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Operating Results and Financial Position **(for the Six Months Ended September 30, 2009)**

1. Operating Results

Consolidated Overview

The domestic economic climate remained highly challenging throughout the six months to September 30, 2009, with a further deterioration in labor market conditions and a very sluggish recovery in capital spending offsetting improvements in exports, industrial production, and private consumption. The Chinese economy has moved into recovery mode on the back of various domestic demand stimulus measures and the US and European economies also appear to have hit bottom, but the global economy had yet to develop any real upward momentum by the end of the fiscal first half.

We have responded to the new economic climate by implementing a range of emergency measures aimed at maintaining profits and revenues while cutting overall costs. We have also continued our efforts to build a globally renowned brand in line with our three-year medium-term management plan, working to achieve sustained growth by strengthening our marketing capabilities while simultaneously implementing functional and process reforms to solidify our earnings foundation.

We were, however, unable to completely overcome the impact of a sharply stronger yen and severe downturns in demand both at home and abroad. The Shimadzu Group consequently ended the first half of the fiscal year with net sales of ¥105,439 million (down 23.0% versus the six months ended September 30, 2008), operating income of ¥2,014 million (down 83.3%), ordinary income of ¥1,889 million (down 84.0%), and net income of ¥1,198 million (down 84.8%).

Industry Segment Information

I. Analytical & Measuring Instruments

Our overall sales in Japan were somewhat weak, with stronger public-sector demand attributable to outlays in the fiscal 2009 supplementary budget not enough to make up for a further downturn in private-sector capital spending and R&D investment.

Overall sales of high-performance liquid chromatographs—one of the Shimadzu Group's core product categories—declined despite steady demand from the pharmaceuticals sector. Mass spectrometer sales increased as stimulus-driven demand from the government sector compensated for weak private-sector demand, but constraints on capital spending saw big declines in sales of gas chromatographs to the petroleum and chemicals sectors and sales of surface analysis apparatus, materials testing machines, and non-destructive testing machines to the automobile and electrical machinery sectors. Spectrometer sales declined only slightly as new products provided a certain amount of support.

Sales to China declined over the fiscal first half as a whole, but aggressive government investment saw a further increase in sales of liquid chromatographs and mass spectrometers as concerns over food safety continued to drive demand. Severe economic downturns in the US, Europe, and non-China Asia had a significant impact on sales to these regions.

As a result, net sales for this segment fell 21.4% versus April–September 2008 to ¥58,004 million, while operating income dropped 51.0% to ¥5,432 million.

II. Medical Systems

Domestic sales of diagnostic X-ray systems with direct-conversion FPD (flat panel detector) technology were boosted by a recovery in demand from public and university hospitals, but overall sales declined slightly as private hospitals continued to face a very challenging operating climate.

Sales to the European market were hit by the severe economic downturn, while impending medical system reforms were also a negative factor in the US. Sales to China increased, however, as the government continued to invest in hospital construction and other medical infrastructure in line with its reforms of the medical insurance system, and sales to Latin America also increased on the back of solid demand.

All told, net sales for this segment fell 6.7% from a year earlier to ¥23,222 million, while operating income declined 53.7% to ¥563 million.

III. Aircraft Equipment & Industrial Machinery

Overall domestic sales declined as commencement of the F-15 fighter modernization program failed to fill the hole left by the delivery (in 2008) of the next-model fixed-wing maritime patrol aircraft (XP-1) and next-model large transport plane (C-X) prototypes. Overseas sales were also hard hit by a rapid downturn in demand for commercial aircraft.

Some signs of recovery in the turbomolecular pump market failed to prevent another decline in sales, and sales of CVD (chemical vapor deposition) equipment for solar panels fell away sharply as a persistent glut of solar panels impacted on capital spending both at home and abroad. Sales of hydraulic equipment were also down sharply as forklift manufacturers and other industrial vehicle makers cut back on inventory and production levels.

In sum, net sales for this segment fell 38.0% from a year earlier to ¥21,800 million, while operating income declined 98.4% to ¥59 million.

IV. Other

Net sales for this segment fell 22.3% from a year earlier to ¥2,411 million, while operating income declined 22.5% to ¥786 million.

2. Consolidated Financial Position

Total assets declined ¥10,439 million to ¥270,715 million over the six months from March 31, 2009, to September 30, 2009, as a ¥13,301 million decline in trade notes and accounts receivable was only partially offset by a ¥1,519 million (net) increase in buildings and structures and a ¥1,932 million increase in investment securities. Net assets were ¥150,263 million at September 30, 2009.

3. Consolidated Outlook

Shimadzu continues to face a very challenging business environment. Economic conditions remain difficult both at home and abroad—particularly on the jobs front—and there is considerable uncertainty surrounding exchange rates and the global economic outlook. That said, there are also some signs that economies may be starting to regain a certain amount of momentum as government stimulus measures prove effective.

We are looking at the current fiscal year as an opportunity to adapt to this new economic environment, and in the second half of this year (through March 2010) we intend to: (1) shore up our profitability by pushing ahead with emergency cost-cutting strategies; (2) focus

resources on those areas of public investment that are likely to receive the greatest boost from the fiscal 2009 supplementary budget; (3) expand our presence in China's volume zones and other rapidly growing emerging markets by introducing attractive new products; and (4) boost sales through a renewed focus on high-growth sectors such as services, safety and security, and environmental and clean energy technologies.

We will also continue our efforts to build global support for the Shimadzu brand in line with our three-year medium-term management plan. As well as bolstering our marketing capabilities and expanding into new areas such as next-generation medical systems, we will forge ahead with functional and process reforms across all aspects of development, production, sales, services, and logistics with a view to building a solid platform that will enable us to move back into a growth trajectory as soon as economic conditions begin to improve.

A full century has now passed since Shimadzu developed Japan's first medical X-ray device back in 1909. Proud of this history, we will continue to lead the way by developing one-of-a-kind and best-of-class products across our entire range of expertise.

4. 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

Not applicable

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In million yen)

	As of September 30, 2009	As of March 31, 2009
Assets		
Current assets		
Cash and time deposits	24,368	24,494
Trade notes and accounts receivable	65,949	79,250
Merchandise and products	34,039	33,744
Work in process	20,962	20,923
Raw materials and supplies	14,835	14,065
Deferred tax assets	6,391	6,555
Other	3,643	3,196
Allowance for doubtful receivables	(1,014)	(1,007)
Total current assets	169,175	181,224
Noncurrent assets		
Property, plant and equipment:		
Buildings and structures	67,643	65,114
Accumulated depreciation	(33,710)	(32,700)
Buildings and structures, net	33,933	32,413
Machinery, equipment and vehicles	20,024	19,482
Accumulated depreciation	(14,395)	(13,564)
Machinery, equipment and vehicles, net	5,628	5,917
Land	18,845	18,808
Leased assets	5,052	5,323
Accumulated depreciation	(3,149)	(3,132)
Leased assets, net	1,902	2,191
Construction in progress	1,197	1,321
Other	27,354	26,637
Accumulated depreciation	(20,417)	(19,681)
Other, net	6,937	6,955
Net property, plant and equipment	68,444	67,608
Intangible fixed assets	6,247	6,538
Investments and other assets:		
Investment securities	9,708	7,776
Long-term receivables	1,328	1,465
Deferred tax assets	11,062	11,598
Other	4,977	5,135
Allowance for doubtful receivables	(228)	(190)
Total investments and other assets	26,848	25,784
Total noncurrent assets	101,539	99,931
Total assets	270,715	281,155

(In million yen)

	As of September 30, 2009	As of March 31, 2009
Liabilities		
Current liabilities		
Trade notes and accounts payable	33,225	45,754
Short-term loans	16,568	12,520
Current portion of unsecured bonds	-	10,000
Lease obligations	929	1,039
Accounts payable, other	7,828	9,442
Income taxes payable	825	2,239
Allowance for employees' bonuses	4,725	5,186
Allowance for director's bonuses	186	309
Other	9,640	9,939
Total current liabilities	73,928	96,429
Long-term liabilities		
Unsecured bonds	10,000	10,000
Long-term debt	12,373	2,120
Lease obligations	1,116	1,328
Liability for employees' retirement benefits	16,456	16,827
Liability for directors' retirement benefits	255	264
Other	6,322	6,879
Total long-term liabilities	46,523	37,419
Total liabilities	120,452	133,849
Net assets		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	93,512	93,641
Treasury stock	(634)	(623)
Total shareholders' capital	154,714	154,855
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	2,771	1,586
Foreign currency translation adjustments	(7,444)	(9,530)
Total valuation and translation adjustments	(4,672)	(7,944)
Minority interests	221	395
Total net assets	150,263	147,306
Total liabilities and net assets	270,715	281,155

(2) Consolidated Statements of Operations

(In million yen)

	Six months ended September 30, 2009	Six months ended September 30, 2008
Net sales	105,439	136,959
Cost of sales	65,468	82,459
Gross profit	39,971	54,499
Selling, general and administrative expenses	37,956	42,453
Operating income	2,014	12,046
Other income:		
Interest income	49	120
Dividend income	69	118
Insurance payments received	70	103
Rent received	94	73
Foreign exchange gain, net	-	142
Other	526	398
Total other income	811	956
Other expenses:		
Interest expense	252	251
Foreign exchange loss, net	284	-
Other	398	903
Total other expenses	935	1,155
Ordinary income	1,889	11,846
Extraordinary income:		
Gain on sale of property, plant and equipment	14	12
Gain on contribution of securities to employees' retirement benefit trust	-	1,450
Gain on sale of investment securities	-	13
Total extraordinary income	14	1,476
Extraordinary losses:		
Loss on disposal of property, plant and equipment	80	90
Loss on write-down of investment securities	10	238
Loss on write-down of inventories	-	1,752
Total extraordinary losses	90	2,081
Income before income taxes and minority interests	1,813	11,241
Income taxes	988	3,320
Refund of income taxes for past fiscal years	(389)	-
Income taxes adjustments	11	40
Total income taxes and income taxes adjustments	611	3,361
Minority interests in net income	3	4
Net income	1,198	7,875

(3) Consolidated Statements of Cash Flows

	(In million yen)	
	Six months ended September 30, 2009	Six months ended September 30, 2008
I. Cash flows from operating activities:		
Income before income taxes and minority interests	1,813	11,241
Depreciation and amortization	4,070	4,112
Increase (decrease) in allowance for doubtful receivables	18	312
Increase (decrease) in allowance for employees' bonuses	(461)	(237)
Increase (decrease) in allowance for director's bonuses	(123)	(86)
Provision for (reversal of) accrued retirement benefits for employees	(444)	(625)
(Gain) loss on contribution of securities to employees' retirement benefit trust	-	(1,450)
Interest and dividends income	(119)	(238)
Interest expense	252	251
Foreign exchange (gain) loss, net	23	(13)
Net (gain) loss on sale and valuation of investment securities	10	225
Net (gain) loss on sale and disposal of property, plant and equipment	65	78
(Increase) decrease in trade receivables	14,450	5,827
(Increase) decrease in inventories	293	(6,353)
Increase (decrease) in trade payables	(13,476)	(1,576)
Other, net	(2,852)	(2,335)
Subtotal	<u>3,522</u>	<u>9,131</u>
Interest and dividends received	120	239
Interest paid	(220)	(342)
Income taxes paid	(2,230)	(1,056)
Net cash provided by (used in) operating activities	<u>1,191</u>	<u>7,971</u>
II. Cash flows from investing activities:		
Proceeds from sale of marketable securities	-	104
Purchase of property, plant and equipment	(3,685)	(5,057)
Proceeds from sale of property, plant and equipment	128	91
Purchase of investment securities	(1)	(102)
Proceeds from sale of investment securities	-	26
Investments in subsidiaries	(193)	-
Increase in long term receivables	(7)	(494)
Decrease in long term receivables	47	53
Other, net	162	82
Net cash provided by (used in) investing activities	<u>(3,549)</u>	<u>(5,294)</u>
III. Cash flows from financing activities:		
Borrowing of short-term loans	4,634	4,220
Repayment of short-term loans	(781)	(642)
Borrowing of long-term debt	10,600	90
Repayment of long-term debt	(428)	(1,185)
Issuance of commercial paper	4,000	4,000
Redemption of commercial paper	(4,000)	(4,000)
Redemption of unsecured bonds	(10,000)	(15,000)
Cash dividends paid	(1,326)	(1,475)
Dividends payments to minority shareholders	(11)	(4)
Repayment of guarantee deposits received	(333)	(333)
Payment of finance lease obligations	(570)	(634)
Other, net	(10)	(58)
Net cash provided by (used in) financing activities	<u>1,770</u>	<u>(15,023)</u>
IV. Foreign currency translation adjustments on cash and cash equivalents	621	(193)
V. Net increase (decrease) in cash and cash equivalents	<u>35</u>	<u>(12,540)</u>
VI. Cash and cash equivalents, beginning of period	23,673	35,077
VII. Increase in cash and cash equivalents due to inclusion of subsidiaries in consolidation	-	503
VIII. Cash and cash equivalents, end of period	<u>23,708</u>	<u>23,039</u>

(4) Notes on the Going-concern Assumption

Not applicable

(5) Segment Information

1) Industry Segment Information

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

(In million yen)

	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment & Industrial Machinery	Other	Total	Eliminations/corporate	Consolidated total
I. Net sales							
(1) Sales to customers	58,004	23,222	21,800	2,411	105,439	-	105,439
(2) Inter-segment sales	145	1	33	389	569	(569)	-
Total	58,149	23,223	21,834	2,801	106,008	(569)	105,439
Operating income	5,432	563	59	786	6,841	(4,826)	2,014

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

(In million yen)

	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment & Industrial Machinery	Other	Total	Eliminations/corporate	Consolidated total
I. Net sales							
(1) Sales to customers	73,778	24,902	35,173	3,104	136,959	-	136,959
(2) Inter-segment sales	46	1	24	491	563	(563)	-
Total	73,825	24,903	35,198	3,595	137,523	(563)	136,959
Operating income	11,082	1,215	3,688	1,013	17,000	(4,954)	12,046

2) Overseas sales

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

(In million yen)

	The Americas	Europe	Asia and Oceania	Total
I. Overseas sales	10,407	8,019	24,763	43,190
II. Consolidated sales				105,439
III. Ratio of overseas sales to total consolidated sales	9.9%	7.6%	23.5%	41.0%

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

(In million yen)

	The Americas	Europe	Asia and Oceania	Total
I. Overseas sales	13,759	11,052	34,143	58,955
II. Consolidated sales				136,959
III. Ratio of overseas sales to total consolidated sales	10.0%	8.1%	24.9%	43.0%

(6) Note on Significant Changes in the Amount of Shareholders' Capital

Not applicable

For Reference:

**Overview of Consolidated Results for the Six Months Ended September 30, 2009
(April 1, 2009 – September 30, 2009)**

(Yen in millions, except per-share data)

	Six months ended	Six months ended	Year-over-year change		Year ended	Year ending
	Sept. 30, 2009	Sept. 30, 2008	Amount	%	March 31, 2010	March 31, 2009
	Actual	Actual			Results	Forecasts
Net sales	¥ 105,439	¥ 136,959	¥ (31,520)	(23.0)	¥ 240,000	¥ 272,833
Net sales by industry segment:						
<i>Analytical & Measuring Instruments</i>	¥ 58,004	¥ 73,778	¥ (15,774)	(21.4)	-	¥ 152,402
<i>Medical Systems</i>	23,222	24,902	(1,679)	(6.7)	-	51,050
<i>Aircraft Equipment & Industrial Machinery</i>	21,800	35,173	(13,373)	(38.0)	-	63,122
<i>Other</i>	2,411	3,104	(693)	(22.3)	-	6,258
Net sales by geographic segment:						
Sales in Japan	¥ 62,248	¥ 78,004	¥ (15,755)	(20.2)	-	¥ 156,874
Overseas sales	43,190	58,955	(15,765)	(26.7)	-	115,958
<i>The Americas</i>	10,407	13,759	(3,351)	(24.4)	-	27,610
<i>Europe</i>	8,019	11,052	(3,033)	(27.4)	-	22,654
<i>Asia and Oceania</i>	24,763	34,143	(9,380)	(27.5)	-	65,693
Operating income	¥ 2,014	¥ 12,046	¥ (10,031)	(83.3)	¥ 9,000	¥ 19,613
Ordinary income	1,889	11,846	(9,956)	(84.0)	7,800	17,731
Net income	1,198	7,875	(6,676)	(84.8)	4,500	8,536
Net income per share (yen)	4.06	26.68	-	-	15.25	28.92
Cash dividend per share (yen)	3.50	4.50	-	-	7.00	9.00
Capital expenditures	4,603	3,813	789	20.7	9,800	8,989
Depreciation and amortization	4,070	4,112	(42)	(1.0)	8,600	8,503
Total assets	¥270,715	¥290,376	¥(19,660)	(6.8)	-	¥281,155
Net assets	¥150,263	¥155,447	¥(5,184)	(3.3)	-	¥147,306
Equity ratio (%)	55.4	53.4	-	-	-	52.3
Net assets per share (yen)	508.47	525.18	-	-	-	497.83
Number of employees (consolidated basis)	9,674	9,617	57	-	-	9,670
Number of consolidated subsidiaries	76	76	-	-	-	76
<i>Japan</i>	32	32	-	-	-	32
<i>Overseas</i>	44	44	-	-	-	44