

February 9, 2011

## **Operating Results and Financial Position** **(for the Nine Months ended December 31, 2010)**

### **1. Operating Results**

#### **(1) Consolidated Overview**

In the nine months ended December 31, 2010, Japan's economy maintained a general recovery trend, due to factors such as increased exports, mainly to Asia, and the effects from economic measures. Overseas, the Asian economy expanded, primarily in China and India. In Europe, though financial crises are still a concern for some countries, the economic situation continues to improve in Germany and other major economies. In the United States, though unemployment has remained high, economic measures have also helped contribute to a continuing gentle economic recovery.

Under such an environment, the Shimadzu Group designated the current fiscal year as the year to solidify its foundation to get back on a path of growth. The Group has actively implemented measures to achieve growth, such as expanding our scope of operations in emerging markets, expanding our aftermarket operations, and introducing products with high added value and exceptional value in terms of cost versus performance. At the same time, the Group has endeavored to establish "the Shimadzu brand, trusted throughout the world" by continuing to grow through strengthening marketing capabilities and by implementing functional and process reforms to establish a solid base of profitability.

As a result, for the current third quarter, consolidated net sales were 172,453 million yen (year-on-year increase of 8.8%), operating income was 6,462 million yen (year-on-year increase of 112.8%), ordinary income was 5,476 million yen (year-on-year increase of 93.8%), and net income was 3,640 million yen (year-on-year increase of 110.1%).

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

The following describes the current situation by segment.

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

Though the Japanese market has not returned to the level it was before the sudden economic recession, overall sales have increased. In governmental and academia markets, sales have decreased somewhat from last year, which was boosted by demand from economic stimulus programs and so on. However, R&D investment and capital investment have recovered in private sector markets

due to improving corporate results, and sales in some segments have been strong, such as for environmental applications and alternative energy applications. In terms of products, demand has increased for gas chromatographs, environmental analytical instruments, and spectrophotometers and demand is recovering for testing machines, surface analysis instruments, and industrial X-ray systems. Overseas, with markets in developed economies gradually recovering and emerging markets continuing to expand, overall sales increased. In the United States and Europe, demand for liquid chromatographs, mass spectrometers, and other such instruments has recovered, resulting in increased sales. Due to the continuing economic expansion in China, fueled primarily by domestic demand, sales of liquid chromatographs, spectrophotometers, surface analysis instruments, and environmental analytical instruments have increased in fields such as pharmaceuticals, environment, and food safety. In India, which has a large pharmaceuticals market, the market conditions are starting to recover, resulting in significantly increased sales of liquid chromatographs.

This resulted in division sales of 92,560 million yen (year-on-year increase of 7.2%).

## **II. Medical Systems**

In Japan, sales to national and university hospitals are down from last year, when sales were buoyed by stimulus spending programs. At major private hospitals, profitability increased due to revisions in the public medical treatment fee system in April 2010. Consequently, there was a recovery in capital investment, such as to switch to digital models of X-ray systems or to replace existing systems, resulting in an increase in the number of inquiries. However, overall sales in Japan decreased.

Overseas, sales in Europe decreased due to the high yen and other factors, but sales of FPD-equipped X-ray systems and mobile diagnostic X-ray systems were strong in the United States and China, resulting in a slight increase in overall overseas sales.

This resulted in division sales of 34,230 million yen (year-on-year decrease of 1.1%).

## **III. Aircraft Equipment**

In the Japanese market, which is dominated by military demand, sales of equipment for modernization of the Japan Defense Ministry F-15 fighter remained firm, but overall sales decreased due to budget cuts in the Defense Ministry. In overseas markets, sales decreased due to the strong yen and other factors.

This resulted in division sales of 17,806 million yen (year-on-year increase of 5.4%).

## **IV. Industrial Machinery**

Demand for industrial machinery has been strong in semiconductor and LCD markets, with demand also increasing for building material glass coating applications, mainly in China. Consequently, sales of turbomolecular pumps have recovered quickly and reached record levels. Sales of hydraulic equipment have continued to recover, especially for industrial vehicle and construction equipment applications, resulting in significantly higher sales.

This resulted in division sales of 21,564 million yen (year-on-year increase of 44.7%).

## **V. Other**

Sales resulted in 6,291 million yen (year-on-year increase of 62.8%).

## **(2) Consolidated Outlook**

With the global economy expected to continue recovering gradually and due to such improvements in overseas economies, the effects of various economic measures, and other factors, the Japanese economy, which has been somewhat at a standstill, is expected to start improving as well. Given the current business environment, we will strive to expand sales and improve profitability in spite of the severely strong yen, by implementing a variety of measures, such as aggressively expanding operations in China, India, and other emerging markets and strengthening our marketing capabilities based on new products.

The Shimadzu Group has powerfully implemented measures to get back on a growth path, such as by further expanding our scope of operations in China and other emerging markets, expanding our aftermarket operations, developing products that provide the low power consumption increasingly demanded by customers concerned with environmental conservation, and introducing new products that offer high added value and exceptional value in terms of cost versus performance. In addition, we will strengthen our ability to handle sharp increases in the yen or other exchange rate fluctuations by promoting major cost reductions through product design changes, promoting the procurement of parts from overseas, and increasing the local content of items manufactured overseas. In particular, in China, where continued economic growth is forecast, we will establish comprehensive operational capabilities, including R&D, manufacturing, sales, and service functions, necessary to beat the competition and expand operations to a new level, such as by building a Chinese R&D Center.

## **2. Other Information**

(1) Changes in the consolidation status (scope of consolidation) of material subsidiaries during the period

Not applicable

(2) Use of simplified accounting procedures and/or accounting procedures specific to the preparation of quarterly consolidated financial statements

Not applicable

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

Application of Accounting Standard for Asset Retirement Obligations

Effective from the first quarter of the fiscal year ended March 31, 2011, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, published on March 27, 2009) and its accompanying Guidance on "Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ABSJ Guidance No. 20, published on March 21, 2008).

In accord with the newly adopted standard, ordinary income decreased 11 million yen and income before income taxes and minority interests decreased 269 million yen.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In million yen)

	As of December 31, 2010	As of March 31, 2010
<b>Assets</b>		
Current assets		
Cash and time deposits	31,953	29,367
Trade notes and accounts receivable	71,944	83,051
Merchandise and products	33,398	29,441
Work in process	20,680	19,549
Raw materials and supplies	15,833	14,024
Deferred tax assets	6,920	6,138
Other	4,722	3,309
Allowance for doubtful receivables	(1,044)	(1,103)
Total current assets	184,408	183,778
Noncurrent assets		
Property, plant and equipment:		
Buildings and structures	71,164	68,135
Accumulated depreciation	(35,381)	(34,331)
Buildings and structures, net	35,782	33,803
Machinery, equipment and vehicles	18,260	19,880
Accumulated depreciation	(14,377)	(14,723)
Machinery, equipment and vehicles, net	3,922	5,157
Land	18,763	18,824
Leased assets	3,643	4,322
Accumulated depreciation	(2,086)	(2,662)
Leased assets, net	1,557	1,659
Construction in progress	38	1,881
Other	26,410	26,620
Accumulated depreciation	(20,477)	(20,332)
Other, net	5,932	6,287
Net property, plant and equipment	65,996	67,614
Intangible fixed assets	6,747	6,266
Investments and other assets:		
Investment securities	9,025	9,975
Long-term receivables	1,081	1,307
Deferred tax assets	10,362	10,531
Other	4,562	4,904
Allowance for doubtful receivables	(157)	(275)
Total investments and other assets	24,874	26,444
Total noncurrent assets	97,617	100,325
Total assets	282,026	284,104

(In million yen)

	As of December 31, 2010	As of March 31, 2010
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	45,021	44,820
Short-term loans	11,677	14,650
Lease obligations	661	793
Accounts payable, other	8,673	9,296
Income taxes payable	1,017	1,405
Allowance for employees' bonuses	2,200	5,451
Allowance for director's bonuses	161	182
Other	18,051	8,796
Total current liabilities	87,464	85,397
Long-term liabilities		
Unsecured bonds	10,000	10,000
Long-term debt	10,727	12,196
Lease obligations	1,009	984
Liability for employees' retirement benefits	15,533	15,806
Liability for directors' retirement benefits	314	287
Other	5,950	6,292
Total long-term liabilities	43,536	45,567
Total liabilities	131,000	130,964
<b>Net assets</b>		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	98,838	97,411
Treasury stock	(674)	(646)
Total shareholders' capital	160,001	158,601
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	2,187	2,829
Foreign currency translation adjustments	(11,373)	(8,507)
Total valuation and translation adjustments	(9,186)	(5,678)
Minority interests	209	215
Total net assets	151,025	153,139
Total liabilities and net assets	282,026	284,104

**(2) Consolidated Statements of Operations**

(In million yen)

	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Net sales	172,453	158,512
Cost of sales	108,008	99,195
Gross profit	64,444	59,316
Selling, general and administrative expenses	57,981	56,279
Operating income	6,462	3,036
Other income:		
Interest income	95	74
Dividend income	137	109
Insurance payments received	194	118
Rent received	134	139
Other	743	715
Total other income	1,305	1,157
Other expenses:		
Interest expense	322	386
Foreign exchange loss, net	1,003	323
Other	965	658
Total other expenses	2,291	1,368
Ordinary income	5,476	2,825
Extraordinary income:		
Gain on sale of property, plant and equipment	9	17
Total extraordinary income	9	17
Extraordinary losses:		
Effect of adoption of new accounting standards for asset retirement obligations	258	-
Loss on disposal of property, plant and equipment	85	12
Loss on write-down of investment securities	81	103
Loss on disposal of investment securities	-	40
Total extraordinary losses	425	157
Income before income taxes and minority interests	5,060	2,685
Income taxes	1,640	1302
Refund of income taxes for past fiscal years	-	(389)
Income taxes adjustments	(238)	32
Total income taxes and income taxes adjustments	1402	945
Income before minority interests	3,657	-
Minority interests in net income	17	7
Net income (loss)	3,640	1,732

### (3) Consolidated Statements of Cash Flows

(In million yen)

	Nine months ended December 31, 2010	Nine months ended December 31, 2009
I. Cash flows from operating activities:		
Income before income taxes and minority interests	5,060	2,685
Depreciation and amortization	5,825	6,181
Effect of adoption of new accounting standards for asset retirement obligations	258	-
Increase (decrease) in allowance for doubtful receivables	(115)	106
Increase (decrease) in allowance for employees' bonuses	(3,251)	(3,261)
Increase (decrease) in allowance for director's bonuses	(21)	(156)
Provision for (reversal of) accrued retirement benefits for employees	(230)	(757)
Interest and dividends income	(233)	(184)
Interest expense	322	386
Foreign exchange (gain) loss, net	43	20
Net (gain) loss on sale and valuation of investment securities	85	53
Net (gain) loss on sale and disposal of property, plant and equipment	72	86
(Increase) decrease in trade receivables	9,518	10,455
(Increase) decrease in inventories	(8,768)	(2,429)
Increase (decrease) in trade payables	1,382	(7,330)
Other, net	2,230	(2,353)
Subtotal	12,179	3,502
Interest and dividends received	233	186
Interest paid	(342)	(357)
Income taxes paid	(2,047)	(3,594)
Net cash provided by (used in) operating activities	10,022	(280)
II. Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,177)	(4,819)
Proceeds from sale of property, plant and equipment	758	172
Purchase of investment securities	(219)	(2)
Proceeds from sale of investment securities	-	9
Proceeds from investment subsidiary	-	(193)
Increase in long term receivables	(32)	(8)
Decrease in long term receivables	60	71
Other, net	(811)	(275)
Net cash provided by (used in) investing activities	(6,421)	(5045)
III. Cash flows from financing activities:		
Borrowing of short-term loans	452	3,833
Repayment of short-term loans	(4,069)	(1,538)
Borrowing of long-term debt	-	10,789
Repayment of long-term debt	(480)	(924)
Issuance of commercial paper	11,000	11,000
Repayment of commercial paper	(4,000)	(4,000)
Redemption of unsecured bonds	-	(10,000)
Cash dividends paid	(2,214)	(2,361)
Dividends payments to minority shareholders	(9)	(11)
Repayment of financial lease	(333)	(333)
Payment of finance lease obligations	(669)	(857)
Other, net	(27)	(14)
Net cash provided by (used in) financing activities	(352)	5,581
IV. Foreign currency translation adjustments on cash and cash equivalents	(1,159)	26
V. Net increase (decrease) in cash and cash equivalents	2,089	281
VI. Cash and cash equivalents, beginning of period	28,242	23,673
VII. Cash and cash equivalents, end of period	30,331	23,955

#### (4) Notes on the Going-concern Assumption

Not applicable

#### (5) Segment Information

##### *Additional information*

Effective the first quarter of the fiscal year ending March 31, 2011, the Company adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No. 17, revised March 27, 2009) and its accompanying *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information* (Guidance No. 20, March 21, 2008).

In accord with the newly adopted standard, the former Aircraft Equipment & Industrial Machinery segment was separated to two segments and presented as Aircraft Equipment and Industrial Machinery. Unallocated operating expenses (expenses for the Company's fundamental research and development, advertisement expenses, and administration) that were previously included in "Eliminations/corporate" were allocated among the four segments, namely Analytical & Measuring Instruments, Medical Systems, Aircraft Equipment, and Industrial Machinery.

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

Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)

(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	92,560	34,230	17,806	21,564	166,161	6,291	172,453	-	172,453
(2) Inter-segment sales	67	1	54	32	156	786	942	(942)	-
Total	92,628	34,231	17,861	21,596	166,317	7,078	173,395	(942)	172,453
Segment income (loss)	5,867	(874)	(648)	802	5,147	1,311	6,459	3	6,462

##### Operating income (loss) under the previous segmentation

Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)

(In million yen)

	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment & Industrial Machinery	Other	Total	Eliminations / corporate	Consolidated total
Operating income (loss)	10,728	364	1,720	1,311	14,124	(7,662)	6,462



For reference:

Segment information for the nine months ended December 31, 2009, under the new segmentation  
Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

(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				
I. Sales									
(1) Sales to customers	86,327	34,594	18,819	14,906	154,647	3,864	158,512	-	158,512
(2) Inter-segment sales	177	2	52	58	291	591	883	(883)	-
Total	86,504	34,596	18,871	14,965	154,938	4,456	159,395	(883)	158,512
Segment income (loss)	2,954	(412)	593	(1,253)	1,882	1,142	3,024	12	(3,036)

Operating income (loss) under the previous segmentation

Nine months ended December 31, 2009 (April 1, 2009 – December 30, 2009)

(In million yen)

	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment & Industrial Machinery	Other	Total	Eliminations / corporate	Consolidated total
Operating income (loss)	7,788	568	828	1,142	10,328	(7,292)	3,036

## 2) Relevant information

Sales by geographic segment

Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
101,372	16,918	12,253	22,495	13,528	5,884	172,453

For reference:

Geographic segment information for the nine months ended December 31, 2009, under the new segmentation

Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
93,521	15,245	11,838	20,170	11,233	6,503	158,512

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

Not applicable