

August 7, 2014

Operating Results and Financial Position

《For The Three Months ended June 30, 2014》

1. Operating Results

(1) Consolidated Overview

In the three months ended June 30, 2014, the Japanese economy recovered slowly as corporate profitability and hiring conditions improved due to the effects of government economic and financial policies and other factors, despite the decreased demand following the consumption tax increase. Overseas, the pace of economic growth in China remained slow. In Europe, the economy showed signs of recovery and the U.S. economy continued its gradual recovery.

In the midst of such circumstances, the Shimadzu has started a new three-year medium-term management plan in April 2014 to actively implement growth measures based on our goal to "Become an Innovative Company Contributing to the Growth of Customers Globally," such as introducing globally strategic products, strengthening application development and customer support functions, developing our business base in newly emerging markets, and strengthening the aftermarket business.

As a result, for the first quarter, consolidated net sales were 60,885 million yen (a year-on-year decrease of 2.7%), operating income was 1,557 million yen (a year-on-year increase of 30.7%), ordinary income was 1,389 million yen (a year-on-year decrease of 11.1%), and net income was 1,070 million yen (a year-on-year decrease of 59.3%).

The situation for each business segment is described below.

I. Analytical & Measuring Instruments

In Japan, sales increased in fields such as chemicals, electronics, and automobiles, but overall sales decreased due in part to a decrease in government-academia demand based on government supplementary budget appropriations.

In North America and Europe, sales increased due to strong sales of liquid chromatographs and mass spectrometers, the strongest product lines of this segment, in pharmaceutical and healthcare fields in North America and environmental testing and food safety fields in Europe. In China, sales increased due to strong mass spectrometer sales, despite the continuing trend toward longer bidding processes for government projects, which has made sales more difficult. Demand slowed in Southeast Asia, but tended to recover in India.

As a result, sales from the Analytical & Measuring Instruments business were 36,125 million yen (a year-on-year decrease of 2.0%).

II. Medical Systems

In Japan, sales of angiography systems were strong, but overall sales decreased due to a drop in demand after the consumption tax was increased.

In North America, sales of X-ray fluoroscopy systems increased due to new product releases, but overall sales decreased slightly due to intensified competition for digital radiography systems. In China, market conditions remained difficult, without any signs of improvement. In Europe, sales decreased compared to the previous year, which included some large-scale orders.

As a result, sales from the Medical Systems business were 11,081 million yen (a year-on-year decrease of 15.5%).

III. Aircraft Equipment

In Japan, sales increased mainly due to sales of aircraft components to the Japanese Ministry of Defense. In North America, sales of passenger aircraft components decreased.

As a result, sales from the Aircraft Equipment business were 4,619 million yen (a year-on-year increase of 2.2%).

IV. Industrial Machinery

Sales of turbo-molecular pumps, the strongest product lines of this segment, were strong mainly for semiconductor manufacturing equipment. Sales of CVD equipment for solar cells expanded to cell manufacturers in Asia. Sales of hydraulic equipment were also strong for forklifts, small construction equipment, and other applications.

As a result, sales from the Industrial Machinery business were 7,283 million yen (a year-on-year increase of 11.0%).

V. Other

Sales from other business segments were 1,774 million yen (a year-on-year increase of 15.3%).

<Consolidated outlook of this fiscal year>

In Japan, the outlook is for a continued underlying gradual economic recovery. Overseas, there is a certain amount of uncertainty, such as due to the political instability in parts of Europe and Asia and concerns about the future of the Chinese economy, however, we expect that the U.S. and other overseas markets in general will continue to recover gradually.

Given such business conditions, the Shimadzu Group intends to actively implement growth strategies, such as developing new products that satisfy latent needs by using our advanced technological capabilities, expanding joint research projects with advanced customers, promoting local R&D and production functions and expanding/strengthening sales channels in newly emerging economies, and strengthening the aftermarket business, all in accordance with the new medium-term management plan that started this year and based on the basic policy of the plan—"Become an Innovative Company Contributing to the Growth of Customers Globally."

(In million yen except EPS)

	Outlook	
	Year ended March 31, 2015	Year on Year increase or decrease
Net sales		
1 st . half	¥141,000	2.0%
Year	¥312,000	1.5%
Operating income		
1 st . half	¥ 8,500	7.8%
Year	¥26,000	8.2%
Ordinary income		
1 st . half	¥ 8,000	(8.3)%
Year	¥25,000	0.8%
Net income		
1 st . half	¥ 5,000	(30.3)%
Year	¥15,500	59.4%
Earnings Per Share		
1 st . half	¥16.95	(30.3)%
Year	¥52.56	59.4%

Notice: This outlook is based on information available when Shimadzu is prepared. They are subject to risks and uncertainties. Factors that may influence are fluctuation of economic conditions change mainly in Japan, US, Europe and Asia, products demand, and foreign exchange rates.

2. Other Information

(1) Changes in the consolidation status (scope of consolidation) of material subsidiaries during the period
Not applicable

(2) Use of simplified accounting procedures and/or accounting procedures specific to the preparation of quarterly consolidated financial statements
Not applicable

(3) Changes in accounting principles, procedures, and methods of presentation used in the preparation of quarterly consolidated financial statements

(changes in accounting policy that are difficult to differentiate from changes in accounting estimates)

The declining balance method used to depreciate tangible fixed assets (excluding leased assets) of Shimadzu Corporation and consolidated subsidiaries in Japan (except for buildings, which were depreciated by the straight line method) was changed to the straight line method from the first quarter of this fiscal year.

This change was implemented as a result of reviewing the depreciation methods when we were rebuilding the head office building and acquiring associated production equipment as part of production reforms entitled the Sanjo Works in Kyoto city rearrangement plan, which were primarily aimed at promoting in-house manufacturing within the Group. The depreciation methods are now more consistent with how fixed assets are actually used.

As a result, operating income, ordinary income, and net income before taxes and minority interests for this quarter all increased by 199 million yen.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In million yen)

	As of June 30, 2014	As of March 31, 2014
Assets		
Current assets:		
Cash and time deposits	¥32,778	¥46,028
Trade notes and accounts receivable	80,338	112,193
Marketable securities	0	20
Merchandise and products	40,561	36,273
Work in process	18,760	16,934
Raw materials and supplies	18,691	17,509
Deferred tax assets	8,199	7,973
Other	6,934	5,624
Allowance for doubtful receivables	(1,003)	(1,218)
Total current assets	¥205,260	¥241,338
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	¥38,208	¥32,133
Machinery, equipment and vehicles	4,597	4,470
Land	18,184	18,195
Leased assets	2,498	2,365
Construction in progress	617	4,817
Other	7,847	7,423
Net property, plant and equipment	¥71,953	¥69,405
Intangible fixed assets	¥7,070	¥6,958
Investments and other assets:		
Investment securities	10,096	10,345
Long-term receivables	170	171
Deferred tax assets	9,218	9,462
Other	3,547	3,482
Allowance for doubtful receivables	(449)	(449)
Total investments and other assets	¥22,584	¥23,012
Total noncurrent assets	¥101,608	¥99,376
Total assets	¥306,869	¥340,715

(In million yen)

	As of June 30, 2014	As of March 31, 2014
Liabilities		
Current liabilities		
Trade notes and accounts payable	¥46,948	¥51,662
Short-term loans	7,660	37,055
Commercial papers	4,000	16,000
Lease obligations	889	842
Accounts payable	13,954	12,074
Income taxes payable	677	1,715
Allowance for employees' bonuses	2,309	6,770
Allowance for director's bonuses	93	265
Other	14,076	12,272
Total current liabilities	¥90,609	¥138,659
Long-term liabilities		
Unsecured bonds	¥15,000	¥0
Long-term debt	736	805
Lease obligations	1,801	1,688
Liability for directors' retirement benefits	188	174
Liability for retirement benefits	16,449	16,699
Other	704	693
Total long-term liabilities	¥34,880	¥20,061
Total liabilities	¥125,489	¥158,720
Net assets		
Shareholders' capital		
Common stock	¥26,648	¥26,648
Additional paid-in capital	35,188	35,188
Retained earnings	118,970	119,367
Treasury stock	(758)	(755)
Total shareholders' capital	¥180,049	¥180,449
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	3,365	2,994
Foreign currency translation adjustments	(617)	85
Cumulative adjustments to retirement benefits	(1,612)	(1,714)
Total valuation and translation adjustments	¥1,134	¥1,365
Minority interests	¥195	¥180
Total net assets	¥181,379	¥181,994
Total liabilities and net assets	¥306,869	¥340,715

(2) Consolidated Statements of Operations & of Comprehensive Income

Consolidated Statements of Operations

	(In million yen)	
	Year ended June 30, 2014	Year ended June 30, 2013
Net sales	¥60,885	¥62,582
Cost of sales	36,521	39,272
Gross profit	¥24,363	¥23,310
Selling, general and administrative expenses	22,805	22,118
Operating income	¥1,557	¥1,191
Other income:		
Interest income	¥36	¥35
Dividend income	126	110
Insurance payments received	62	39
Foreign exchange profit	0	205
Other	250	361
Total other income	¥475	¥752
Other expenses:		
Interest expense	¥56	¥82
Foreign exchange loss	168	0
Other	418	297
Total other expenses	¥643	¥380
Ordinary income	¥1,389	¥1,563
Extraordinary income:		
Gain on sale of property, plant and equipment	¥23	¥2
Total extraordinary income	¥23	¥2
Extraordinary losses:		
Loss on disposal of property, plant and equipment	¥49	4
Total extraordinary losses	¥49	4
Income before income taxes and minority interests	¥1,362	¥1,561
Income taxes	¥506	¥163
Refund of income taxes for past fiscal years	0	(1,317)
Income taxes adjustments	(230)	72
Total income taxes and income taxes adjustments	¥275	¥(1,082)
Income before minority interests	¥1,087	¥2,643
Minority interests in net income	¥16	¥12
Net income	¥1,070	¥2,631

Consolidated Statements of Comprehensive Income

	(In million yen)	
	Year ended June 30, 2014	Year ended June 30, 2013
Net income before minority loss	¥1,087	¥2,643
Other Comprehensive income		
Unrealized loss on available-for-sale securities	¥370	¥219
Foreign currency translation adjustments	(742)	2,325
Retirement benefit adjustments	101	101
Total other comprehensive income	¥(270)	¥2,646
Comprehensive income	¥816	¥5,289
Total comprehensive income attribute to		
Owners of the parent	¥801	¥5,272
Minority interests	¥15	¥17

5. Segment Information

Segment information for the three months ended June 30, 2014

(1) Income by Business Segment

From April 1st to June 30th of Fiscal year ended March 31, 2015

(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	¥36,125	¥11,081	¥4,619	¥7,283	¥59,110	¥1,774	¥60,885	0	¥60,885
(2) Inter-segment sales	5	11	15	15	48	279	328	¥(328)	0
Total Sales	¥36,131	¥11,093	¥4,635	¥7,298	¥59,159	¥2,054	¥61,213	¥(328)	¥60,885
Operating income (loss)	¥2,867	¥(478)	¥(924)	¥520	¥1,986	¥164	¥2,150	¥(593)	¥1,557

From April 1st to June 30th of Fiscal year ended March 31, 2014

(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	¥36,851	¥13,107	¥4,519	¥6,563	¥61,042	¥1,539	¥62,582	0	¥62,582
(2) Inter-segment sales	17	1	14	6	38	295	334	¥(334)	0
Total Sales	¥36,868	¥13,108	¥4,534	¥6,569	¥61,081	¥1,835	¥62,916	¥(334)	¥62,582
Operating income (loss)	¥1,903	¥164	¥(1,093)	¥454	¥1,429	¥344	¥1,773	¥(581)	¥1,191

(2) Income by Geographic Segment

From April 1st to June 30th of Fiscal year ended March 31, 2015

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥27,771	8,979	5,450	11,354	4,979	2,349	¥60,885

From April 1st to June 30th of Fiscal year ended March 31, 2014

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥28,800	8,705	5,506	11,922	5,023	2,622	¥62,582