

February 12, 2008

## **Operating Results and Financial Position** **(for the Nine Months Ended December 31, 2007)**

### **1. Operating Results**

#### **Overview**

During the nine months under review, the Japanese economy continued on its recovery path, despite signs of slowdown, supported by solid exports and capital expenditures offsetting the impact of rising crude oil and raw materials prices. Overseas, the U.S. economy was mostly firm, helped by consumer spending and capital expenditures amid a slowdown stemming from the subprime mortgage crisis. European economies exhibited solid signs of recovery, while in Asia, China and other countries enjoyed continued growth.

Under such economic conditions, the Shimadzu Group pursued further globalization and drove forward structural reforms of its business operations. These reforms focused on manufacturing, sales, and service, as set out under the basic policies of the current medium-term management plan (for the period from April 2005 through March 2008). At the same time, the Group also focused efforts on expanding sales of new products accommodating to customer needs.

As a result, the Group's consolidated net sales for the period increased 13.7% from a year earlier to ¥204,495 million. Overseas sales also rose 28.5% to ¥85,361 million. Operating income grew 16.1% to ¥17,720 million while ordinary income rose 17.6% to ¥16,054 million. Net income totaled ¥9,191 million, a rise of 14.2% from a year earlier.

Because of the nature of its business, the Group tends to post relatively higher net sales in the second and fourth quarters.

#### **Industry Segment Information**

##### **I. Analytical and Measuring Instruments**

In the domestic market, solid performance came primarily from chromatographs, testing machines, and industrial X-ray spectrometers, reflecting growing capital investment by the private sector, although demand from the public sector declined. The segment's overseas performance was also robust, mainly in Europe and Asia, partly owing to growing demand for chromatographs, mass spectrometers, spectrometers, and environmental measurement instruments.

As a result, net sales for the segment during the period under review were up 10.7% year on year to ¥111,167 million while operating income declined 0.9% to ¥15,984 million.

## II. Medical Systems

In the domestic market, performance was subdued owing to intensified sales competition. Overseas performance was robust in Europe as well as in the Americas as demand increased, primarily for radiography equipment.

As a result, net sales for the segment grew 11.5% year on year to ¥37,701 million while operating income rose 42.0% to ¥1,683 million.

## III. Aircraft Equipment and Industrial Machinery

In the aircraft equipment segment, the domestic market remained solid supported primarily by demand for spare parts. The segment also saw solid performance in the overseas market as demand for commercial aircraft recovered.

In the industrial machinery segment, the performance of domestic operations was subdued. Overseas operations posted strong performance in Asia, primarily in China, and in North America, on rising demand for turbomolecular pumps (TMPs), CVD equipment for solar panel, and glass fiber winders.

As a result, net sales for the segment increased 20.2% year on year to ¥50,204 million and operating income rose 75.1% to ¥5,808 million.

## IV. Other

Net sales for the segment increased 37.1% year on year to ¥5,422 million while operating income increased 6.8% to ¥1,356 million.

## **2. Financial Position**

### Total Assets and Net Assets

Total assets at the end of the nine months under review stood at ¥298,521 million, an increase of ¥3,437 million from the end of the previous fiscal year. This was primarily due to an increase in inventories of ¥8,448 and a decrease in trade notes and accounts receivable of ¥5,842 million. Net assets amounted to ¥147,556 million.

## Consolidated Balance Sheets

(millions of yen)

	As of	As of	(B) – (A)	As of March 31,	(B) – (C)
	December 31, 2006 (A)	December 31, 2007 (B)		2007 (C)	
	Amount	Amount	Amount	Amount	Amount
<b>Assets</b>					
Current assets					
Cash and time deposits	22,958	25,277	2,318	27,626	(2,349)
Trade notes and accounts receivable	78,067	83,309	5,241	89,151	(5,842)
Marketable securities	99	226	127	109	116
Inventories	70,805	72,466	1,660	64,017	8,448
Deferred tax assets	5,872	4,935	(937)	7,020	(2,085)
Other	7,580	7,524	(56)	4,238	3,286
Allowance for doubtful receivables	(958)	(838)	119	(881)	43
Total current assets	184,426	192,900	8,473	191,282	1,617
Noncurrent assets					
Property, plant and equipment:					
Buildings and structures	30,239	31,730	1,490	31,965	(235)
Machinery, equipment and vehicles	5,253	6,119	865	5,569	549
Land	18,990	18,857	(133)	18,907	(50)
Construction in progress	1,222	1,665	442	115	1,550
Other	6,797	7,360	562	7,111	248
Net property, plant and equipment	62,503	65,732	3,228	63,669	2,062
Intangible fixed assets	2,746	4,856	2,110	4,009	846
Investments and other assets:					
Investment securities	14,728	14,039	(689)	15,535	(1,496)
Long-term receivables	761	986	225	539	446
Deferred tax assets	13,401	13,735	334	13,598	137
Other	5,454	6,448	993	6,709	(260)
Allowance for doubtful receivables	(279)	(178)	101	(260)	82
Total investments and other assets	34,066	35,031	964	36,121	(1,090)
Total noncurrent assets	99,316	105,620	6,304	103,801	1,819
Total assets	283,743	298,521	14,777	295,083	3,437

(millions of yen)

	As of December 31, 2006 (A)	As of December 31, 2007 (B)	(B) – (A)	As of March 31, 2007 (C)	(B) – (C)
	Amount	Amount	Amount	Amount	Amount
<b>Liabilities</b>					
Current liabilities					
Trade notes and accounts payable	49,743	53,526	3,783	55,726	(2,199)
Short-term loans	8,180	7,874	(305)	7,460	414
Commercial paper	7,000	6,500	(500)	-	6,500
Current portion of unsecured bonds	-	15,000	15,000	-	15,000
Accounts payable, other	10,549	12,195	1,646	10,617	1,577
Income taxes payable	1,599	2,490	890	5,183	(2,693)
Allowance for employees' bonuses	2,283	2,393	109	5,871	(3,477)
Allowance for director's bonuses	179	215	36	271	(55)
Other	11,258	11,033	(224)	11,349	(315)
Total current liabilities	90,794	111,230	20,436	96,480	14,750
Long-term liabilities					
Unsecured bonds	25,000	10,000	(15,000)	25,000	(15,000)
Long-term debt	3,144	2,640	(503)	3,092	(452)
Liability for employees' retirement benefits	21,232	19,761	(1,470)	20,711	(949)
Liability for directors' retirement benefits	634	221	(412)	687	(465)
Other	6,975	7,110	134	6,908	201
Total long-term liabilities	56,986	39,734	(17,252)	56,399	(16,665)
Total liabilities	147,781	150,965	3,183	152,880	(1,914)
<b>Net assets</b>					
Shareholders' capital					
Common stock	26,648	26,648	-	26,648	-
Additional paid-in capital	35,188	35,188	-	35,188	-
Retained earnings	71,067	83,040	11,973	76,396	6,644
Treasury stock	(382)	(523)	(140)	(419)	(103)
Total shareholders' capital	132,522	144,355	11,832	137,814	6,540
Valuation and translation adjustments					
Net unrealized gain on available-for-sale securities	5,031	4,303	(727)	5,464	(1,161)
Foreign currency translation adjustments	(2,149)	(1,700)	449	(1,649)	(50)
Total valuation and translation adjustments	2,882	2,603	(278)	3,815	(1,211)
Minority interests	557	597	39	573	23
Total net assets	135,961	147,556	11,594	142,203	5,352
Total liabilities and net assets	283,743	298,521	14,777	295,083	3,437

## Consolidated Statements of Operations

(millions of yen)

	Nine months ended December 31, 2006		Nine months ended December 31, 2007		Change		Year ended March 31, 2007	
	Amount (A)	%	Amount (B)	%	Amount (B) – (A)	%	Amount	%
Net sales	179,888	100.0	204,495	100.0	24,607	13.7	262,431	100.0
Cost of sales	108,757	60.5	125,621	61.4	16,864	15.5	159,107	60.6
Gross profit	71,130	39.5	78,874	38.6	7,743	10.9	103,323	39.4
Selling, general and administrative expenses	55,861	31.0	61,153	29.9	5,292	9.5	78,042	29.8
Operating income	15,269	8.5	17,720	8.7	2,451	16.1	25,280	9.6
Other income:								
Interest income	159		218		58		284	
Dividend income	120		172		52		120	
Other	745		827		81		1,337	
Total other income	1,025	0.6	1,217	0.6	191	18.7	1,742	0.7
Other expenses:								
Interest expense	499		520		21		717	
Loss on disposals of inventories	692		708		16		1,353	
Foreign exchange loss, net	172		252		79		316	
Other	1,278		1,403		124		1,430	
Total other expenses	2,642	1.5	2,884	1.4	241	9.1	3,817	1.5
Ordinary income	13,652	7.6	16,054	7.9	2,401	17.6	23,205	8.8
Extraordinary income:								
Gain on liquidation of subsidiaries	-		246		246		-	
Gain on sale of property, plant and equipment	23		11		(12)		30	
Gain on reversal of allowance for doubtful receivables	206		-		(206)		206	
Gain on sale of investment securities	68		-		(68)		68	
Total extraordinary income	298	0.2	257	0.1	(40)	(13.7)	305	0.1
Extraordinary losses:								
Loss on disposal of property, plant and equipment	236		375		138		439	
Loss on write-down of investment securities	107		1		(106)		120	
Patent fee for past year	534		-		(534)		534	
Total extraordinary losses	879	0.5	376	0.2	(502)	(57.1)	1,094	0.4
Income before income taxes and minority interests	13,071	7.3	15,934	7.8	2,862	21.9	22,416	8.5
Income taxes	3,079		3,996		916		8,684	
Income taxes adjustments	1,891		2,730		839		297	
Minority interests in net income/loss	50	0.0	15	0.0	(34)	(68.8)	55	0.0
Net income	8,050	4.5	9,191	4.5	1,141	14.2	13,379	5.1

## Segment Information

### Industry Segment Information

Nine months ended December 31, 2006 (April 1, 2006 – December 31, 2006)

(millions of yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/corporate	Consolidated total
Net sales							
(1) Sales to customers	100,377	33,800	41,757	3,953	179,888	-	179,888
(2) Inter-segment sales	221	25	48	767	1,062	(1,062)	-
Total	100,599	33,825	41,805	4,721	180,951	(1,062)	179,888
Operating expenses	84,470	32,639	38,488	3,451	159,049	5,569	164,619
Operating income	16,128	1,185	3,317	1,269	21,901	(6,631)	15,269

Nine months ended December 31, 2007 (April 1, 2007 – December 31, 2007)

(millions of yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/corporate	Consolidated total
Net sales							
(1) Sales to customers	111,167	37,701	50,204	5,422	204,495	-	204,495
(2) Inter-segment sales	129	109	48	713	1,001	(1,001)	-
Total	111,297	37,811	50,253	6,135	205,497	(1,001)	204,495
Operating expenses	95,312	36,128	44,444	4,778	180,664	6,111	186,775
Operating income	15,984	1,683	5,808	1,356	24,833	(7,112)	17,720

Year ended March 31, 2007 (April 1, 2006 – March 31, 2007)

(millions of yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/corporate	Consolidated total
Net sales							
(1) Sales to customers	149,401	50,112	57,041	5,875	262,431	-	262,431
(2) Inter-segment sales	319	25	77	1,016	1,438	(1,438)	-
Total	149,721	50,137	57,119	6,892	263,870	(1,438)	262,431
Operating expenses	123,601	47,999	52,909	5,064	229,574	7,575	237,150
Operating income	26,119	2,138	4,210	1,827	34,295	(9,014)	25,280

## Overseas Sales

Nine months ended December 31, 2006 (April 1, 2006 – December 31, 2006)

(millions of yen)

	North and South America	Europe	Asia and Oceania	Total
I. Overseas sales	17,607	11,787	37,024	66,419
II. Consolidated sales				179,888
III. Ratio of overseas to total consolidated sales	9.8%	6.5%	20.6%	36.9%

Nine months ended December 31, 2007 (April 1, 2007 – December 31, 2007)

(millions of yen)

	North and South America	Europe	Asia and Oceania	Total
I. Overseas sales	22,344	15,286	47,729	85,361
II. Consolidated sales				204,495
III. Ratio of overseas to total consolidated sales	10.9%	7.5%	23.3%	41.7%

Year ended March 31, 2007 (April 1, 2006 – March 31, 2007)

(millions of yen)

	North and South America	Europe	Asia and Oceania	Total
I. Overseas sales	25,738	17,934	50,776	94,449
II. Consolidated sales				262,431
III. Ratio of overseas to total consolidated sales	9.8%	6.8%	19.4%	36.0%