

Aug. 7, 2018

# Operating Results and Financial Position

## (For the Three Months Ended June 30, 2018)

### 1. Operating Results

#### (1) Consolidated Overview

In the three months ended June 30, 2018, the North American economy continued its recovery due to an improvement in the labor and income environment and firm consumer spending. The European economy demonstrated a moderate recovery due to strong consumer spending despite Britain's exit from the European Union and other issues. The Chinese economy remained strong due to strong consumer spending and expanded exports resulting from the global economic recovery. Southeast Asia also showed signs of an uptick in economic activity and India's economy continued its recovery. The Japanese economy continued to demonstrate a moderate recovery due to improvements in employment and capital investment resulting from higher corporate earnings.

In the midst of such circumstances, the Shimadzu Group is implementing aggressive measures to achieve growth, as specified in the medium-term management plan and based on the slogan "Become a Company That Solves Challenges in Society in Collaboration with Partners All Around the World," such as investing in advanced healthcare and other high-growth fields, improving profitability by applying AI and IoT technologies to expand the aftermarket business and improve the competitiveness of key models, for example, and implementing organizational foundation reforms.

For the first three months of this fiscal year, the Shimadzu Group posted consolidated net sales of 85,655 million yen (a year-on-year increase of 13.0 %), operating income of 5,739 million yen (a year-on-year increase of 47.7 %), ordinary income of 6,576 million yen (a year-on-year increase of 83.0 %), and profit attributable to owners of parent of 4,352 million yen (a year-on-year increase of 79.2 %).

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

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

Sales in North America were strong for liquid chromatographs and mass spectrometer systems in healthcare, food safety, and chemicals fields. In Europe, mass spectrometer system sales grew significantly in markets such as academic/research institutions and food/contract analysis, and liquid chromatograph sales were also strong. In China, sales were especially active in private sector fields, such as chemical/contract analysis, and public sector fields, such as academic institutions, with strong sales mainly for gas chromatographs and environmental measurement instruments. In Southeast Asia, sales of non-destructive inspection systems were strong in automotive markets. In India, the recovery trend in the pharmaceuticals market resulted in steady liquid chromatograph sales.

In Japan, sales were strong with increased sales of environmental measurement instruments in the energy market, for example.

As a result, the Analytical & Measuring Instruments segment posted sales of 51,645 million yen (a year-on-year increase of 12.0 %) for the first three months of this fiscal year, with operating income of 5,679 (a year-on-year increase of 19.9 %), due to increased sales and other factors.

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

In North America, mobile system sales were strong due to new products and multipurpose fluoroscopy system sales were strong due to increased sales. In Europe, mobile system sales were strong due to new products, fluoroscopy system sales recovered, and angiography system sales increased. In China, demand for general radiography systems expanded, but delays in X-ray fluoroscopy system projects kept overall sales at the same level as the previous year. In Southeast Asia, X-ray fluoroscopy system sales were strong, due partly to large projects.

In Japan, angiography system sales were strong, but overall sales decreased due to continued purchase reluctance prior to scheduled 2018 revisions to medical service fees.

As a result, the Medical Systems segment posted sales of 14,217 million yen (a year-on-year increase of 7.4 %) for the first three months of this fiscal year. Operating losses improved to 124 million yen (from a 583 million yen loss for the first three months of the previous year), due to increased sales outside Japan and other factors.

### **III. Aircraft Equipment**

In North America, sales increased due to increased production of small and mid-size commercial aircraft at Boeing, but in Japan, aircraft component sales to the Japanese Ministry of Defense decreased. Consequently, overall sales struggled.

As a result, the Aircraft Equipment segment posted sales of 5,503 million yen (a year-on-year decrease of 7.6 %) for the first three months of this fiscal year and operating losses of 561 million yen (compared to 420 million yen for the first three months of the previous year), due to decreased sales and other factors.

### **IV. Industrial Machinery**

Sales of turbo-molecular pumps continued to grow in Japan, North America, and China, mainly for semiconductor and flat panel display manufacturing equipment. Sales increased significantly for glass winders in China and industrial furnaces in Japan. Hydraulic equipment sales remained strong, due to a continued forklift truck market expansion in China and solid demand in Japan, North America, and Europe.

As a result, the Industrial Machinery segment posted sales of 11,880 million yen (a year-on-year increase of 27.6 %) for the first three months of this fiscal year and operating income of 1,113 million yen (a year-on-year increase of 96.7 %), due to increased sales and other factors.

### **V. Other**

Other business segments posted sales of 2,407 million yen (a year-on-year increase of 102.7 %) and operating income of 167 million yen (a year-on-year increase of 139.1 %) for the first three months of this fiscal year.

### **(2) Consolidated Outlook**

In terms of the outlook for the future, a gradual expansion trend is expected to continue for the overall global economy, but there is considerable uncertainty in some areas, such as with respect to financial policy trends and trade friction between China and the United States, for example.

Given the current business environment, business results are expected to progress roughly according to plan, with no significant changes from the consolidated earnings outlook reported on May 10, 2018.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In million yen)

	As of June 30, 2018	As of March 31, 2018
<b>Assets</b>		
Current assets:		
Cash and time deposits	¥74,245	¥76,926
Trade notes and accounts receivable	103,812	119,117
Marketable securities	—	20
Merchandise and products	43,588	40,067
Work in process	20,917	19,936
Raw materials and supplies	22,433	20,632
Other	8,983	8,931
Allowance for doubtful receivables	(1,402)	(1,409)
Total current assets	¥272,577	¥284,223
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	¥39,729	¥39,985
Machinery, equipment and vehicles, net	7,135	6,713
Land	18,859	18,821
Leased assets, net	3,018	2,734
Construction in progress	5,489	3,225
Other, net	13,049	12,655
Total property, plant and equipment	¥87,282	¥84,136
Intangible fixed assets	¥10,934	¥9,234
Investments and other assets:		
Investment securities	¥15,896	¥16,464
Long-term receivables	183	159
Assets related to retirement benefits	8,803	8,010
Deferred tax assets	11,071	11,535
Other	4,092	5,129
Allowance for doubtful receivables	(340)	(344)
Total investments and other assets	¥39,706	¥40,954
Total noncurrent assets	¥137,923	¥134,325
Total assets	¥410,501	¥418,548

(In million yen)

	As of June 30, 2018	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities:		
Trade notes and accounts payable	¥64,171	¥66,589
Short-term loans	3,212	3,135
Current portion of bonds	15,000	—
Lease obligations	1,102	1,060
Accounts payable	17,042	16,244
Income taxes payable	2,136	7,460
Allowance for employees' bonuses	3,457	8,735
Allowance for director's bonuses	85	259
Provision for loss on defense equipment	69	94
Other	21,626	18,386
Total current liabilities	¥127,905	¥121,965
Long-term liabilities:		
Unsecured bonds	—	¥15,000
Long-term debt	502	501
Lease obligations	2,231	1,986
Liability for directors' retirement benefits	115	169
Liability for retirement benefits	9,990	9,732
Liability for stock benefits	102	82
Other	1,508	1,049
Total long-term liabilities	¥14,450	¥28,522
Total liabilities	¥142,355	¥150,488
<b>Net assets</b>		
Shareholders' capital:		
Common stock	¥26,648	¥26,648
Additional paid-in capital	35,188	35,188
Retained earnings	198,462	198,038
Treasury stock	(1,411)	(1,410)
Total shareholders' capital	¥258,888	¥258,464
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	¥6,557	¥7,440
Foreign currency translation adjustments	(1,273)	(1,998)
Cumulative adjustments to retirement benefits	3,593	3,787
Total accumulated other comprehensive income	¥8,877	¥9,229
Non-controlling interests	¥379	¥366
Total net assets	¥268,145	¥268,060
Total liabilities and net assets	¥410,501	¥418,548

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

### Consolidated Statements of Operations

	(In million yen)	
	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Net sales	¥85,655	¥75,803
Cost of sales	52,797	47,202
Gross profit	¥32,857	¥28,600
Selling, general and administrative expenses	¥27,118	¥24,715
Operating income	¥5,739	¥3,884
Other income:		
Interest income	¥74	¥50
Dividend income	165	243
Insurance payments received	264	30
Foreign exchange profit	357	—
Subsidy received	240	—
Other	151	131
Total other income	¥1,253	¥455
Other expenses:		
Interest expenses	¥29	¥27
Foreign exchange loss	—	80
Compensation expenses	265	245
Other	121	393
Total other expenses	¥416	¥747
Ordinary income	¥6,576	¥3,593
Extraordinary income:		
Gain on sale of property, plant and equipment	¥11	¥25
Total extraordinary income	¥11	¥25
Extraordinary losses:		
Loss on disposal of property, plant and equipment	¥8	¥20
Total extraordinary losses	¥8	¥20
Income before income taxes	¥6,579	¥3,597
Income taxes	1,382	861
Income taxes adjustments	816	297
Total income taxes and income taxes adjustments	¥2,198	¥1,159
Profit	¥4,380	¥2,437
Profit attributable to non-controlling interests	28	9
Profit attributable to owners of parent	¥4,352	¥2,428

### Consolidated Statements of Comprehensive Income

	(In million yen)	
	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
Profit	¥4,380	¥2,437
Other comprehensive income:		
Unrealized gain/loss on available-for-sale securities	¥(882)	¥699
Foreign currency translation adjustments	715	1,076
Retirement benefit adjustments	(194)	(54)
Total other comprehensive income	¥(360)	¥1,722
Comprehensive income	¥4,019	¥4,159
(Break down)		
Comprehensive income attribute to owners of parent	¥3,986	¥4,146
Comprehensive income attribute to non-controlling interests	¥33	¥13

### (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, 2019

(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	¥51,645	¥14,217	¥5,503	¥11,880	¥83,247	¥2,407	¥85,655	—	¥85,655
(2) Inter-segment sales	6	4	31	20	62	397	459	¥(459)	—
Total sales	¥51,652	¥14,222	¥5,535	¥11,900	¥83,309	¥2,804	¥86,114	¥(459)	¥85,655
Operating income (loss)	¥5,679	¥(124)	¥(561)	¥1,113	¥6,107	¥167	¥6,274	¥(534)	¥5,739

From April 1st to June 30th of fiscal year ended March 31, 2018

(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	¥46,112	¥13,232	¥5,957	¥9,312	¥74,615	¥1,187	¥75,803	—	¥75,803
(2) Inter-segment sales	9	2	23	10	45	386	432	¥(432)	—
Total sales	¥46,122	¥13,234	¥5,981	¥9,322	¥74,661	¥1,574	¥76,235	¥(432)	¥75,803
Operating income (loss)	¥4,735	¥(583)	¥(420)	¥566	¥4,298	¥69	¥4,368	¥(483)	¥3,884

##### 2) Income by Geographic Segment

From April 1st to June 30th of fiscal year ended March 31, 2019

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥39,676	11,881	7,011	17,436	7,595	2,053	¥85,655

From April 1st to June 30th of fiscal year ended March 31, 2018

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥35,214	10,030	5,486	15,373	7,346	2,350	¥75,803

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