

August 6, 2007

## **Operating Results and Financial Position (for the Three Months Ended June 30, 2007)**

### **1. Operating Results**

During the three months under review, the Japanese economy trended along a recovery path supported by improved corporate earnings and the ensuing recovery in capital expenditures. Overseas, the U.S. economy as a whole remained firm. European economies saw a steady recovery while Asia experienced continued growth in China and other economies.

Given such economic conditions and under its medium term management plan set out for the period starting from April 2005 through March 2008, the Shimadzu Group continued to pursue further globalization and drove forward structural reform of business operations focused on production, sales and service reforms, while focusing efforts on expanding sales of new products to address customer needs.

As a result, the Group's consolidated net sales for the three months increased 10.9% from the same period of the previous fiscal year to ¥57,682 million. Overseas sales expanded 22.3% to ¥24,378 million. Ordinary income surged 54.6% to ¥3,473 million while net income amounted to ¥1,801 million, up 16.3% from the same period a year earlier.

The Group tends to have higher net sales in second and fourth quarters.

The results by industrial segment are as follows.

#### **I. Analytical and Measuring Instruments**

In the domestic market, solid performance came primarily from mass spectrographs, photometric analysis instruments and industrial X-ray inspection systems, reflecting growing private sector capital expenditures. On the other hand, public demand in Japan declined. Overseas performance was robust primarily in countries and regions such as China and Europe, on growing demand for chromatographs, mass spectrographs and photometric analysis instruments.

As a result, segment net sales for the three months increased 2.2% to ¥30,915 million compared with the same period a year earlier. Operating income fell 11.1% to ¥3,335 million.

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

In the domestic market, sales of products such as X-ray TV systems were hurt by intensified

competition. Elsewhere, medical systems showed particularly robust performance in Europe and North and South America.

As a result, net sales for the segment rose 4.0% compared with the same period a year earlier to ¥10,376 million, while operating income declined 89.8% to ¥27 million.

### III. Aircraft Equipment and Industrial Machinery

In the aircraft equipment business, the domestic market remained strong primarily on demand for spare parts. Business in the overseas markets was also robust, as demand for commercial aircrafts showed a steady recovery.

In the industrial machinery business, while the domestic market remained flat, robust demand for turbomolecular pumps, glass winders and CVD equipment for solar panel resulted in strong growth in Asia and North America.

As a result, net sales for the segment increased 39.5% from the same period a year earlier to ¥14,759 million and operating income mounted to ¥1,734 million, up 146.7%.

### IV. Other

Net sales for the segment rose 35.2% from the same period a year earlier to ¥1,630 million while operating income fell 40.4% to ¥251 million.

## **2. Financial Position**

Total assets at the end of the first quarter totaled ¥292,725 million, representing a decrease of ¥2,358 million from the end of the previous fiscal year. This primarily reflects an increase in inventories by ¥9,208 million and a decrease in trade notes and accounts receivable by ¥10,240 million. Net assets stood at ¥142,773 million.

## Consolidated Balance Sheets

(In million yen)

	As of June 30, 2007 (A)	As of June 30, 2006 (B)	(A) – (B)	As of March 31, 2007 (C)	(A) – (C)
	Amount	Amount	Amount	Amount	Amount
<b>Assets</b>					
Current assets					
Cash and time deposits	24,237	28,327	(4,090)	27,626	(3,389)
Trade notes and accounts receivable	78,910	70,147	8,763	89,151	(10,240)
Marketable securities	289	88	200	109	179
Inventories	73,225	66,773	6,451	64,017	9,208
Deferred tax assets	6,333	7,246	(913)	7,020	(686)
Other	5,390	3,945	1,444	4,238	1,152
Allowance for doubtful receivables	(789)	(1,245)	455	(881)	92
Total current assets	187,597	175,284	12,312	191,282	(3,685)
Noncurrent assets					
Property, plant and equipment:					
Buildings and structures	31,639	28,192	3,446	31,965	(325)
Machinery, equipment and vehicles	5,695	4,834	860	5,569	125
Land	18,904	18,971	(67)	18,907	(3)
Construction in progress	1,193	2,163	(969)	115	1,078
Other	7,223	6,322	900	7,111	112
Net property, plant and equipment	64,655	60,485	4,169	63,669	985
Intangible fixed assets	4,000	2,245	1,755	4,009	(9)
Investments and other assets:					
Investment securities	16,272	14,339	1,933	15,535	736
Long-term receivables	526	1,967	(1,440)	539	(13)
Deferred tax assets	13,342	13,781	(439)	13,598	(255)
Other	6,582	4,571	2,011	6,709	(126)
Allowance for doubtful receivables	(250)	(1,271)	1,021	(260)	9
Total investments and other assets	36,472	33,387	3,085	36,121	350
Total noncurrent assets	105,128	96,118	9,010	103,801	1,327
Total assets	292,725	271,402	21,322	295,083	(2,358)

(In million yen)

	As of June 30, 2007 (A)	As of June 30, 2006 (B)	(A) – (B)	As of March 31, 2007 (C)	(A) – (C)
	Amount	Amount	Amount	Amount	Amount
<b>Liabilities</b>					
Current liabilities					
Trade notes and accounts payable	54,225	48,445	5,779	55,726	(1,501)
Short-term loans	6,345	14,892	(8,546)	7,460	(1,114)
Commercial paper	4,000	-	4,000	-	4,000
Current portion of unsecured bonds	15,000	-	15,000	-	15,000
Accounts payable, other	11,568	8,779	2,788	10,617	950
Income taxes payable	2,672	1,157	1,515	5,183	(2,510)
Allowance for employees' bonuses	2,504	2,309	194	5,871	(3,367)
Allowance for director's bonuses	123	-	123	271	(148)
Other	12,986	10,199	2,786	11,349	1,637
Total current liabilities	109,425	85,784	23,641	96,480	12,945
Long-term liabilities					
Unsecured bonds	10,000	25,000	(15,000)	25,000	(15,000)
Long-term debt	2,721	1,861	859	3,092	(371)
Liability for employees' retirement benefits	20,374	20,970	(596)	20,711	(337)
Liability for directors' retirement benefits	91	546	(455)	687	(595)
Other	7,339	7,314	24	6,908	430
Total long-term liabilities	40,526	55,693	(15,167)	56,399	(15,873)
Total liabilities	149,952	141,478	8,473	152,880	(2,928)
<b>Net assets</b>					
Shareholders' capital					
Common stock	26,648	26,648	-	26,648	-
Additional paid-in capital	35,188	35,188	-	35,188	-
Retained earnings	76,828	65,600	11,227	76,396	431
Treasury stock	(442)	(315)	(126)	(419)	(23)
Total shareholders' capital	138,223	127,122	11,100	137,814	408
Valuation and translation adjustments					
Net unrealized gain on available-for-sale securities	5,671	5,083	588	5,464	206
Foreign currency translation adjustments	(1,701)	(2,816)	1,115	(1,649)	(51)
Total valuation and translation adjustments	3,970	2,266	1,703	3,815	155
Minority interests	579	534	45	573	5
Total net assets	142,773	129,924	12,849	142,203	569
Total liabilities and net assets	292,725	271,402	21,322	295,083	(2,358)

## Consolidated Statements of Operations

(In million yen)

	Three months ended June 30, 2007		Three months ended June 30, 2006		Change		Year ended March 31, 2007	
	Amount (A)	%	Amount (B)	%	Amount (A) – (B)	%	Amount	%
Net sales	57,682	100.0	52,026	100.0	5,656	10.9	262,431	100.0
Cost of sales	34,890	60.5	31,459	60.5	3,430	10.9	159,107	60.6
Gross profit	22,792	39.5	20,566	39.5	2,225	10.8	103,323	39.4
Selling, general and administrative expenses	19,700	34.1	17,578	33.8	2,122	12.1	78,042	29.8
Operating income	3,091	5.4	2,987	5.7	103	3.5	25,280	9.6
Other income:								
Interest income	70		44		25		284	
Dividend income	106		75		31		120	
Foreign exchange gain, net	390		-		390		-	
Other	533		185		347		1,337	
Total other income	1,100	1.9	305	0.6	795	260.0	1,742	0.7
Other expenses								
Interest expense	185		166		19		717	
Loss on disposals of inventories	70		211		(141)		1,353	
Foreign exchange loss, net	-		212		(212)		316	
Other	462		457		5		1,430	
Total other expenses	718	1.3	1,046	2.0	(328)	(31.4)	3,817	1.5
Ordinary income	3,473	6.0	2,246	4.3	1,227	54.6	23,205	8.8
Extraordinary income:								
Gain on sale of property, plant and equipment	7		4		2		30	
Gain on sale of investment securities	-		21		(21)		68	
Gain on reversal of allowance for doubtful receivables	-		-		-		206	
Total extraordinary income	7	0.0	26	0.0	(19)	(72.9)	305	0.1
Extraordinary losses:								
Loss on disposal of property, plant and equipment	247		70		176		439	
Patent fee for past year	-		-		-		534	
Loss on write-down of investment securities	-		-		-		120	
Total extraordinary losses	247	0.4	70	0.1	176	250.1	1,094	0.4
Income before income taxes and minority interests	3,233	5.6	2,202	4.2	1,031	46.8	22,416	8.5
Income taxes	648		511		137		8,684	
Income taxes adjustments	786		125		661		297	
Minority interests in net income/loss	(2)	(0.0)	16	0.0	(19)	-	55	0.0
Net income	1,801	3.1	1,549	3.0	252	16.3	13,379	5.1

## Segment Information

### 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
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

Three months ended June 30, 2006 (April 1, 2006 – June 30, 2006)

(In million yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/corporate	Consolidated total
Net sales							
(1) Sales to customers	30,254	9,981	10,583	1,206	52,026	-	52,026
(2) Inter-segment sales	42	-	6	222	270	(270)	-
Total	30,296	9,981	10,590	1,428	52,297	(270)	52,026
Operating expenses	26,543	9,708	9,887	1,007	47,146	1,892	49,038
Operating income	3,753	273	703	421	5,150	(2,163)	2,987

Year ended March 31, 2007 (April 1, 2006 – March 31, 2007)

(In million yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/corporate	Consolidated total
Net sales							
(1) Sales to customers	149,401	50,112	57,041	5,875	262,431	-	262,431
(2) Inter-segment sales	319	25	77	1,016	1,438	(1,438)	-
Total	149,721	50,137	57,119	6,892	263,870	(1,438)	262,431
Operating expenses	123,601	47,999	52,909	5,064	229,574	7,575	237,150
Operating income	26,119	2,138	4,210	1,827	34,295	(9,014)	25,280

## Overseas Sales

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

(In million yen)

	North and South 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%

Three months ended June 30, 2006 (April 1, 2006 – June 30, 2006)

(In million yen)

	North and South America	Europe	Asia and Oceania	Total
I. Overseas sales	5,486	3,405	11,039	19,931
II. Consolidated sales				52,026
III. Ratio of overseas to total consolidated sales	10.6%	6.5%	21.2%	38.3%

Year ended March 31, 2007 (April 1, 2006 – March 31, 2007)

(In million yen)

	North and South America	Europe	Asia and Oceania	Total
I. Overseas sales	25,738	17,934	50,776	94,449
II. Consolidated sales				262,431
III. Ratio of overseas to total consolidated sales	9.8%	6.8%	19.4%	36.0%