

August 7, 2008

Operating Results and Financial Position **(for the Three Months Ended June 30, 2008)**

1. Operating Results

Consolidated Overview

During the quarter under review, the Japanese economy remain firm overall, supported by solid exports and capital expenditures, despite signs of a slowdown due to the impact of rising crude oil and raw materials prices. Overseas, although the U.S. economy was weighed down by the subprime mortgage crisis, European economies recovered gradually, and Asia continue its economic expansion. Rapid economic expansion continued in China, India, and Russia in particular.

Under such economic conditions, the Shimadzu Group worked to build global support for the Shimadzu brand, one of the key objectives set out in the three-year medium-term management plan launched in April this year. Toward this objective, the Group maintained growth by bolstering its marketing efforts and drove forward functional and process reforms to build a solid earnings base. At the same time, the Group also focused efforts on expanding sales of new products that meet customer needs.

As a result, the Group's consolidated net sales for the first quarter were up 3.9% from a year earlier to ¥59,944 million. Operating income grew 5.7% on the year to ¥3,268 million, while ordinary income rose 9.9% to ¥3,817 million. Net income totaled ¥2,803 million, representing year-over-year growth of 55.6%.

Because of the nature of its business, the Group tends to post relatively higher net sales in the second and fourth quarters.

Industry Segment Information

I. Analytical and Measuring Instruments

In the domestic market, private-sector capital investment supported firm demand for liquid chromatographs, mass spectrometers, testing machines, and industrial X-ray inspection systems, despite low demand from the public sector. The segment's overseas performance was robust in Europe and Asia, particularly in China, owing to growing demand for liquid chromatographs, mass spectrometers, environmental measuring instruments, spectrometers, and testing machines.

As a result, net sales for the segment during the three month under review were up 3.4% year over

year to ¥31,963 million, while operating income increased 14.0% to ¥3,803 million.

II. Medical Systems

In the domestic market, demand for X-ray imaging diagnostic systems and other types of X-ray system was low. Overseas, demand grew mainly for X-ray imaging systems, and Shimadzu enjoyed strong performance in China, Europe, and North America.

As a result, net sales for the segment during the quarter under review were up 2.0% year over year to ¥10,586 million, while operating income increased 874.8% to ¥271 million.

III. Aircraft Equipment and Industrial Machinery

Domestic demand from the defense sector for aircraft equipment declined, but demand for commercial aircraft remained firm in overseas markets.

In the industrial machinery segment, turbo-molecular pumps and hydraulic equipment performed well in the domestic market. Overseas growth in demand for CVD equipment for solar panels resulted in strong results in Asia.

As a result, net sales for the segment during the quarter under review were up 6.9% year over year to ¥15,773 million, while operating income declined 28.0% to ¥1,248 million.

IV. Other

Net sales for the segment declined 0.6% year over year to ¥1,620 million, while operating income increased 83.1% to ¥459 million.

2. Consolidated Financial Position

Total assets at the end of the quarter under review stood at ¥288,733 million, a decline of ¥15,097 million from the end of the previous fiscal year. This was due to a decline in cash and time deposits of ¥12,064 million and other factors. Net assets totaled ¥149,639 million.

3. Consolidated Outlook

The Japanese economic environment is expected to become increasingly challenging over the full year due to concerns regarding the subprime mortgage meltdown, movements in crude oil and materials prices, and an economic slowdown in the U.S.

In this business environment, the Shimadzu Group will work to build global support for the Shimadzu brand, one of the key objectives set out in the three-year medium-term management plan launched in April this year. Toward this objective, the Group will seek to maintain growth by bolstering its marketing efforts while driving forward functional and process reforms to build a solid earnings base.

No changes have been made to the earnings forecast released in May 2008.

Because of the nature of its business, the Group tends to post relatively higher net sales in the second and fourth quarters.

4. Other Information

Changes in accounting principles, procedures, and methods of disclosure used in the preparation of consolidated financial statements for the quarter under review

1) Effective this consolidated fiscal year, the Company has adopted the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12; March 14, 2007) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14; March 14, 2007). The consolidated financial statements for the three months ended June 30, 2008, were prepared in accordance with the “Regulation for Terminology, Forms and Preparation of Quarterly Financial Statements.”

2) Accounting Standard for the Valuation of Inventories

Effective this consolidated fiscal year, the Company has adopted the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) and has switched from its former lower-of-cost-or-market method to a lower-of-cost-or-market method that involves reducing book value to account for declines in the profitability of inventory. Further, effective this consolidated fiscal year, the loss on disposal of inventories, previously recorded under other expenses, will be recorded under cost of sales.

As a result, operating income is ¥12 million lower, ordinary income is ¥455 million higher, and income before income taxes and minority interests is ¥1,296 million lower than the figures that would have resulted with the previous accounting standard.

3) Accounting Standard for Lease Transactions

Effective the consolidated fiscal year under review, the Company has adopted the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13; June 17, 1993; latest revision March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Statement Guidance No. 16; January 18, 1994; latest revision March 30, 2007). Companies are permitted to adopt these standards for quarterly financial statements for fiscal years beginning on or after April 1, 2008. Non-ownership-transfer finance leases will no longer be subject to accounting treatment for operating leases and will instead be treated as ordinary sales transactions. Lease assets arising from non-ownership transfer finance leases will be depreciated over a useful life equal to the lease period with an estimated residual value of zero. The effect of these changes on earnings is negligible.

Consolidated Balance Sheets

(In million yen)

	As of June 30, 2008	As of March 31, 2008
Assets		
Current assets		
Cash and time deposits	23,701	35,766
Trade notes and accounts receivable	76,302	87,238
Marketable securities	74	142
Products	25,200	22,883
Semi-finished products	7,766	7,512
Raw materials	14,026	13,528
Work in process	25,115	22,075
Deferred tax assets	6,934	6,122
Other	5,233	4,987
Allowance for doubtful receivables	(911)	(879)
Total current assets	183,444	199,378
Noncurrent assets		
Property, plant and equipment:		
Buildings and structures	65,567	65,670
Accumulated depreciation	(32,204)	(31,962)
Buildings and structures, net	33,362	33,708
Machinery, equipment and vehicles	20,071	20,253
Accumulated depreciation	(13,926)	(13,835)
Machinery, equipment and vehicles, net	6,145	6,418
Land	18,902	18,849
Lease assets	6,016	-
Accumulated depreciation	(3,259)	-
Lease assets, net	2,756	-
Construction in progress	210	81
Other	26,594	26,720
Accumulated depreciation	(19,285)	(18,990)
Other, net	7,308	7,730
Net property, plant and equipment	68,686	66,788
Intangible fixed assets	6,241	6,211
Investments and other assets:		
Investment securities	12,577	12,352
Long-term receivables	1,440	969
Deferred tax assets	11,253	12,584
Other	5,298	5,718
Allowance for doubtful receivables	(207)	(171)
Total investments and other assets	30,362	31,453
Total noncurrent assets	105,289	104,452
Total assets	288,733	303,830

(In million yen)

	As of June 30, 2008	As of March 31, 2008
Liabilities		
Current liabilities		
Trade notes and accounts payable	50,979	52,611
Short-term loans	9,376	5,246
Current portion of unsecured bonds	10,000	15,000
Lease obligations	1,159	-
Accounts payable, other	8,654	11,725
Income taxes payable	2,026	2,670
Allowance for employees' bonuses	2,576	5,933
Allowance for director's bonuses	119	322
Other	15,516	10,401
Total current liabilities	100,408	103,911
Long-term liabilities		
Unsecured bonds	10,000	20,000
Long-term debt	2,346	2,556
Lease obligations	1,704	-
Liability for employees' retirement benefits	17,414	19,432
Liability for directors' retirement benefits	250	237
Other	6,970	6,982
Total long-term liabilities	38,685	49,207
Total liabilities	139,093	153,118
Net assets		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	89,136	87,574
Treasury stock	(553)	(536)
Total shareholders' capital	150,421	148,875
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	3,737	3,211
Foreign currency translation adjustments	(4,927)	(1,779)
Total valuation and translation adjustments	(1,189)	1,432
Minority interests	408	404
Total net assets	149,639	150,712
Total liabilities and net assets	288,733	303,830

Consolidated Statements of Operations

(In million yen)

Three months ended June 30,
2008

		59,944
Net sales		59,944
Cost of sales		36,466
Gross profit		23,477
Selling, general and administrative expenses		20,209
Operating income		3,268
Other income:		
Interest income		55
Dividend income		115
Insurance payments received		82
Rent received		38
Foreign exchange gain, net		676
Other		180
	Total other income	1,148
Other expenses:		
Interest expense		123
Other		476
	Total other expenses	599
Ordinary income		3,817
Extraordinary income:		
Gain on contribution of securities to employees' retirement benefit trust		1,450
Gain on sale of property, plant and equipment		1
	Total extraordinary income	1,452
Extraordinary losses:		
Loss on write-down of inventories		1,752
Loss on disposal of property, plant and equipment		5
Loss on write-down of investment securities		1
	Total extraordinary losses	1,760
Income before income taxes and minority interests		3,510
Income taxes		414
Income taxes adjustments		292
	Total income taxes and income tax adjustments	706
Net income		2,803

Effective this consolidated fiscal, the Company has adopted the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12, March 14, 2007) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, March 14, 2007). The consolidated financial statements for three months ended June 30, 2008, were prepared in accordance with the “Regulation for Terminology, Forms and Preparation of Quarterly Financial Statements.”

(3) Notes on the Going Concern Assumption

Not applicable

(4) Segment Information

1) Industry Segment Information

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

(In million yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/corporate	Consolidated total
I. Net sales and operating income/loss							
Net sales							
(1) Sales to customers	31,963	10,586	15,773	1,620	59,944	-	59,944
(2) Inter-segment sales	17	-	14	237	269	(269)	-
Total	31,980	10,587	15,787	1,857	60,213	(269)	59,944
Operating income	3,803	271	1,248	459	5,782	(2,514)	3,268

2) Overseas sales

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

(In million yen)

	The America	Europe	Asia and Oceania	Total
I. Overseas sales	6,359	5,215	16,415	27,990
II. Consolidated sales				59,944
III. Ratio of overseas to total consolidated sales	10.6%	8.7%	27.4%	46.7%

(5) Note on Significant Changes in the Amount of Shareholders' Equity

Not applicable

Reference:**Consolidated Financial Statements for the Three Months ended June 30, 2007****(April 1, 2007 — June 30, 2007)****(1) Consolidated Statements of Operations**

	(In million yen)
	Three months ended June 30, 2007
Net sales	57,682
Cost of sales	34,890
Gross profit	22,792
Selling, general and administrative expenses	19,700
Operating income	3,091
Other income:	
Interest income	70
Dividend income	106
Foreign exchange gain, net	390
Other	533
Total other income	1,100
Other expenses:	
Interest expense	185
Loss on disposal of inventories	70
Other	462
Total other expenses	718
Ordinary income	3,473
Extraordinary income:	
Gain on sale of property, plant and equipment	7
Total extraordinary income	7
Extraordinary losses:	
Loss on disposal of property, plant and equipment	247
Total extraordinary losses	247
Income before income taxes and minority interests	3,233
Income taxes	648
Income taxes adjustments	786
Minority loss in net income	(2)
Net income	1,801

(2) Segment Information

1) Industry Segment Information

Three months ended June 30, 2007 (April 1, 2007 – June 30, 2007)

(In million yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/corporate	Consolidated total
I. Net sales and operating income/loss							
Net sales							
(1) Sales to customers	30,915	10,376	14,759	1,630	57,682	-	57,682
(2) Inter-segment sales	55	-	9	216	281	(281)	-
Total	30,971	10,377	14,769	1,846	57,963	(281)	57,682
Operating expenses	27,635	10,349	13,034	1,595	52,614	1,976	54,591
Operating income	3,335	27	1,734	251	5,349	(2,257)	3,091

2) Overseas sales

Three months ended June 30, 2007 (April 1, 2007 – June 30, 2007)

(In million yen)

	The America	Europe	Asia and Oceania	Total
I. Overseas sales	6,398	4,386	13,594	24,378
II. Consolidated sales				57,682
III. Ratio of overseas to total consolidated sales	11.1%	7.6%	23.6%	42.3%