1st Half Results & Financial Position, Ended March 2019

Teruhisa Ueda
President & CEO
Shimadzu Corporation

Nov. 7, 2018
First Half Financial Highlights

Record First Half Results

• Record results achieved for all key performance indicators—net sales, operating income, ordinary income, and profit.

• Results driven by Analytical & Measuring Instruments and Industrial Machinery segments.
  • Analytical & Measuring Instruments segment results expanded not only for environmental measurement instruments (especially in China), but also for spectroscopy (SP), gas chromatography (GC), and other products.
  In Europe and the United States, results expanded for liquid chromatograph (LC) and mass spectrometer (MS) products.
  • Industrial Machinery segment results expanded for turbomolecular pumps (TMP), hydraulic equipment, and all other categories.
  • Medical Systems segment results were also strong for diagnostic X-ray systems.

Profitability Continued to Improve

• Profitability improved, with a 9.5 % operating margin (vs. 9.2 % the previous year).
Statement of Income

- Net sales increased 6% (year-on-year) to 182.9 billion yen (10.8 billion yen year-on-year increase).
- Operating income increased 11% (year-on-year) to 17.4 billion yen (1.7 billion yen year-on-year increase).
- Operating margin improved 0.3 points, year-on-year, to 9.5%.
  - R&D expenses were 8.1 billion yen (1.0 billion yen year-on-year increase).
  - Capital expenditures were 10.2 billion yen (3.3 billion yen year-on-year increase) and depreciation and amortization was 5.6 billion yen (0.4 billion yen year-on-year increase).

<table>
<thead>
<tr>
<th>Units: Billions of yen, excluding EPS and percentages</th>
<th>First Half: Apr.-Sep.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Profit/Loss</td>
</tr>
<tr>
<td></td>
<td>FY 2018</td>
</tr>
<tr>
<td>Net Sales</td>
<td>182.9</td>
</tr>
<tr>
<td>Operating Income</td>
<td>17.4</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>9.5%</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>18.7</td>
</tr>
<tr>
<td>Profit Attributable to Owners of Parent</td>
<td>12.9</td>
</tr>
<tr>
<td>EPS</td>
<td>¥43.85</td>
</tr>
</tbody>
</table>

- The "Exchange Rate Effect" values for operating income and "Local Currency Basis" for YoY increase include elimination of unrealized gains from inventories.
- Sensitivity to Exchange Rates: US$: 1.2 billion yen for net sales and 0.4 billion yen for operating income; €: 0.2 billion yen for net sales and 0.07 billion yen for operating income.
Analysis of Year-on-Year Increase/Decrease in Operating Income (2018.4-2018.9)

- The impact of yen appreciation on operating income was 0.2 billion yen.
- Excluding such exchange rate effects, the effect of real sales increases was 4.3 billion yen and improvement of profitability was 0.6 billion yen.
- In contrast, the real increase in SG&A expenses after excluding exchange rate effects was -3.4 billion yen. (Of that, 2.1 billion yen was for investment expenses.)
Both sales and income increased for three segments—Analytical & Measuring Instruments, Industrial Machinery, and Medical Systems, but Aircraft Equipment sales decreased due to a reactionary decline in sales to the Defense Agency.

For the Analytical & Measuring Instruments segment, our strongest segment, profitability improved further, which increased the operating margin to 14.0 % (from 13.8 % the previous year).

For the Industrial Machinery segment as well, sales were strong not only for TMPs, but also for glass winders, vacuum heat treatment furnaces, and other products, which increased the operating margin to 9.7 % (from 9.1 % the previous year).
Net Sales expansion was strong both within and outside Japan, with net sales increasing 5% to 86.7 billion yen within Japan and 8% to 96.1 billion yen outside Japan.

The overseas sales ratio increased 0.7 points to 52.6%.

Outside Japan, expansion in North America and Europe was driven by LC and MS products, the strongest Analytical & Measuring Instruments product categories, and by fluoroscopy products in the Medical Systems segment, whereas expansion in China was driven by environmental measurement and GC products in the Analytical & Measuring Instruments segment and TMPs in the Industrial Machinery segment.

<table>
<thead>
<tr>
<th>Units: Billions of yen</th>
<th>First Half: Apr.-Sep.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Net Sales</strong></td>
<td><strong>YoY Increase/Decrease</strong></td>
</tr>
<tr>
<td></td>
<td>FY 2018</td>
<td>FY 2017</td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>86.7</td>
<td>82.7</td>
</tr>
<tr>
<td><strong>Americas</strong></td>
<td>24.9</td>
<td>22.5</td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td>22.3</td>
<td>19.7</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>14.6</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>China</strong></td>
<td>35.7</td>
<td>32.9</td>
</tr>
<tr>
<td><strong>Other Asian Countries</strong></td>
<td>16.3</td>
<td>16.4</td>
</tr>
<tr>
<td>*<em>Other</em></td>
<td>4.6</td>
<td>5.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>182.9</strong></td>
<td><strong>172.1</strong></td>
</tr>
<tr>
<td><strong>Sales Outside Japan</strong></td>
<td>96.1</td>
<td>89.3</td>
</tr>
<tr>
<td><strong>Overseas Sales Ratio</strong></td>
<td><strong>52.6%</strong></td>
<td><strong>51.9%</strong></td>
</tr>
</tbody>
</table>

*Other: Australia, Middle East, and Africa
Analytical & Measuring Instruments Net Sales: 111.1 billion yen ➤ +7%

Expansion was mainly due to environmental measurement and GC products in China and LC and MS products in Europe and the United States. Results also increased for SP products world-wide.

Net Sales of Key Models: 59.5 billion yen ➤ +2%

LC and MS sales increased in North America and Europe, but stalled in Japan. LC sales also stalled in China, but GC sales expanded both within and outside Japan.

Other: 51.6 billion yen ➤ +13%

Sales of water quality environmental monitoring instruments expanded significantly, due to demand resulting from stronger countermeasures for pollution sources in China.

Overseas Ratio ➤ 61%

Sales expansion was well-balanced between Japan and outside Japan, with a 6% increase in Japan and 8% increase outside Japan. The overseas sales ratio is about the same as the previous year.

Aftermarket Business Sales Ratio ➤ 31%

Both consumables and service sales expanded. The aftermarket business sales ratio increased 2 points year-on-year.

Analytical & Measuring Instruments — First Half Net Sales
Units: Billions of yen

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>LC + MS + GC</td>
<td>58.6</td>
<td>59.5</td>
</tr>
<tr>
<td>Key Model</td>
<td>45.5</td>
<td>51.6</td>
</tr>
<tr>
<td>Other</td>
<td>104.0</td>
<td>111.1</td>
</tr>
</tbody>
</table>
Net sales increased 6% in Japan and 8% outside Japan, with sales driven by the Americas and Europe and also expanded in China. The overseas sales ratio was 61%, which is about the same as the previous year.
(1) The breakdown by core customer categories (pharmaceuticals/contract analysis/healthcare/foods, materials/machinery/electrical/automotive, and academia/government) remained stable.

(2) Within the pharmaceuticals/contract analysis/healthcare/foods category, contract analysis sales expanded, but other sales slightly stalled.

(3) Within the materials/machinery/electrical/automotive category, sales were strong in the materials field, but decreased for machinery and other fields.

(4) Academia/government sales decreased, mainly in Japan.

(5) Sales in the Other category increased due to the expanding analytical instruments customer base.

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FY 2018 First Half Analytical & Measuring Instruments Net Sales by Field

- Pharmaceuticals/Contract Analysis/Healthcare/Foods: 34%
- Materials/Machinery/Electrical/Automotive: 21%
- Academia/Government: 14%
- Other: 31%

YoY
- Pharmaceuticals/Contract Analysis/Healthcare/Foods: -3%
- Materials/Machinery/Electrical/Automotive: -1%
- Academia/Government: -3%
- Other: +15%
Medical Systems 1/2
Net Sales by Sub-Segment

+7 %:
Medical Systems Net Sales
Sales remained strong for X-ray systems, both within and outside Japan.

+6 %:
X-Ray Systems
Sales were driven by fluoroscopy and angiography systems, with an especially large sales expansion of strategic angiography products in Japan.

30 %:
Aftermarket Business Sales Ratio
The aftermarket business also expanded, but decreased by 2 points, year-on-year, as a ratio of sales, due to the expansion in angiography system sales and other factors.

Primary Products

<table>
<thead>
<tr>
<th>Product</th>
<th>Units: Billions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluoroscopy System</td>
<td>FY 2017: 30.6, FY 2018: 32.6 (YoY: 7%)</td>
</tr>
<tr>
<td>Angiography System</td>
<td>FY 2017: 8.6, FY 2018: 9.3 (YoY: 8%)</td>
</tr>
<tr>
<td>Mobile System</td>
<td>FY 2017: 22.0, FY 2018: 23.4 (YoY: 6%)</td>
</tr>
<tr>
<td>Breast PET System</td>
<td>FY 2017: 0.0, FY 2018: 5.0</td>
</tr>
<tr>
<td>Radiotherapy-Related System</td>
<td>FY 2017: 10.0, FY 2018: 15.0</td>
</tr>
</tbody>
</table>

Aftermarket Business Sales Ratio:
- X-Ray System: 23.4 (YoY: 6%)
- Other: 9.3 (YoY: 8%)

Other:
- Fluoroscopy + CVS + General Radiography: 32.6 (YoY: 7%)

Apr.-Sep. Sales:
- X-Ray System: 23.4 (YoY: 6%)
- Other: 9.3 (YoY: 8%)
- Total: 32.6 (YoY: 7%)
Sales in Japan and the Americas expanded and recovered from the previous year in Europe, but stalled in China due to project delays and other factors. The overseas ratio decreased by 1 point (year-on-year) to 43 %.
Industrial Machinery 1/2
Net Sales by Sub-Segment

+11 %:
Industrial Machinery Net Sales
Sales of turbomolecular pumps, hydraulic equipment, and other sub-segments all expanded, mainly in the first quarter.

+7 %:
Turbomolecular Pumps
Sales expanded in semiconductor, flat panel display, and other fields.

+28 %:
Other
Vacuum heat treatment furnace sales expanded significantly in fields such as ceramics and carbide tools and glass winder sales also expanded.

Units: Billions of yen

<table>
<thead>
<tr>
<th>Primary Products</th>
<th>Apr.-Sep. FY 2017</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turbomolecular Pumps</td>
<td>20.5</td>
<td>11%</td>
</tr>
<tr>
<td>Vacuum Heat Treatment Furnace</td>
<td>5.3</td>
<td>28%</td>
</tr>
<tr>
<td>Hydraulic Equipment</td>
<td>6.3</td>
<td>4%</td>
</tr>
<tr>
<td>Turbomolecular Pump</td>
<td>6.7</td>
<td>7%</td>
</tr>
</tbody>
</table>
Significant sales expansion was mainly for turbomolecular pumps and industrial furnaces in Japan and the United States and for turbomolecular pumps and glass winders in China. The overseas ratio decreased by 1 point (year-on-year) to 50%.
Aircraft Equipment Net Sales by Sub-Segment

- **-6 %:** Aircraft Equipment Net Sales
  Sales decreased for the defense business in Japan, in reaction to the previous year, but expanded for Boeing and other commercial aircraft components.

- **-11 %:** Defense Business
  Sales decreased, year-on-year, in reaction to the batch delivery of maritime patrol aircraft components in the previous year and due to other factors.

- **+21 %:** Commercial Aircraft Business
  Sales expanded for Boeing and other passenger aircraft components, mainly for small and medium size aircraft.

### Aircraft Components (Commercial Aircraft)
- Control Valve Modules
- Power Drive Unit Gearboxes
- Flap Actuators
- Stabilizer Trim Actuator

### Sales Data

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<tr>
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<tbody>
<tr>
<td>FY 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Aircraft</td>
<td>13.2</td>
<td>-6%</td>
</tr>
<tr>
<td>Defense</td>
<td>2.0</td>
<td>21%</td>
</tr>
<tr>
<td>FY 2018</td>
<td>12.4</td>
<td></td>
</tr>
<tr>
<td>Commercial Aircraft</td>
<td>11.1</td>
<td>-11%</td>
</tr>
<tr>
<td>Defense</td>
<td>9.9</td>
<td></td>
</tr>
</tbody>
</table>
## Business Environment Outlook and Trends

The global economy is predicted to grow 3.7% in 2018 and 2019 (according to IMF's World Economic Outlook, October 2018, which was adjusted downward 0.2 points from the previous prediction in July). As destabilizing factors strengthen, such as trade friction and currency and interest rate fluctuations, there are expanding imbalances between regions and countries.

Note: The values for countries and regions in the left column of the table below are IMF estimated 2018 GDP growth rates published in October 2018. The increase/decrease versus the previous forecast in July 2018 is indicated in parentheses.

<table>
<thead>
<tr>
<th>Country</th>
<th>Growth Rate</th>
<th>Change from July 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1.1% (+0.1 pt)</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>2.9% (-0.0 pt)</td>
<td></td>
</tr>
<tr>
<td>Euro Area</td>
<td>2.0% (-0.2 pt)</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>6.6% (±0 %)</td>
<td></td>
</tr>
<tr>
<td>ASEAN</td>
<td>5.3% (±0.0 %)</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>7.3 % (-0.1 %)</td>
<td></td>
</tr>
</tbody>
</table>

### Private sector investment in capital equipment seems to be decelerating, but we will focus efforts on expanding sales of new mass spectrometer products, including quadrupole time-of-flight mass spectrometers for food safety and gas chromatograph mass spectrometers for chemicals. We will also focus efforts on targeting demand for materials, automotive, etc.

**Risks:** Instability of international relations in East Asian regions

### Due to strong private sector demand and also large-scale government fiscal stimulus measures, favorable conditions are expected to continue. We will focus efforts on expanding sales of new mass spectrometer products, including quadrupole time-of-flight mass spectrometers for biopharmaceuticals and gas chromatograph mass spectrometers for chemicals.

**Risks:** Strengthening protectionist policies and decreasing corporate investment inclination due to stronger dollar and higher interest rates

### Economic activities of major Western countries are expected to weaken, but we will strengthen deployment of gas chromatograph mass spectrometers for residual pesticide analysis, demand for which is expected to remain stable, and we will expand the reagent business with Alsachim, the French reagent company acquired by Shimadzu.

**Risks:** Increasing political uncertainty in certain countries and emergence of immigrant problems

### As investment aimed at increasing the sophistication level of industries is expected to increase, we will strive to develop additional demand in petrochemical and automotive fields, satisfy demand for surface water and other environmental measuring applications, and deploy mass spectrometers in clinical medicine fields, which are predicted to expand.

**Risks:** Impacts from U.S.-China trade friction and stronger financial regulations

### Though a drop in currency value and reorganization of financial institutions are expected to impact results, we will satisfy demand for generic drugs in India due to stronger FDA regulations and other factors, and we will strengthen efforts to satisfy demand in electrical/electronic and automotive fields.

**Risks:** Expanded impact of currency devaluation in newly emerging economies
1st Half Results & Financial Position, Ended March 2019

New Product Releases—A. Analytical & Measuring Instruments: Deployed New Products, Mainly by Expanding Mass Spectrometer Line

- **New Products:** Developed new demand in new fields by increasing high-end products with higher added value.
  - High-resolution MS and LCMS
- **Network Systems:** Developed new systems that help improve the reliability of analytical data.
  - LabSolutions i-Qlinks
- **Aftermarket:** Expanded line of LC columns, with high value added models, for example, and released new reagents.

### High-Resolution MS
- LCMS-9030
  - Released Q-TOF that offers high accuracy and high stability. Deploy for biopharmaceuticals, etc.
  - Jun. 2018

### Three GCMS Models
- GCMS NX Series
  - Offers high accuracy, high resolution, and outstanding operability. Released three models to deploy widely.
  - Sep. 2018

### MS Analysis Software
- IMAGEREVEAL MS
  - Easily extracts necessary information from massive quantities of MS imaging data.
  - Aug. 2018

### Beta-Amyloid Contract Analysis
- Started contract analysis for predicting amyloid accumulation levels in the brain. Aim to introduce for basic research of therapeutic drugs and early preventive methods, etc.
  - Aug. 2018

### Network System: LabSolutions i-Qlinks
- Network system with LIMS functionality for integrated management of laboratory testing operations that improves the reliability of test data

### Aftermarket Business: LabTotal
- Significantly expanded line of LC columns (to 3400 items within 2018), mainly by offering high value added models, such as for basic compounds.
- Developed immunosuppressant analysis kit with Alsachim (French company acquired in 2017), released the kit in Europe and Japan, and even applied for FDA approval in the United States.
New Product Releases—B. Medical Systems and Industrial Machinery: Steadily Expanded Product Lines

• New Products: Expanded product line and developed new field. → Industrial Machinery TMPs and sputtering systems
• Existing Products: Captured market share and developed new application fields. → Medical Systems mobile systems and angiography systems
• Aftermarket Business: Expanded maintenance services (such as for industrial machinery TMPs or 24 hr/365 days per year response for medical systems).

Medical—Angiography Systems

Trinis unity edition
New functionality that displays sharp image of only blood vessels in image of entire lower extremities. Contribute to safer and more efficient catheterization procedures. Oct. 2018

Medical—Mobile X-Ray Systems

MobileDaRt MX8 Version
Digital radiography system with state-of-the-art image processing technology that features a telescoping support column that results in a smaller size and improved maneuverability. Apr. 2018

Industrial Machinery—TMPs

TMP-5305 Series
Turbo molecular pump with smaller power supply unit designed for semiconductor dry etching systems. Mar. 2018

Industrial Machinery—Sputtering Systems

UHSP-OP2060
High-speed film deposition system ideal for mass production of automotive mirrors with head-up display (HUD) functionality, which are expected to become more common in the future. Jun. 2018

2018 National Invention Award

The Elamammo Avant Class breast PET system was recognized for minimizing the physical and psychological burden during breast cancer examinations.

2018 Frost & Sullivan New Product Innovation Award for Fluorescence Surgical Imaging For Breast Cancer

The outstanding characteristics of the LIGHTVISION system were recognized for overall breast care applications, including for minimally invasive surgical procedures, breast reconstruction, and treating complications, for example.
Earnings Forecast

- No changes to the initially reported forecast
- Operating income is projected to reach the medium-term management plan target level one year ahead of schedule.
- We intend to achieve a sixth consecutive year of record results.

<table>
<thead>
<tr>
<th>Units: Billions of yen, excluding EPS and percentages</th>
<th>FY 2018 Plan</th>
<th>FY 2017</th>
<th>Yen Basis</th>
<th>YoY Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Full-Year</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2018 Plan</td>
<td>390.0</td>
<td>376.5</td>
<td>13.5</td>
<td>3.6%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>45.0</td>
<td>42.8</td>
<td>2.2</td>
<td>5.1%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>11.5%</td>
<td>11.4%</td>
<td>0.1 pt</td>
<td></td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>44.0</td>
<td>41.9</td>
<td>2.1</td>
<td>5.1%</td>
</tr>
<tr>
<td>Profit Attributable to Owners of Parent</td>
<td>32.0</td>
<td>29.8</td>
<td>2.2</td>
<td>7.2%</td>
</tr>
<tr>
<td>EPS</td>
<td>¥108.63</td>
<td>¥101.26</td>
<td>¥7.37</td>
<td>7.3%</td>
</tr>
<tr>
<td><strong>YoY Increase</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Local Currency Basis</strong></td>
<td>16.9</td>
<td>3.3</td>
<td>7.7%</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>First Half Average Foreign Exchange Rate</th>
<th>US$</th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>¥107.66</td>
<td>¥129.94</td>
</tr>
<tr>
<td>YEN</td>
<td>¥110.91</td>
<td>¥129.75</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exchange Rate Effect</th>
<th>Full-Year</th>
<th>YoY Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency Depreciation</td>
<td>3.4</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>-1.1</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Currency Sensitivity</th>
<th>Full-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD: 1.2 billion yen for net sales and 0.4 billion yen for operating income; €: 0.2 billion yen for net sales and 0.07 billion yen for operating income</td>
<td></td>
</tr>
</tbody>
</table>

- Units: Billions of yen, excluding EPS and percentages
Earnings Forecast by Business Segment

- Increased sales and income are predicted for Analytical & Measuring Instruments, Medical Systems, and Industrial Machinery segments.
- Increased profitability is planned for each segment.

### Tables

<table>
<thead>
<tr>
<th>Units: Billions of yen</th>
<th>Full-Year FY 2018 Plan</th>
<th>FY 2017</th>
<th>YoY Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net Sales</td>
<td>OPM</td>
<td>OPM</td>
</tr>
<tr>
<td>Analytical &amp; Measuring Instruments</td>
<td>241.0</td>
<td>9.4</td>
<td>4.1%</td>
</tr>
<tr>
<td></td>
<td>Operating Income</td>
<td>38.8</td>
<td>16.1%</td>
</tr>
<tr>
<td>Medical Systems</td>
<td>Net Sales</td>
<td>69.5</td>
<td>16.0%</td>
</tr>
<tr>
<td></td>
<td>Operating Income</td>
<td>3.2</td>
<td>4.6%</td>
</tr>
<tr>
<td>Aircraft Equipment</td>
<td>Net Sales</td>
<td>26.5</td>
<td>3.6%</td>
</tr>
<tr>
<td></td>
<td>Operating Income</td>
<td>0.8</td>
<td>3.0%</td>
</tr>
<tr>
<td>Industrial Machinery</td>
<td>Net Sales</td>
<td>46.5</td>
<td>3.2%</td>
</tr>
<tr>
<td></td>
<td>Operating Income</td>
<td>4.4</td>
<td>9.5%</td>
</tr>
<tr>
<td>Other</td>
<td>Net Sales</td>
<td>6.5</td>
<td>6.5%</td>
</tr>
<tr>
<td></td>
<td>Operating Income</td>
<td>0.8</td>
<td>12.3%</td>
</tr>
<tr>
<td>Operating Income Adjustments</td>
<td>-3.0</td>
<td>—</td>
<td>-2.4</td>
</tr>
<tr>
<td>Total</td>
<td>Net Sales</td>
<td>390.0</td>
<td>13.5</td>
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**Net Sales**

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<tr>
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<td>Medical Systems</td>
<td>69.5</td>
<td>65.9</td>
<td></td>
</tr>
<tr>
<td>Aircraft Equipment</td>
<td>26.5</td>
<td>27.6</td>
<td></td>
</tr>
<tr>
<td>Industrial Machinery</td>
<td>46.5</td>
<td>44.2</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>6.5</td>
<td>7.2</td>
<td></td>
</tr>
<tr>
<td>Operating Income Adjustments</td>
<td>-3.0</td>
<td>-2.4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>390.0</td>
<td>376.5</td>
<td></td>
</tr>
</tbody>
</table>

**Operating Income**

<table>
<thead>
<tr>
<th>Units: Billions of yen</th>
<th>FY 2018 Plan</th>
<th>FY 2017</th>
<th>YoY Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analytical &amp; Measuring Instruments</td>
<td>38.8</td>
<td>37.0</td>
<td>1.8</td>
</tr>
<tr>
<td>Medical Systems</td>
<td>3.2</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>Aircraft Equipment</td>
<td>0.8</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Industrial Machinery</td>
<td>4.4</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.8</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Operating Income Adjustments</td>
<td>-3.0</td>
<td>-2.4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>45.0</td>
<td>42.8</td>
<td>2.2</td>
</tr>
</tbody>
</table>
Cash Dividend

- We will provide steady returns to shareholders, in balance with aggressive R&D and other investment for achieving growth.
- The interim dividend payment of 13 yen per share was two yen higher than the previous year.
- The planned year-end dividend is 13 yen per share, which is the same as the previous year.

<table>
<thead>
<tr>
<th>FY 2018</th>
<th>FY 2017</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Half</td>
<td>First Half</td>
<td>Full-Year</td>
</tr>
<tr>
<td>Dividend per Share</td>
<td>¥13.00</td>
<td>¥13.00</td>
</tr>
<tr>
<td>Payout Ratio</td>
<td>23.9%</td>
<td>23.7%</td>
</tr>
</tbody>
</table>

Full-Year Cash Dividend Payments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>30.00</td>
<td>9.00</td>
<td>13.00</td>
<td>18.00</td>
<td>20.00</td>
<td>24.00</td>
<td>26.00</td>
</tr>
</tbody>
</table>
Key Business Strategies

1. Developing innovative new products/services and new businesses

2. Expanding R&D
   A. Promoting R&D and investment in capital equipment according to medium-term management plan
   B. Deploying R&D globally
   C. Promoting advanced healthcare

3. Contributing to SDGs through business activities
   A. Environmental measurement fields
   B. Society fields
1. Developing Innovative New Products/Services and New Businesses

- Engage in raising our ability to develop innovative new products/services and businesses to new level.
- Strengthen and expand R&D, which is central to that ability.

Topics:
- Market needs
- External collaborations
- Pipeline strategies
- Increase sophistication of R&D management

Ability to develop innovative new products/services and new businesses

Cooperation between divisions

M&A

Alliance

Topics

Shimadzu Research Laboratory (Europe) Ltd.
European Innovation Center

Shimadzu China Mass Spectrometry Center
Shimadzu China R&D Division

Asia Pacific Innovation Centre

Japan Technology Research Laboratory
Koichi Tanaka Mass Spectrometry Research Laboratory
Corporate Product Design Center
Healthcare R&D Center
Division R&D departments

US Innovation Center

Ability to develop innovative new products/services and new businesses
2. Expanding R&D—A. Deploying R&D Globally

**US Innovation Center**
Develop systems for U.S. markets.

**European Innovation Center**
Develop systems for Europe markets.

**Innovation Centre in Singapore**
Develop systems for other Asian markets.

**Shimadzu China Mass Spectrometry Center Shimadzu China R&D Division**
Develop systems for Chinese markets.

**Instrument development:**
R&D dept. of each Division

**Reagent development:**
Shimadzu/Alsachim in France

**Basic Research**

**Technology Research Laboratory**
(strengthen significantly)
R&D of advanced core technologies

**Koichi Tanaka Mass Spectrometry Research Laboratory**
Develop basic technologies for mass spectrometry.

**Corporate Product Design Center**
Hardware and software Develop industrial design.

**Healthcare R&D Center**
(scheduled for completion in Jan. 2019)

**Academia**

**Advanced customers**
2. Expanding R&D—B. Promoting R&D and Investment in Capital Equipment According to Medium-Term Management Plan

**Implementation and Direction of R&D**

Accelerate joint development with advanced research institutions, mainly in the healthcare field.

Invest in R&D according to medium-term management plan, which specifies 53.0 billion yen in R&D expenses during the three years.

Invest in preparing environment/equipment for R&D, such as at the Healthcare R&D Center and Technology Research Laboratory.

Create innovative new products and ensure they result in practical new applications for analysis, diagnostics, treatment, and so on.

**Investment in Capital Equipment**

- New Healthcare R&D Center established
- Technology Research Laboratory expanded
- Shimane Shimadzu expanded (medical systems production)
- Shimadzu Precision Technology expanded (Industrial Machinery TMP production)
- Enterprise resource planning system improved

**FY 2017 Measures for Advanced Joint Research**

- Oct. 2017: Environmental sensors (National University of Singapore)
- Jan. 2018: Cancer photoinmunotherapy (U.S. National Cancer Institute)
- Feb. 2018: Method for early detection of Alzheimer’s (National Center for Geriatrics and Gerontology)

**FY 2018 Measures for Advanced Joint Research**

- May 2018: High-precision metabolomics technology (NEDO, Kobe University, etc.)
- Jun. 2018: Evaluation of matcha’s ability to inhibit loss of cognitive functions (Ito En)
- Aug. 2018: Technology for high-sensitivity analysis of boron in irons and semiconductors (Tohoku University, etc.)

Current medium-term management plan starts.
Contribute to solving challenges of society by promoting early detection, diagnosis, and treatment of major diseases.

<table>
<thead>
<tr>
<th>Early detection</th>
<th>Diagnosis</th>
<th>Treatment support</th>
<th>Prognosis management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass spectrometry</td>
<td>PET imaging and mass spectrometry</td>
<td>X-ray imaging, near-infrared spectroscopy, and mass spectrometry</td>
<td></td>
</tr>
</tbody>
</table>

**Cancer**
- **MS: Cancer screening**
  - Colon cancer, breast cancer, pancreatic cancer, liver cancer, stomach cancer, and lung cancer
- **PET: Diagnostic imaging**
  - Breast cancer
- **MS: Diagnostic support during surgery**
  - Liver cancer
- **Cancer photoimmunotherapy support**
  - Therapeutic effect measurement
- **MS: Follow-up examination**
  - Presence of cancer recurrence/metastasis

**Lifestyle Diseases**
- **MS: Disease screening**
  - Non-alcoholic fatty liver disease
  - Diabetic nephropathy
- **Strong line of mass spectrometers models**
- **Primary aldosteronism treatment support**
  - High blood pressure
- **MS: Medication management**
  - Organ transplants and autoimmune disorders

**Psychiatric Disorders**
- **MS: Dementia screening**
  - Mild cognitive impairment (MCI)
  - Alzheimer's
  - Depression
- **IR: Rehabilitation therapeutic effect measurement**
  - Mild cognitive impairment (MCI)
- **MS: Drug discovery research support**
  - Beta-amyloid screening

**Comprehensive health management service for extending healthy life expectancy**
- Using smart devices to provide information about health, diathetic risks, and functionally-enhanced foods
### 2. Expanding R&D—C. Promoting Advanced Healthcare (Progress)

- Jointly develop early screening system for cancer, Alzheimer’s, etc., based mainly on mass spectrometry technology. Launched business in October 2018.
- Currently jointly developing cancer treatment and other systems based on integrating Analytical & Measuring Instruments and Medical Systems technologies, such as mass spectrometry, diagnostic imaging, and near infrared technologies.
- Expand the reagent business, mainly based on Alsachim in France, which was acquired in April 2017.

<table>
<thead>
<tr>
<th>Biomarker Examinations</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cancer</td>
<td>Commercialize colon cancer screening business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lifestyle Diseases</td>
<td>Research non-alcoholic fatty liver disease</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Psychiatric Disorders</td>
<td>Commercialize contract analysis business for dementia-related beta-amyloid Mild cognitive impairment diagnostic business (invest in MCBI) Research effectiveness of catechins for inhibiting dementia (jointly with Ito En)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systems That Integrate Analytical and Medical Technologies</td>
<td>Cancer Treatment Systems</td>
<td>Support photoimmunotherapy research (U.S. National Cancer Institute)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Treatment Systems</td>
<td>Primary aldosteronism treatment support (Tohoku University)</td>
<td></td>
</tr>
<tr>
<td>Reagents and Consumables Businesses</td>
<td>Monitoring stable isotope/drug concentration levels in blood (French Alsachim acquisition)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consumables</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. Contributing to SDGs Through Business Activities

SDGs to Which Shimadzu Businesses Contribute Significantly

**GOOD HEALTH AND WELL-BEING**

**Advanced Healthcare Measures**
Apply sophisticated mass spectrometry technology for early detection of serious diseases, such as cancers, lifestyle diseases, and Alzheimer's. Also deploy solutions for monitoring immunosuppressants, anticonvulsants, and other drugs (reagents) in the blood.

**CLIMATE ACTION**

**Gas Chromatograph Mass Spectrometers**
Easily analyze phthalate esters, the use of which is restricted in food packaging and electronic/electrical goods.

**Infrared Spectrophotometers**
Contribute to reusing waste plastic materials by sorting them instantaneously and on line by type.
3. Contributing to SDGs Through Business Activities
—A. Environmental Measurement Fields

Using Analytical and Measuring Technologies to Contribute to Global Environmental Conservation

**Target 6.3**
- Measure and monitor environmental pollutants in water.
- Measure and monitor environmental pollutants and endocrine disruptors in water, air, and soil.
- Manage wastewater (devices to monitor metal impurities in cleaning processes, such as during semiconductor manufacturing).

**Target 11.6**
- Measure and monitor for environmental conservation and regulatory compliance.
- Compliance with RoHS regulations
- Support development of new environmentally-friendly materials.

**Target 12.4**
- Measure and monitor environmental pollutants and endocrine disruptors in water, air, and soil.
- Comply with RoHS regulations for all parts and materials used in products.
Using Analytical, Measuring, and Medical Technologies to Contribute to Achieving Preventive Medicine, and Improving Food Safety and Diagnostics

Target 3.2
- Contribute to early diagnosis of congenital abnormalities and disease in newborns.
- Supply diagnostic equipment for newborns.

Target 3.4
- Improve the accuracy of diagnosing cancer, cardiovascular diseases, and so on and provide treatment support.
- Provide support for therapeutic drug development.
- Metabolite analysis for preventive medicine
- Support the development of functionally-enhanced foods.

Target 3.5
- Provide drug abuse prevention and treatment.

Target 3.9
- Detect hazardous chemicals in food and the environment.
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