vehicle makers were firm.

All told, net sales for the segment during the six months ended September 30, 2008, were up 4.1% year over year to ¥35,173 million, while operating income increased 1.7% to ¥3,688 million.

IV. Other

Net sales for the segment declined 12.5% compared with the year-ago period to ¥3,104 million, while operating income increased 25.2% to ¥1,013 million.

2. Consolidated Financial Position

Total assets at the end of the six months ended September 30, 2008, stood at ¥290,376 million, a decline of ¥13,454 million from the end of the previous fiscal year. This was due to a decline in cash and time deposits of ¥12,122 million and other factors. Net assets totaled ¥155,447 million.

3. Consolidated Outlook

Going forward, the Shimadzu Group expects to face an increasingly challenging business environment. Foreign exchange rates and natural resources prices continue to fluctuate, and the financial crisis that originated in the U.S. has spread around the world, growing in severity, while financial market turmoil and the credit contraction has begun to impact the real economy, thereby hurting the global economy.

In this business environment, the Shimadzu Group will work to build global support for the Shimadzu brand by creating its own growth opportunities through industry and customer-oriented marketing activities. Toward this objective, the Shimadzu Group will seek to maintain growth by bolstering its marketing efforts while driving forward functional and process reforms to build a solid earnings base.

In consideration of its operating results for the six-month period and the changes in the business environment discussed above, the Shimadzu Group has revised the consolidated earnings forecast it released on May 14, 2008.

Full-year earnings forecast for the fiscal year ending March 31, 2009

	Full-year forecast (million yen)	Year-over-year change (based on forecast) (%)	<i>For reference:</i> Previously announced forecast (million yen)
Net sales	285,000	(1.7)	295,000
Operating income	25,000	(9.4)	28,000
Ordinary income	23,000	(3.6)	25,500
Net income	14,500	5.6	16,000

* The forecast operating results given in the chart above were calculated based on information available at the time of the release of this document. Actual business results may differ from forecast values due to various factors. Such factors include, but are not limited to, economic conditions in key markets (Japan, U.S., Europe, Asia, etc.), fluctuations and changes in product supply and demand, and foreign exchange rate movements.

4. Other Information

Changes in accounting principles, procedures, and methods of presentation used in the preparation of quarterly consolidated financial statements

- 1) Effective this consolidated fiscal year, Shimadzu Corporation adopted the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12; March 2007) and its accompanying “Guidance on the Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14; March 2007). The consolidated financial statements for the six months ended September 30, 2008, were prepared in accord with the “Regulation for Terminology, Format, and Preparation of Quarterly Financial Statements.”
- 2) Accounting Standard for the Valuation of Inventories

Effective this consolidated fiscal year, Shimadzu Corporation adopted the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) and has switched from its former cost-accounting method to a cost-accounting method that involves reducing book value to account for declines in the profitability of inventory. Further, effective this consolidated fiscal year, the loss on disposal of inventories, previously reported under other expenses, will be reported under cost of sales.

As a result, operating income is ¥542 million lower, ordinary income is ¥385 million higher, and income before income taxes and minority interests is ¥1,367 million lower than the figures that would have resulted with the previous accounting method.

3) Accounting Standard for Lease Transactions

Effective this consolidated fiscal year, Shimadzu Corporation adopted the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13; June 17, 1993; latest revision March 30, 2007) and its accompanying “Guidance on the Accounting Standard for Lease Transactions” (ASBJ Statement Guidance No. 16; January 18, 1994; latest revision March 30, 2007).

Companies are permitted to adopt these standards for quarterly financial statements for fiscal years beginning on or after April 1, 2008. Non-ownership-transfer finance leases will no longer be subject to accounting treatment for operating leases and will instead be treated as ordinary sales transactions. Assets leased in non-ownership transfer finance leases will be depreciated straight-line over a useful life equal to the lease period with an estimated residual value of zero. The effect of these changes on earnings is immaterial.

(1) Consolidated Balance Sheets

(In million yen)

	As of September 30, 2008	As of March 31, 2008
Assets		
Current assets		
Cash and time deposits	23,643	35,766
Trade notes and accounts receivable	81,019	87,238
Marketable securities	26	142
Merchandise and products	32,210	30,395
Work in process	25,068	22,075
Raw materials and supplies	14,108	13,528
Deferred tax assets	7,416	6,122
Other	4,323	4,987
Allowance for doubtful receivables	(1,137)	(879)
Total current assets	186,679	199,378
Noncurrent assets		
Property, plant and equipment:		
Buildings and structures	66,338	65,670
Accumulated depreciation	(32,724)	(31,962)
Buildings and structures, net	33,613	33,708
Machinery, equipment and vehicles	20,219	20,253
Accumulated depreciation	(14,192)	(13,835)
Machinery, equipment and vehicles, net	6,026	6,418
Land	18,931	18,849
Leased assets	6,081	-
Accumulated depreciation	(3,345)	-
Leased assets, net	2,735	-
Construction in progress	235	81
Other	26,749	26,720
Accumulated depreciation	(19,411)	(18,990)
Other, net	7,338	7,730
Net property, plant and equipment	68,880	66,788
Intangible fixed assets	6,368	6,211
Investments and other assets:		
Investment securities	10,017	12,352
Long-term receivables	1,408	969
Deferred tax assets	12,014	12,584
Other	5,224	5,718
Allowance for doubtful receivables	(217)	(171)
Total investments and other assets	28,447	31,453
Total noncurrent assets	103,696	104,452
Total assets	290,376	303,830

(In million yen)

	As of September 30, 2008	As of March 31, 2008
Liabilities		
Current liabilities		
Trade notes and accounts payable	50,582	52,611
Short-term loans	7,867	5,246
Current portion of unsecured bonds	10,000	15,000
Lease obligations	1,192	-
Accounts payable, other	9,038	11,725
Income taxes payable	4,025	2,670
Allowance for employees' bonuses	5,695	5,933
Allowance for director's bonuses	236	322
Other	8,502	10,401
Total current liabilities	97,140	103,911
Long-term liabilities		
Unsecured bonds	10,000	20,000
Long-term debt	2,288	2,556
Lease obligations	1,666	-
Liability for employees' retirement benefits	16,935	19,432
Liability for directors' retirement benefits	237	237
Other	6,661	6,982
Total long-term liabilities	37,788	49,207
Total liabilities	134,928	153,118
Net assets		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	94,209	87,574
Treasury stock	(594)	(536)
Total shareholders' capital	155,451	148,875
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	2,332	3,211
Foreign currency translation adjustments	(2,778)	(1,779)
Total valuation and translation adjustments	(446)	1,432
Minority interests		
Total net assets	155,447	150,712
Total liabilities and net assets	290,376	303,830

(2) Consolidated Statements of Operations

(In million yen)

Six months ended September 30,
2008

Net sales	136,959
Cost of sales	82,459
Gross profit	54,499
Selling, general and administrative expenses	42,453
Operating income	12,046
Other income:	
Interest income	120
Dividend income	118
Insurance payments received	103
Rent received	73
Foreign exchange gain, net	142
Other	398
Total other income	956
Other expenses:	
Interest expense	251
Other	903
Total other expenses	1,155
Ordinary income	11,846
Extraordinary income:	
Gain on contribution of securities to employees' retirement benefit trust	1,450
Gain on sale of investment securities	13
Gain on sale of property, plant and equipment	12
Total extraordinary income	1,476
Extraordinary losses:	
Loss on write-down of inventories	1,752
Loss on write-down of investment securities	238
Loss on disposal of property, plant and equipment	90
Total extraordinary losses	2,081
Income before income taxes and minority interests	11,241
Income taxes	3,320
Income taxes adjustments	40
Total income taxes and income taxes adjustments	3,361
Minority interests in net income	4
Net income	7,875

Effective this consolidated fiscal year, Shimadzu Corporation adopted the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12; March 2007) and its accompanying “Guidance on the Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14; March 2007). The consolidated financial statements for the six months ended September 30, 2008, were prepared in accord with the “Regulation for Terminology, Format, and Preparation of Quarterly Financial Statements.”

(3) Note on the Going-Concern Assumption

Not applicable

(4) Segment Information

1) Industry Segment Information

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

(In million yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/ corporate	Consolidated total
I. Net sales and operating income/loss							
Net sales							
(1) Sales to customers	73,778	24,902	35,173	3,104	136,959	-	136,959
(2) Inter-segment sales	46	1	24	491	563	(563)	-
Total	73,825	24,903	35,198	3,595	137,523	(563)	136,959
Operating income	11,082	1,215	3,688	1,013	17,000	(4,954)	12,046

2) Overseas sales

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

(In million yen)

	The America	Europe	Asia and Oceania	Total
I. Overseas sales	13,759	11,052	34,143	58,955
II. Consolidated sales				136,959
III. Ratio of overseas to total consolidated sales	10.0 %	8.1 %	24.9 %	43.0 %

(5) Note on Significant Changes in the Amount of Shareholders' Equity

Not applicable

Reference:**Consolidated Financial Statements for the Six Months ended September 30, 2007****(April 1, 2007 — September 30, 2007)****(1) Consolidated Statements of Operations**

	(In million yen)
	Six months ended September 30, 2007
Net sales	138,276
Cost of sales	84,556
Gross profit	53,720
Selling, general and administrative expenses	41,310
Operating income	12,409
Other income:	
Interest income	139
Dividend income	114
Other	730
Total other income	985
Other expenses:	
Interest expense	342
Loss on disposal of inventories	658
Foreign exchange loss, net	165
Other	925
Total other expenses	2,091
Ordinary income	11,303
Extraordinary income:	
Gain on liquidation of subsidiaries	246
Gain on sale of property, plant and equipment	9
Total extraordinary income	256
Extraordinary losses:	
Loss on disposal of property, plant and equipment	306
Loss on write-down of investment securities	1
Total extraordinary losses	307
Income before income taxes and minority interests	11,251
Income taxes	4,018
Income taxes adjustments	622
Minority interests in net income	23
Net income	6,585

(2) Segment Information

1) Industry Segment Information

Six months ended September 30, 2007 (April 1, 2007 – September 30, 2007)

(In million yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/corporate	Consolidated total
I. Net sales and operating income/loss							
Net sales							
(1) Sales to customers	75,361	25,572	33,792	3,550	138,276	-	138,276
(2) Inter-segment sales	88	108	22	471	690	(690)	-
Total	75,450	25,680	33,814	4,021	138,966	(690)	138,276
Operating expenses	63,689	24,735	30,189	3,211	121,825	4,040	125,866
Operating income	11,760	945	3,625	809	17,140	(4,731)	12,409

2) Overseas sales

Six months ended September 30, 2007 (April 1, 2007 – September 30, 2007)

(In million yen)

	The America	Europe	Asia and Oceania	Total
I. Overseas sales	14,740	10,081	30,955	55,778
II. Consolidated sales				138,276
III. Ratio of overseas to total consolidated sales	10.6 %	7.3 %	22.4 %	40.3 %