

November 8, 2012

Operating Results and Financial Position For the Six Months ended September 30, 2012

1. Operating Results

(1) Consolidated Overview

In the first half of this year, the Japanese economy was gradually recovering, due to recovery demand after the Great East Japan Earthquake and other factors, but this economic recovery trend now seems to be faltering. Overseas, the pace of economic expansion in China has slowed and the economy is weakening in Europe due to concerns over the financial crisis in some countries. In the U.S., the economy has gradually recovered.

In the midst of such circumstances, the Shimadzu Group has been actively implementing growth measures in accordance with our medium-term management plan, such as introducing globally strategic products, strengthening the aftermarket business, and promoting local R&D and local production overseas. A new organizational structure was started that integrates the planning, R&D, manufacturing, and sales functions for major markets, namely North America, Europe, and China, under the control of respective divisions. An International Business Department was established with a mission of developing new markets and growth primarily in newly emerging economies. In addition, we focused efforts on ensuring business results in spite of a strong yen by expanding sales of new competitive products tailored to customer needs and other measures.

As a result, for the current first half, sales increased for the Analytical & Measuring Instruments and Medical Systems businesses, decreased for the Aircraft Equipment business, due to lower demand in Japan, and decreased for the Industrial Machinery business, due to stagnating semiconductor and LCD markets. Consequently, overall sales decreased slightly to 124,589 million yen (a year-on-year decrease of 0.6%). In terms of profit and loss, the persistently strong yen, increased expenses due to aggressive business deployment, such as for R&D costs, and other factors, operating income was 4,657 million yen (36.3% decrease), ordinary income was 4,192 million yen (33.9% decrease), and interim net income was 2,597 million yen (21.1% increase).

I. Analytical & Measuring Instruments

In Japan, sales of mass spectrometers increased due to the release of new products, consisting mainly high-end models, and due to replacement demand in the governmental and academia markets. Sales of liquid chromatographs, our strongest product line, decreased due to lower capital investment in

pharmaceutical manufacturing markets in response to worsening market conditions. Consequently, overall sales decreased slightly. On the other hand, we delivered food radiation inspection systems to Fukushima Prefecture and elsewhere, which we had released for the purpose of inspecting whole bags of rice. These contributed to the high-speed and high-precision inspection of rice.

Overseas, overall sales increased, primarily in North America and China. In North America, sales of mass spectrometers were strong to universities and sales of gas chromatographs also increased to laboratory testing organizations. In China, sales of mass spectrometers and spectrophotometers were strong due to investment in R&D at universities and elsewhere, efforts to strengthen inspection capabilities in the food safety field, and so on. Sales of testing machines were also strong in chemical, electrical, and other fields. In Southeast Asia, demand was strong in the transportation equipment field. In Europe, however, market conditions remained severe due to effects from the financial crises.

As a result, sales from the Analytical & Measuring Instruments business increased 1.4% year on year, to 70,939 million yen.

II. Medical Systems

In Japan, overall sales increased significantly, due to the introduction of new products that fit market needs and other factors. For X-ray fluoroscopy systems, sales were strong for models equipped with portable FPDs intended for small and medium sized hospitals and clinics, as well as for high-end multi-purpose models. Sales of angiography systems were also strong to cardiovascular departments.

Overseas, sales of digital mobile X-ray systems and other products continued to increase in North America, due to replacement demand captured by introducing new products ahead of competitors and other factors. In China, sales of X-ray fluoroscopy systems remained strong and overall sales increased in spite of slowing market conditions and the trend toward delaying orders for equipment and supplies in hospitals. In Europe, sales of X-ray fluoroscopy systems and other products increased in spite of the severe conditions resulting from the continuing effects from the financial crises.

As a result, sales from the Medical Systems business increased 10.9% year on year, to 25,596 million yen.

III. Aircraft Equipment

In Japan, due to weak sales of aircraft components, such as for Japan's Ministry of Defense's F-15 fighter upgrade and new patrol plane P-1, overall sales decreased.

Overseas, orders for passenger aircraft components, such as from Boeing, were strong, but sales decreased slightly due to the orders being delivered in the second half of the year.

As a result, sales from the Aircraft Equipment business decreased 10.3% year on year, to 11,717 million yen.

IV. Industrial Machinery

Sales of turbomolecular pumps decreased due to stagnant semiconductor and LCD markets. Sales of solar

cell anti-reflective film deposition systems also decreased due to difficult market conditions. Nevertheless, sales of gear pumps for PET polymer plants in China have been strong.

Sales of hydraulic equipment increased due to recovery in the production of industrial vehicles (fork lifts) and other factors.

As a result, sales from the Industrial Machinery business decreased 20.1% year on year, to 12,096 million yen.

V. Other

The other segment's net sales for the fiscal year increased 3.4% year on year, to 4,238 million yen.

<Consolidated Outlook>

Due to an entrenched strong yen, European financial crises now projected to extend into the long-term, deteriorating business conditions resulting from the current relations between Japan and China, and so on, market conditions in the current outlook are predicted to remain very difficult.

Given these circumstances, the Shimadzu Group will focus efforts on the stronger North American and Southeast Asian markets and on public sector demand in Japan, which is expected to grow toward the end of the fiscal year.

In addition, we have continued to build our global business capabilities and strengthen our overseas sales capabilities according to our medium-term management plan. Based on the above, we will increase market share and achieve business results by introducing and expanding sales of new highly competitive products, especially globally strategic products, and supplying applications, services, and other solutions that provide convenience and high added value to customers and increase customer satisfaction levels. Also, we will expand our aftermarket business, which is expected to provide a stable source of profit, so that we can establish an operating structure that ensures profitability under even difficult business conditions.

Furthermore, we will engage in measures to reduce costs for the entire Group, such as implementing efficient cost controls and operations, strengthening overseas manufacturing operations, and expanding overseas local procurement functions.

The Shimadzu Group will continue to grow and expand our businesses toward achieving our long-term vision "Toward Becoming a True Global Business" by remaining diligently committed to steadily implementing the policies specified in the medium-term management plan.

We are grateful to all our shareholders for their ongoing support. Thank you.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In million yen)

	As of September 30, 2012	As of March 31, 2012
Assets		
Current assets		
Cash and time deposits	28,076	31,218
Trade notes and accounts receivable	76,410	85,435
Merchandise and products	34,396	33,348
Work in process	19,998	19,359
Raw materials and supplies	16,816	16,364
Deferred tax assets	6,601	6,701
Other	4,561	4,804
Allowance for doubtful receivables	(943)	(987)
Total current assets	185,916	196,244
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	71,317	71,058
Accumulated depreciation	(36,743)	(36,255)
Buildings and structures, net	34,574	34,802
Machinery, equipment and vehicles	17,836	18,071
Accumulated depreciation	(13,857)	(14,502)
Machinery, equipment and vehicles, net	3,979	3,569
Land	18,491	18,730
Leased assets	3,452	3,168
Accumulated depreciation	(1,541)	(1,542)
Leased assets, net	1,910	1,626
Construction in progress	346	713
Other	27,522	26,864
Accumulated depreciation	(21,433)	(21,093)
Other, net	6,089	5,770
Net property, plant and equipment	65,392	65,213
Intangible fixed assets	7,118	7,218
Investments and other assets		
Investment securities	8,499	9,292
Long-term receivables	483	593
Deferred tax assets	9,158	8,776
Other	3,994	4,104
Allowance for doubtful receivables	(593)	(602)
Total investments and other assets	21,543	22,164
Total noncurrent assets	94,054	94,596
Total assets	279,971	290,840

(In million yen)

	As of September 30, 2012	As of March 31, 2012
Liabilities		
Current liabilities		
Trade notes and accounts payable	43,978	50,045
Short-term loans	5,381	7,519
Current portion of unsecured bonds	10,000	10,000
Lease obligations	694	619
Accounts payable, other	8,058	9,268
Income taxes payable	1,169	2,917
Allowance for employees' bonuses	5,010	5,980
Allowance for director's bonuses	164	204
Other	10,296	9,449
Total current liabilities	84,753	96,004
Long-term liabilities		
Long-term debt	11,768	11,556
Lease obligations	1,360	1,127
Liability for employees' retirement benefits	14,072	14,528
Liability for directors' retirement benefits	246	259
Other	5,458	5,795
Total long-term liabilities	32,907	33,266
Total liabilities	117,661	129,271
Net assets		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	113,399	111,968
Treasury stock	(709)	(699)
Total shareholders' capital	174,527	173,105
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	1,232	1,995
Foreign currency translation adjustments	(13,679)	(13,754)
Total valuation and translation adjustments	(12,447)	(11,758)
Minority interests	230	221
Total net assets	162,309	161,568
Total liabilities and net assets	279,971	290,840

(2) Consolidated Statements of Operations

(In million yen)

	Year ended September 30, 2012	Year ended September 30, 2011
Net sales	124,589	125,374
Cost of sales	78,931	78,217
Gross profit	45,657	47,157
Selling, general and administrative expenses	41,000	39,847
Operating income	4,657	7,309
Other income		
Interest income	77	74
Dividend income	91	92
Insurance payments received	117	169
Rent received	47	75
Other	316	299
Total other income	650	711
Other expenses		
Interest expense	195	210
Foreign exchange loss, net	496	798
Other	423	668
Total other expenses	1,115	1,678
Ordinary income	4,192	6,342
Extraordinary income		
Gain on sale of property, plant and equipment	9	5
Total extraordinary income	9	5
Extraordinary losses		
Impairment loss	243	—
Loss on disposal of property, plant and equipment	68	156
Loss on write-down of investment securities	65	101
Total extraordinary losses	377	258
Income before income taxes and minority interests	3,824	6,089
Income taxes	1,062	1,515
Refund of income taxes for past fiscal years	—	1,709
Income taxes adjustments	158	708
Total income taxes and income taxes adjustments	1,220	3,933
Income before minority interests	2,603	2,156
Minority interests in net income	6	11
Net income	2,597	2,144

(3) Consolidated Statements of Comprehensive Income

	Year ended September 30, 2012	Year ended September 30, 2011
Net income before minority interest	2,603	2,156
Other Comprehensive income		
Unrealized loss on available-for-sale securities	(763)	(856)
Foreign currency translation adjustments	77	527
Total other comprehensive income	(686)	(329)
Comprehensive income	1,917	1,826
Total comprehensive income attribute to		
Owners of the parent	1,907	1,815
Minority interests	9	11

(4) Consolidated Statements of Cash Flows

(In million yen)

	Year ended September 30, 2012	Year ended September 30, 2011
I. Cash flows from operating activities		
Income before income taxes and minority interests	3,824	6,089
Depreciation and amortization	3,834	3,902
Impairment loss	243	—
Increase (decrease) in allowance for doubtful receivables	(58)	410
Increase (decrease) in allowance for employees' bonuses	(986)	(460)
Increase (decrease) in allowance for director's bonuses	(39)	(56)
Provision for (reversal of) accrued retirement benefits for employees	(484)	(453)
Interest and dividends income	(169)	(166)
Interest expense	195	210
Foreign exchange (gain) loss, net	19	23
Net (gain) loss on sale and valuation of investment securities	65	101
Net (gain) loss on sale and disposal of property, plant and equipment	59	151
(Increase) decrease in trade receivables	8,370	5,459
(Increase) decrease in inventories	(1,459)	(7,495)
Increase (decrease) in trade payables	(6,201)	(2,396)
Other, net	366	936
Subtotal	<u>7,595</u>	<u>6,257</u>
Interest and dividends received	171	165
Interest paid	(190)	(288)
Income taxes paid	(3,148)	(4,762)
Net cash provided by (used in) operating activities	<u>4,427</u>	<u>1,372</u>
II. Cash flows from investing activities		
Purchase of property, plant and equipment	(3,686)	(2,874)
Proceeds from sale of property, plant and equipment	35	57
Purchase of investment securities	(501)	(186)
Increase in long term receivables	(19)	(9)
Decrease in long term receivables	171	241
Other, net	315	(26)
Net cash provided by (used in) investing activities	<u>(3,685)</u>	<u>(2,798)</u>
III. Cash flows from financing activities		
Borrowing of short-term loans	737	379
Repayment of short-term loans	(2,929)	(3,151)
Borrowing of long-term debt	600	80
Repayment of long-term debt	(322)	(282)
Issuance of commercial paper	4,000	—
Repayment of commercial paper	(4,000)	—
Cash dividends paid	(1,180)	(1,185)
Dividends payments to minority shareholders	(1)	—
Repayment of financial lease	(343)	(333)
Payment of finance lease obligations	(376)	(375)
Other, net	6	76
Net cash provided by (used in) financing activities	<u>(3,810)</u>	<u>(4,792)</u>
IV. Foreign currency translation adjustments on cash and cash equivalents	27	228
V. Net increase (decrease) in cash and cash equivalents	<u>(3,041)</u>	<u>(5,990)</u>
VI. Cash and cash equivalents, beginning of period	29,756	34,221
VII. Cash and cash equivalents, end of period	<u>26,931</u>	<u>28,231</u>

(5) Notes on Going Concern

Not applicable

(6) Segment Information

1) Sales and income (loss) by reportable segment

In an effort to promote the creation of new businesses, the method of allocating research and development expenses was reconsidered. As a result, starting in this first quarter, a portion of the research and development expenses previously allocated to reportable segments will be included in adjustments. Results from the previous first quarter are also indicated calculated using the new method.

The segment income (loss) results calculated using the previous method are indicated below.

1st half ended September 30, 2012 (1 April, 2012 – 30 September, 2012)

(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	70,939	25,596	11,717	12,096	120,350	4,238	124,589	—	124,589
(2) Inter-segment sales	24	1	31	12	69	525	595	(595)	—
Total	70,964	25,598	11,749	12,109	120,420	4,763	125,184	(595)	124,589
Segment income (loss)	4,377	653	(196)	208	5,043	835	5,879	(1,221)	4,657

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of operations
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
Segment income (loss)	3,653	411	(372)	126	3,818	835	4,654	2	4,657

1st half ended September 30, 2011 (1 April, 2011– 30 September, 2011)

(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	69,992	23,084	13,065	15,132	121,274	4,100	125,374	—	125,374
(2) Inter-segment sales	18	3	35	21	79	547	626	(626)	—
Total	70,011	23,087	13,100	15,153	121,353	4,647	126,000	(626)	125,374
Segment income (loss)	6,490	(136)	485	960	7,800	682	8,483	(1,173)	7,309

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of operations
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
Segment income (loss)	5,793	(372)	314	889	6,625	682	7,307	2	7,309

2) For reference

Sales by geographic segment

1st half ended September 30, 2012 (1 April, 2012– 30 September, 2012)

(In million yen)

Japan	The Americas	Europe	China	Other Asia	Other	Total
70,942	12,995	8,304	19,551	9,211	3,583	124,589

1st half ended March 31, 2011 (1 April, 2011– 30 September, 2011)

(In million yen)

Japan	The Americas	Europe	China	Other Asia	Other	Total
72,410	12,139	9,065	18,547	9,195	4,016	125,374

(7) Notes on Significant Changes in Shareholders' Capital

Not applicable