

Aug. 5, 2016

## **Operating Results and Financial Position**

### **《For The Three Months ended June 30, 2016》**

#### **1. Operating Results**

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

In the three months ended June 30, 2016, despite signs of weakening capital investment, the U.S. economy continued its recovery trend due to an improvement in the labor environment and firm consumer spending. The European economy demonstrated a moderate recovery despite lingering debt issues. China's pace of growth slowed moderately amid restraints on capital investment, while Southeast Asia showed signs of an uptick in economic activity and India's economy continued its recovery. The Japanese economy continued to demonstrate a moderate recovery. Although consumer spending and improvements to corporate earnings leveled off, the labor and income environments improved.

In this economic environment, the Shimadzu Group actively promoted growth-oriented measures in accordance with its medium-term management plan. These measures included launching global "Number One/Only One" products, expanding collaborative R&D with leading-edge research institutes, universities, and companies, strengthening our business base in emerging markets, bolstering the aftermarket business, and launching new businesses.

As a result, for the first quarter, the Shimadzu Group posted consolidated net sales of 69,723 million yen (a year-on-year decrease of 2.3 %), operating income of 4,508 million yen (a year-on-year increase of 24.2%), ordinary income of 4,155 million yen (a year-on-year decrease of 2.2%), and profit attributable to owners of parent of 3,087 million yen (a year-on-year increase of 9.1%).

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

**The results for reportable business segments were as follows**

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

In Japan, sales of liquid chromatographs, mass spectrometers, and surface analyzers increased to the pharmaceutical, steel, and food industries.

In China, sales of liquid chromatographs and mass spectrometers continued to increase in the public sector among universities and government institutions, as well as in the private sector among pharmaceutical and contract analysis companies. In Southeast Asia, public-sector demand from government institutions weakened, while in India, demand grew in the pharmaceutical industry. In North America, demand from pain care management companies leveled off. In Europe, sales of mass spectrometers rose to healthcare and food companies while sales of chromatographs and other equipment declined. Overseas sales declined overall due to yen appreciation.

As a result, the Analytical & Measuring Instruments segment posted sales of 42,454 million yen (a year-on-year decrease of 1.7%) for the first quarter.

##### **II. Medical Systems**

In Japan, sales of X-ray fluoroscopy systems and general radiography systems increased, mainly among clinics.

In Europe, sales of general radiography systems increased. In North America, sales of general radiography systems declined due to a change in the delivery period for large orders. In China, sales of general radiography systems were impacted by intensified competition with local manufacturers along with a temporary decline in bids. In Southeast Asia, public-sector demand leveled off. Overseas sales declined overall due to yen appreciation.

As a result, the Medical Systems segment posted sales of 12,848 million yen (a year-on-year decrease of 1.5%) for the first quarter.

### **III. Aircraft Equipment**

In Japan, sales declined in reaction to a sharp increase in demand in the previous year. Overseas, sales of passenger aircraft components and replacement parts decreased.

Overall, the Aircraft Equipment segment posted sales of 5,212 million yen (a year-on-year decrease of 12.2%) for the first quarter.

### **IV. Industrial Machinery**

Sales of turbo-molecular pumps grew in North America and South Korea, mainly on stronger demand from semiconductor manufacturing equipment and liquid crystal display manufacturing companies. Sales of glass winders declined in reaction to large orders in China in the previous year. Sales of hydraulic equipment slumped as demand leveled off in Japan, North America, and China.

Overall, the Industrial Machinery segment posted sales of 7,471 million yen (a year-on-year decrease of 1.0%) for the first quarter.

### **V. Other**

Sales in the Other businesses segment amounted to 1,736 million yen (a year-on-year increase of 4.1%) for the first quarter.

## **(2) Consolidated Outlook**

Looking forward, there is a growing sense of uncertainty regarding the global economic outlook. In Japan, the economy has leveled off and there are concerns over the impact of yen appreciation on corporate earnings. In China, economic growth continues to slow, while Britain's exit from the European Union has also fueled uncertainty.

Amid this business environment, on the basis of our long-term vision to "Toward Becoming a True Global Business," the Shimadzu Group is steadily promoting growth strategies, accelerating global business expansion, improving its profit structure, and striving to accomplish the medium-term management plan targets in the final year of the three-year plan begun in April 2014.

Regarding the consolidated earnings outlook, there is no change to the forecast announced May 11, 2016.

## **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 Policy, Changes in Accounting Estimates, and Retrospective Restatements

Not applicable

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(In million yen)

	As of June 30, 2016	As of March 31, 2016
<b>Assets</b>		
Current assets:		
Cash and time deposits	¥44,883	¥46,907
Trade notes and accounts receivable	83,723	105,430
Merchandise and products	40,478	40,497
Work in process	18,135	15,457
Raw materials and supplies	19,190	17,715
Deferred tax assets	9,094	9,729
Other	8,453	7,086
Allowance for doubtful receivables	(1,114)	(1,157)
Total current assets	¥222,844	¥241,666
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	¥38,336	¥39,035
Machinery, equipment and vehicles, net	5,483	5,912
Land	19,025	18,602
Leased assets, net	2,083	2,179
Construction in progress	1,740	728
Other, net	9,709	9,699
Total property, plant and equipment	¥76,377	¥76,158
Intangible fixed assets	¥7,581	¥7,558
Investments and other assets:		
Investment securities	11,948	14,654
Long-term receivables	158	175
Deferred tax assets	6,352	6,388
Other	4,452	3,565
Allowance for doubtful receivables	(369)	(368)
Total investments and other assets	¥22,542	¥24,415
Total noncurrent assets	¥106,501	¥108,131
Total assets	¥329,345	¥349,798

(In million yen)

	As of June 30, 2016	As of March 31, 2016
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	¥49,658	¥52,422
Short-term loans	2,752	3,056
Lease obligations	908	940
Accounts payable	10,436	11,523
Income taxes payable	1,515	4,997
Allowance for employees' bonuses	2,970	8,093
Allowance for director's bonuses	96	284
Provision for loss on defense equipment	374	374
Other	17,204	15,893
Total current liabilities	¥85,916	¥97,587
Long-term liabilities		
Unsecured bonds	¥15,000	¥15,000
Long-term debt	927	1,094
Lease obligations	1,381	1,451
Liability for directors' retirement benefits	193	182
Liability for retirement benefits	12,712	13,682
Other	726	828
Total long-term liabilities	¥30,941	¥32,239
Total liabilities	¥116,858	¥129,827
<b>Net assets</b>		
Shareholders' capital		
Common stock	¥26,648	¥26,648
Additional paid-in capital	35,188	35,188
Retained earnings	154,139	153,758
Treasury stock	(863)	(861)
Total shareholders' capital	¥215,112	¥214,734
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	¥4,586	¥5,036
Foreign currency translation adjustments	(6,435)	1,293
Cumulative adjustments to retirement benefits	(1,054)	(1,370)
Total accumulated other comprehensive income	¥(2,904)	¥4,959
Non-controlling interests	¥278	¥277
Total net assets	¥212,487	¥219,971
Total liabilities and net assets	¥329,345	¥349,798

## (2) Consolidated Statements of Operations & of Comprehensive Income

### Consolidated Statements of Operations

	(In million yen)	
	Three Months ended June 30, 2016	Three Months ended June 30, 2015
Net sales	¥69,723	¥71,367
Cost of sales	40,952	42,463
Gross profit	¥28,771	¥28,903
Selling, general and administrative expenses	24,262	25,274
Operating income	¥4,508	¥3,629
Other income:		
Interest income	¥67	¥43
Dividend income	135	126
Insurance payments received	24	30
Foreign exchange profit	—	204
Subsidy received	399	13
Other	124	321
Total other income	¥751	¥740
Other expenses:		
Interest expenses	¥24	¥40
Foreign exchange loss	773	—
Other	307	79
Total other expenses	¥1,104	¥119
Ordinary income	¥4,155	¥4,250
Extraordinary income:		
Gain on sale of property, plant and equipment	¥6	¥11
Total extraordinary income	¥6	¥11
Extraordinary losses:		
Loss on disposal of property, plant and equipment	¥9	¥40
Loss on write-down of investment securities	7	7
Total extraordinary losses	¥16	¥47
Income before income taxes	¥4,144	¥4,213
Income taxes	433	626
Income taxes adjustments	609	731
Total income taxes and income taxes adjustments	¥1,043	¥1,357
Profit	¥3,101	¥2,855
Profit attributable to non-controlling interests	13	26
Profit attributable to owners of parent	¥3,087	¥2,829

### Consolidated Statements of Comprehensive Income

	(In million yen)	
	Three Months ended June 30, 2016	Three Months ended June 30, 2015
Profit	¥3,101	¥2,855
Other Comprehensive income		
Unrealized gain/loss on available-for-sale securities	¥(450)	¥293
Foreign currency translation adjustments	(7,741)	1,863
Retirement benefit adjustments	316	(98)
Total other comprehensive income	¥(7,875)	¥2,058
Comprehensive income	¥(4,774)	¥4,914
< Break down >		
Comprehensive income attribute to owners of parent	¥(4,775)	¥4,887
Comprehensive income attribute to non-controlling interests	¥1	¥26

### (3) Note on the going-concern assumption

Not applicable.

#### (4) Segment Information

##### 1) Income by Business Segment

From April 1st to June 30th of Fiscal year ended March 31, 2017

(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				
Net Sales									
(1) Sales to customers	¥42,454	¥12,848	¥5,212	¥7,471	¥67,986	¥1,736	¥69,723	—	¥69,723
(2) Inter-segment sales	33	3	24	25	86	325	412	¥(412)	—
Total Sales	¥42,488	¥12,851	¥5,236	¥7,496	¥68,073	¥2,062	¥70,135	¥(412)	¥69,723
Operating income (loss)	¥4,931	¥(473)	¥(245)	¥508	¥4,721	¥184	¥4,905	¥(396)	¥4,508

From April 1st to June 30th of Fiscal year ended March 31, 2016

(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				
Net Sales									
(1) Sales to customers	¥43,170	¥13,043	¥5,936	¥7,548	¥69,699	¥1,667	¥71,367	—	¥71,367
(2) Inter-segment sales	14	2	18	17	52	301	353	¥(353)	—
Total Sales	¥43,185	¥13,046	¥5,954	¥7,566	¥69,752	¥1,969	¥71,721	¥(353)	¥71,367
Operating income (loss)	¥4,679	¥(596)	¥(613)	¥456	¥3,925	¥150	¥4,075	¥(446)	¥3,629

##### 2) Income by Geographic Segment

From April 1st to June 30th of Fiscal year ended March 31, 2017

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥32,302	9,875	5,469	12,573	7,216	2,287	¥69,723

From April 1st to June 30th of Fiscal year ended March 31, 2016

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥30,635	11,450	5,989	13,165	7,435	2,690	¥71,367

Note. Major countries or regions belonging to segments other than Japan are as follows:

Americas	United States of America
Europe	Great Britain, Germany
China	China
Other Asian countries	India, Southeast Asia, Republic of Korea, Taiwan
Other	Australia, Middle East, Africa