

Midterm Management Plan

From FY 2014 to FY 2016

**Become an Innovative Company
Contributing to Growth of Global Customers**

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Shimadzu Corporation
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I. Reviewing the Previous Plan 1/2

Targets for the Medium-Term Management Plan from FY 2011 to FY 2013

Basic Policy: Become the No. 1 Partner Selected by Customers Globally

Management Targets: Net sales of 320 B yen, operating margin of 10 %, and overseas sales ratio of minimum 45 %

Note: Assuming exchange rates of \$1 = ¥85 and €1 = ¥110

Changes in the External Environment

- Effects from European economic crises extend into the long term.
- Downturn in market growth in newly emerging economies
- Worsening Japan-China relations

Shimadzu's Response

- Achieve growth in both developed and newly emerging economies.
- Strengthen business capabilities globally.
- Continue improving the cost structure.

Estimated Results for Term FY 2013

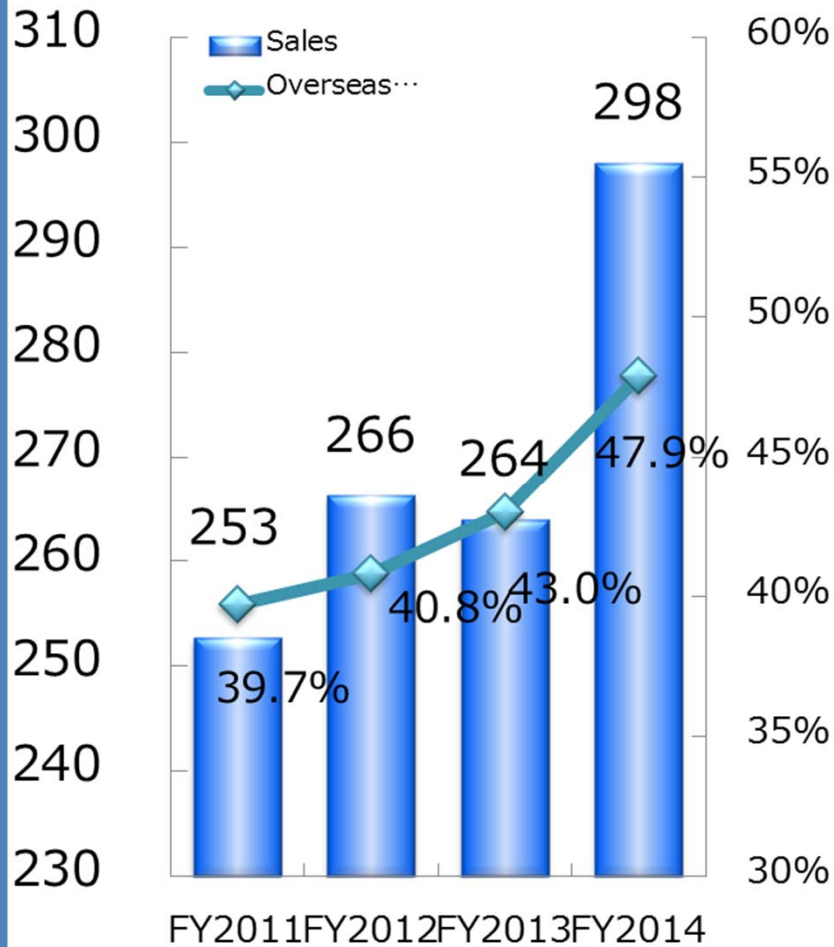
Net sales of 298.0 B yen, operating margin of 7.4 %, and overseas sales ratio of 47.9 %

Note: 3-year average exchange rates of \$1 = ¥86.73 and €1 = ¥116.17

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

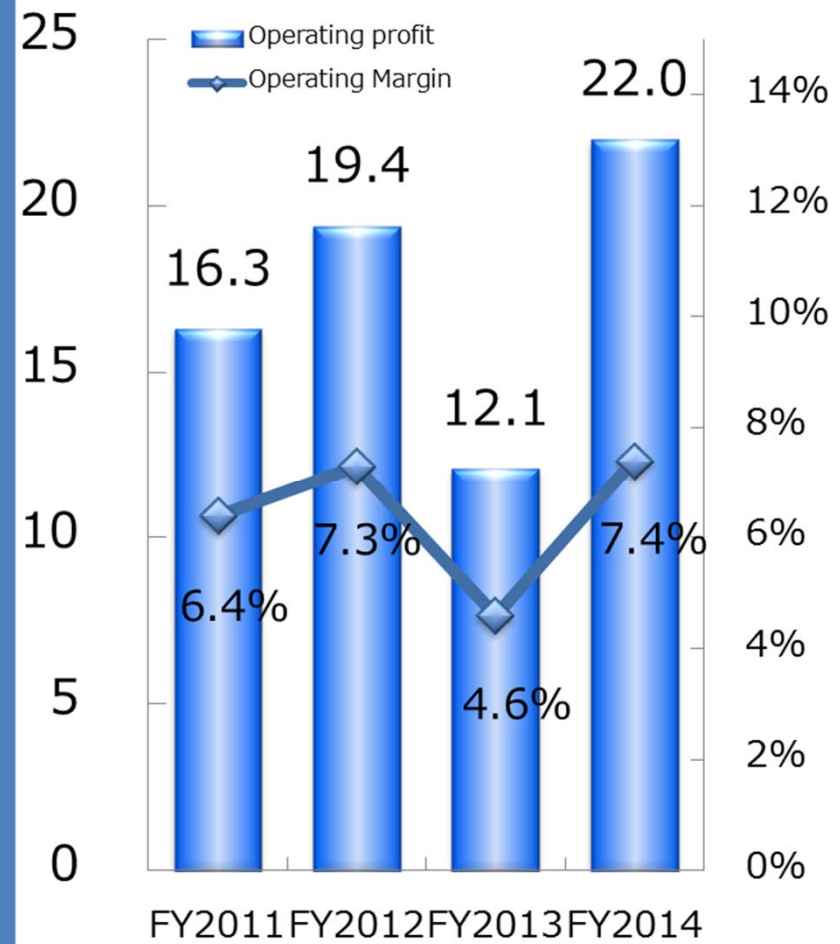
《Sales》

¥ billion



《Operating margin》

¥ billion



II. Basic Policies for the New Medium-Term Management Plan 1/2

Become an Innovative Company Contributing to the Growth of Customers Globally!

Growth Strategy

- ◆ **Activate markets with products that resulted from advanced technology and latent needs.**
Pursue the challenge of further increasing sensitivity, resolution, and speed.
- ◆ **Develop business in new fields through joint research with advanced customers.**
Accelerate the development of advanced applications and their deployment in new fields by expanding and developing joint research programs with advanced customers (universities, university hospitals, and research institutions).
- ◆ **Build a business foundation that ensures acquiring growth potential in newly emerging economies.**
Promote developing low-to-mid range products locally, expand and develop production sites, and strengthen sale capabilities in newly emerging economies.
- ◆ **Provide services optimized for customers based on analyzing product life cycles.**
Offer a customer support business that integrates product maintenance, parts and consumables, contract analysis, and customer asset management services.

II. Basic Policies for the New Medium-Term Management Plan 2/2

Reform the Profit Structure

- ◆ Improve the breakeven point.
(Improve the materials cost ratio and reduce controllable costs.)
- ◆ Reduce inventory.

Strengthen Global Organization and Capabilities

- ◆ Ensure thorough compliance on a global basis.
- ◆ Strengthen ability to respond to changes in business environments by rapidly understanding managerial information.
- ◆ Strengthen systems for developing global human resources.



III. Targets - 1/3

Targets for FY 2016

Sales: 350 billion yen; Operating margin: 10%

Overseas sales ratio: Over 50%

(¥ billion)	FY 2016 plan	FY 2013 est.	Change	% Change
Sales	350.0	298.0	52.0	17.4
Operating profit	35.0	22.0	13.0	59.1
Op margin	10.0%	7.4%	—	2.6 point
Overseas sales	184.0	142.8	41.2	28.9
Overseas sales ratio	52.6%	47.9%	—	4.7 point

*Assumed exchange rates: \$1 = ¥95, €1 = ¥130

III. Targets 2/3

Industry segment sales plan

(¥ billion)	FY 2016 plan	FY 2013 est.	Change	% Change
Analytical & Measurement Instruments	215.0	179.5	35.5	19.8
Medical Equipment	66.0	59.0	7.0	11.9
Aircraft Equipment	24.5	24.0	0.5	2.1
Industry Machinery	37.0	29.5	7.5	25.4
Other	7.5	6.0	1.5	25.0
Total	350.0	298.0	52.0	17.4

III. Targets 3/3

Regional Sales plan

(¥ billion)	FY 2016 plan	FY 2013 est.	Change	% Change
Japan	166.0	152.3	10.8	7.0
North & South America	44.0	36.4	7.6	20.9
<i>[North America]</i>	<i>[36.0]</i>	<i>[30.0]</i>	<i>[6.0]</i>	<i>[20.0]</i>
Europe	30.0	23.3	6.7	28.8
China	67.0	49.8	17.2	34.5
Other Asian countries	31.0	22.5	8.5	37.8
<i>[India]</i>	<i>[9.0]</i>	<i>[6.2]</i>	<i>[2.8]</i>	<i>[45.2]</i>
Other	12.0	10.8	1.2	11.1
Total	350.0	298.0	52.0	17.4

IV. Factors That Increase or Decrease Income

Increase in Operating Income: 13.0 Billion yen

(¥ billion)

Item		Amount
Operating Income for FY 2013		22.0
Increase/ Decrease Factors	Increased gross profit due to increased sales	+20.0
	Increased gross profit due to increased profitability (cost reductions, manufacturing expense reductions, etc.)	+7.7
	Decrease in income due to increase in selling, general, and administrative expenses	-11.7
	Expansion of strategic investments	-3.0
Operating Income Planned for FY 2017		35.0

V. Investment Plan

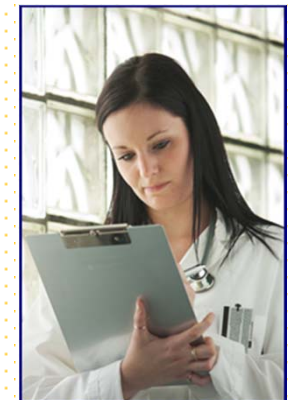
Capital Investment: 52.0 B Yen

Strengthen product R&D capabilities, expand/develop functions at overseas sites, strengthen aftermarket functions, prepare IT infrastructure, and so on.



R&D Investment: 50.0 B Yen

Develop MS-based ultra-high sensitivity and resolution technology, develop advanced diagnostic technology aimed at expanding use in clinical applications, strengthen/promote the development of low-to-mid range products, and so on.



VI. Personnel Plan

3-Year Increase in Personnel: 1,130 People

(Units: People)

Region		Personnel Count
Personnel at End of FY 2013		10,750
Breakdown of Increase	Japan (Shimadzu Corporation & Subsidiaries in Japan)	+430
	Overseas	+700
	[North & South America]	[+130]
	[Europe]	[+100]
	[China]	[+330]
	[Others]	[+140]
Personnel at End of FY 2016		11,880

Ⅶ. Capital Policy and Dividend Policy

◆ 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

VIII. Business Strategy

Measuring Instruments 1/4

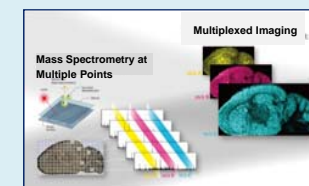
Net Sales (¥ billion)	FY 2016 plan	FY 2013 est.	Increase	% Change
Measuring Instruments	215.0	179.5	35.5	19.8
Chromatographs	109.2	88.7	20.5	23.1

MS – Expand Product Line and Strengthen Deployment in Regulatory Compliance and Clinical Diagnostics Fields

Target Sales for the Term Ending March 2017:

33.2 B Yen (25 % increase from the term ending March 2014)

- Promote the ongoing development of MS technology with ultra-high sensitivity and resolution.
- Strengthen the deployment of business in regulatory compliance fields, such as foods, drugs, toxins, and the environment.
- Strengthen the deployment of globally unique high-end products and the iMScope MS microscope.
- Promote measures in clinical diagnostics, which is a future growth field.
 - Integrate reagents and specialized software for each disease.
 - Develop ultra-early diagnostic applications.
 - Achieve a more compact and space-efficient designs suited to clinical workplaces.



VIII. Business Strategy

Measuring Instruments 2/4

LC

Target Sales for the Term FY 2016:

54.0 B Yen (22 % increase from FY 2013)

- Introduce highly efficient systems: New products that are fully automated or optimized for specific applications.
- Strengthen products intended for biopharmaceuticals and generic drugs, where demand is increasing.
- Introduce strategic products for newly emerging economies.
- Expand product line of columns and other consumables.



GC

Target Sales for the Term FY 2016:

22.0 B Yen (24 % increase from FY 2013)

- Introduce high-end and low-to-mid range new products.
- Strengthen business for high-end GC systems intended for petrochemical and shale gas applications.
- Deploy new micro-GC and other businesses in the renewable energy field.

VIII. Business Strategy

Measuring Instruments 3/4

Network System

Target Sales for the Term Ending FY 2016:

1.5 B Yen (5 times from FY 2013)

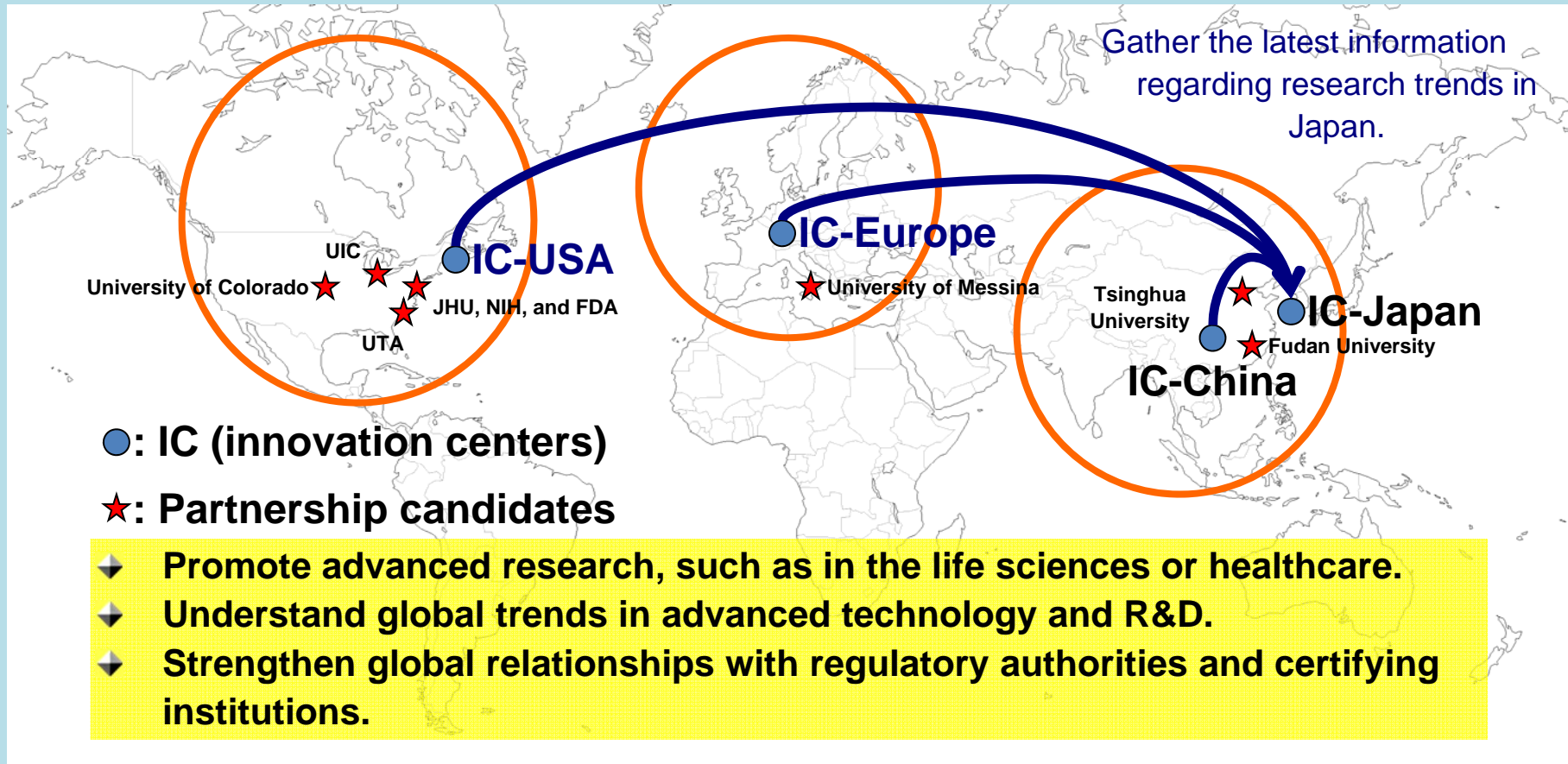
- Offer services such as remote monitoring of instrument operating status, maintenance, troubleshooting, consumables replacement reminders, and so on.
- Offer technical services, such as data analysis by a technical expert and an analytical method advisory service.
- Start a billing system based on how often the Shimadzu network system is used.



VIII. Business Strategy

Measuring Instruments 4/4

**Establish an Innovation Center at Key Global Locations.
Strengthen Collaborations with Advanced Researchers in Japan, the U.S.,
Europe, and China**



VIII. Business Strategy

Medical Systems 1/2

Net Sales (¥ billion)	FY 2016 plan	FY 2013 est.	Increase	% Change
Medical Systems	66.0	59.0	7.0	11.9

Strengthen the Diagnostic X-Ray System Business

- Strengthen mobile X-ray systems and radiography systems.
Handle FPDs from multiple vendors, differentiate products based on application, and expand sales by strengthening alliances.
- Expand overseas business operations, mainly in the U.S. and China.
 - U.S.: Cultivate more customers by establishing sales and marketing bases in the Eastern regions.
 - China: Expand the line of products manufactured locally and expand/develop the distributor network.



VIII. Business Strategy

Medical Systems 2/2

Deploy Business in New Fields

- **Deploy business in early-diagnosis fields.**
Develop systems capable of early diagnosis of lung cancer, breast cancer, osteoporosis, and other diseases.
- **Deploy business in treatment fields.**
Expand sales of real-time tracking system for radiotherapy, technical support systems for surgery, and so on.
- **Molecular imaging research**
Develop ultra-high sensitivity PET system.



VIII. Business Strategy

Aircraft Equipment

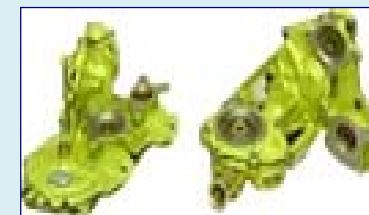
Net Sales (¥ billion)	FY 2016 plan	FY 2013 est.	Increase	% Changes
Aircraft Equipment	24.5	24.0	0.5	2.1

Defense Business

- Ensure thorough compliance.
- Make organizational changes aimed at improving profitability.

Commercial Aircraft Business

- Expand and promote commercial aircraft equipment business.
 - Expand the number of models with Shimadzu components by strengthening alliances with Boeing and others.
 - Strengthen repair business aimed at airlines.
 - Establish a new U.S. plant in Long Beach, California, U.S. (start of operations scheduled for beginning of 2015).
- Establish manufacturing capabilities intended to improve profitability of the commercial aircraft equipment business.



VIII. Business Strategy

Industrial Equipment

Net Sales (¥ billion)	FY 2016 plan	FY 2013 est.	Increase	% Changes
Industrial Machinery	37.0	29.5	7.5	25.4
TMP	11.7	9.4	2.3	24.7
Systems (such as CVD systems)	3.2	1.2	2.0	×2.7
Hydraulic Equipment	12.5	10.0	2.5	25.0

Turbomolecular Pumps (TMPs)

Achieve top position in the world by expanding/developing magnetically levitated TMP line.
 Enter new fields by introducing ball bearing type TMPs.
 Improve profitability by expanding the service business.



CVD Systems for Solar Cells

Expand sales to solar cell manufacturers in Japan, China, and Taiwan.

Hydraulic Equipment

Develop new customers overseas, expand beyond forklifts, such as into construction and agricultural machinery, and expand local production in China.

VIII. Business Strategy

Aftermarket

Measuring Instruments

Maintenance and other service: 28.0 B yen target sales for FY 2016
(22 % increase from FY 2013)

Consumables: 4.4 B yen target sales for FY 2016(43 % increase from FY 2013)

<Provide services optimized for customers based on analyzing overall product life cycles.>

- Offer a customer support business that integrates product maintenance, parts and consumables, contract analysis, and customer asset management services.

Medical Systems

Maintenance and other service: 16.5 B yen target sales for FY 2016
(15 % increase from FY 2013)

<Expand and develop the content of services offered.>

- Fixed parts price guarantee service and interactive remote service

Industrial Machinery

Maintenance and other service: 2.6 B yen target sales for FY 2016
(63 % increase from FY 2013)

<Expand and develop turbomolecular pump services.>

- Expand direct services to end users and scheduled overhaul services.

IX. Strategies for Key Regions

Overseas – North America

Net Sales (¥ billion)	FY 2016 plan	FY 2013 est.	Increase	% Changes
North America	36.0	30.0	6.0	20.0

Measuring Instruments

- Accelerate deployment of businesses in biopharmaceutical and healthcare fields.
- Expand sales in shale gas and other alternative energy fields.

Medical Systems

- Establish a new location and strengthen marketing and sales functions in Eastern United States.
- In addition to mobile systems, strengthen sales of fluoroscopy and cardiovascular systems.

Aircraft Equipment

- Expand the commercial aircraft equipment repair business by building a new plant in the United States.

Industrial Machinery

- Expand the service business for end users of turbomolecular pumps.
- Promote developing new local hydraulic equipment customers in North America.



IX. Strategies for Key Regions

Overseas – Europe

Net Sales (¥ billion)	FY 2017 plan	FY 2013 est.	Increase	% Changes
Europe	30.0	23.3	6.7	28.8 %

Measuring Instruments

- Expand businesses in pharmaceutical, food, environmental, and healthcare fields.
- Expand sales of testing machines in materials, automotive, academic, and government fields.

Medical Systems

- Expand/develop direct sales capabilities and strengthen sales and service capabilities in Western Europe.

Industrial Machinery

- Promote developing new local hydraulic equipment customers in Europe.



IX. Strategies for Key Regions Overseas – Asia 1/2

Net Sales (¥ billion)	FY 2016 plan	FY 2013 est.	Increase	% Changes
China	67.0	49.8	17.2	34.5
Other Asian Regions	31.0	22.5	8.5	37.8

China

Measuring Instruments

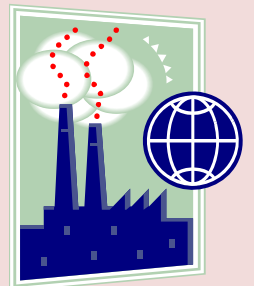
- Establish an MS Center in Beijing (scheduled for summer of 2014) to provide advanced technical services, such as application support aimed at high-end customers in China.
- Accelerate developing products locally in China and accelerate developing local products targeted to fields with increasingly strong regulations, such as foods, pharmaceuticals, and the environment.

Medical Systems

- Reduce costs by expanding the line of models manufactured and parts procured locally in China.

Industrial Machinery

- Expand local production of hydraulic equipment in China and expand sales fields.



IX. Strategies for Key Regions Overseas – **Asia 2/2**

ASEAN and India

Measuring Instruments

- Expand/develop sales bases (Malaysia, Thailand, and India).
- Implement measures for public sector demand and Japanese-affiliated businesses.
- Establish new production sites.

Medical Systems

- Actively accommodate demand associated with measures to improve public medicine and public health in respective countries.



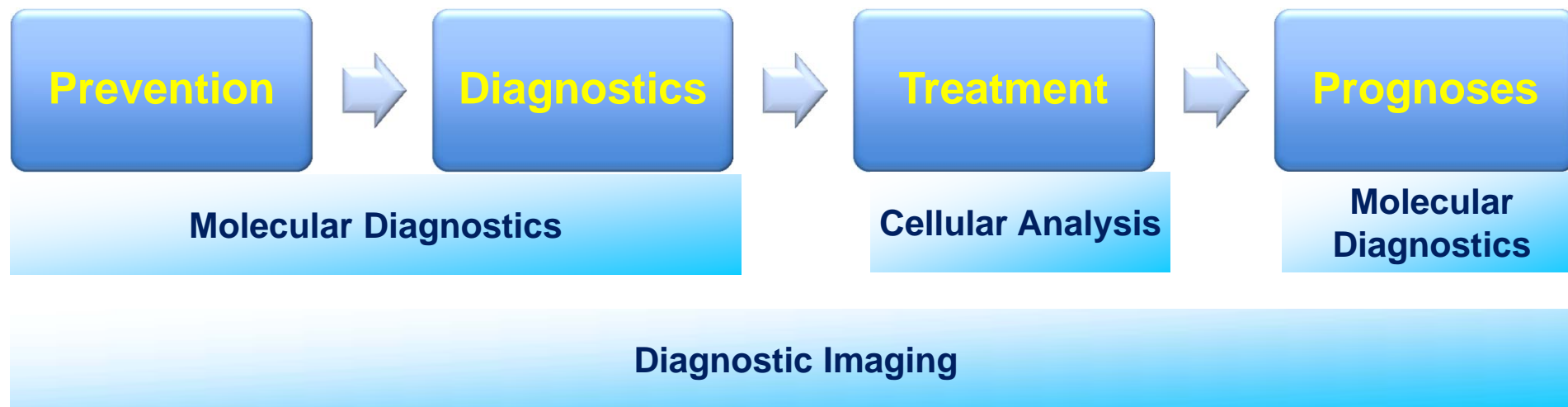
X. New Business Strategies

Life Innovation

Target Sales for FY 2016: 11.0 B Yen or More

(Molecular diagnostics: 5.7 B yen, cellular analysis: 2.0 B yen, and diagnostic imaging/treatment support: 3.3 B yen)

Provide New Solutions That Are Effective for Discovering Diseases Early or Improving Treatment Outcomes and Provide Comprehensive Support for Managing Prevention, Diagnostics, Treatment, and Prognoses



Molecular diagnostics: Achieves ultra-early diagnosis by determining the mechanisms of disease.

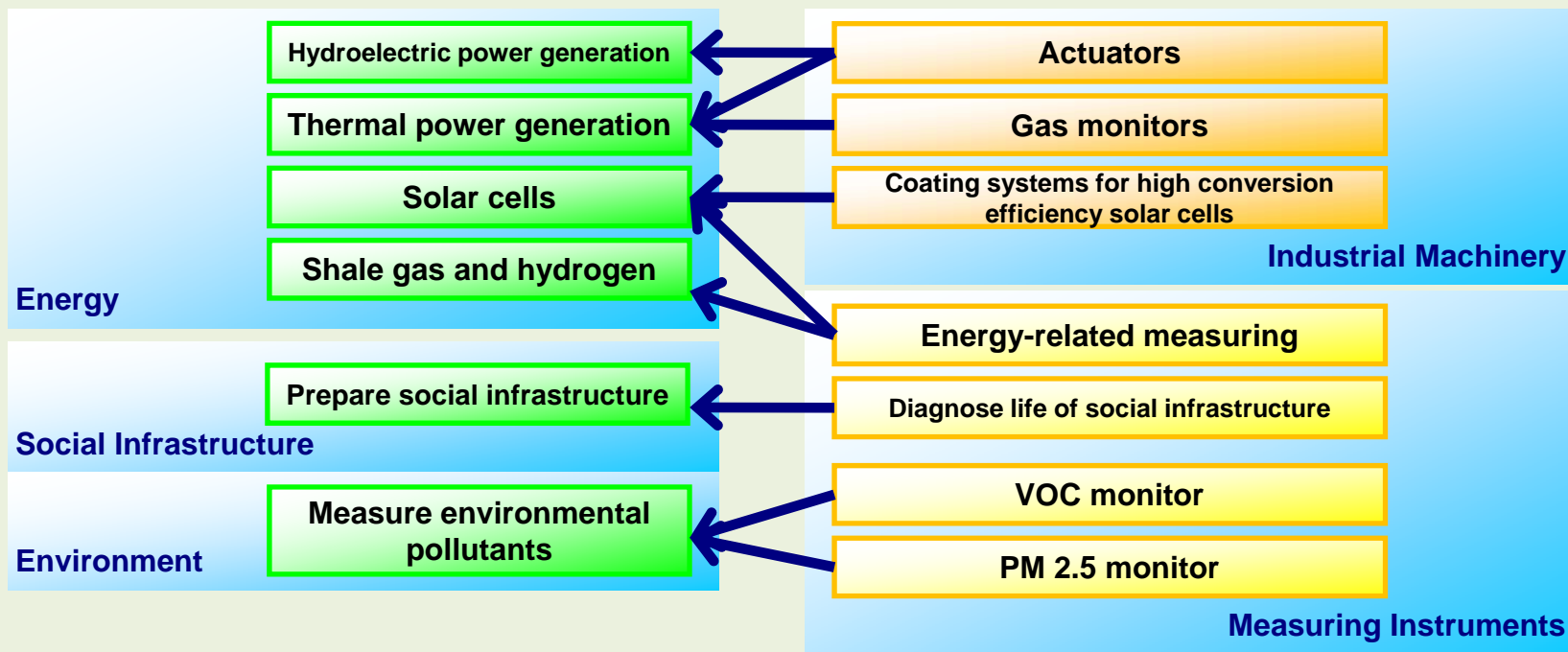
Cellular analysis: Achieves reliable quality control of transplanted cells.

Diagnostic imaging: Applies diagnostic imaging technology for early diagnosis of specific areas or provide support during surgery.

X. New Business Strategies

Green Innovation

Take on the Challenge of Establishing New Businesses in Each Energy and Environmental Field





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