

November 9, 2007

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

### **1. Operating Results**

#### **Overview**

During the six months under review, the Japanese economy continued on the path of recovery supported by improved corporate profits and the resulting growth in capital expenditures, despite the impact of rising crude oil and raw material prices. Overseas, the U.S. economy on the whole remained firm, supported by consumer spending and capital expenditures in the corporate sector despite a slowdown in the housing market due to the subprime mortgage crisis. European economies recovered gradually, while growth continued in China and other Asian economies.

Under these economic conditions, the Shimadzu Group pursued further global growth and drove forward structural reforms of its business operations with a focus on manufacturing, sales, and service—in accordance with the basic policies set out in the medium-term management plan for the period from April 2005 through March 2008—while focusing efforts on expanding sales of new products that meet customer needs.

As a result, Group consolidated net sales for the six months under review increased 15.3% from the same period last year to ¥138,276 million. Overseas sales also rose 26.2% to ¥55,778 million.

Operating income increased 10.3% over the same period last year to ¥12,409 million, while ordinary income grew 13.2% to ¥11,303 million, and net income totaled ¥6,585 million, a rise of 13.7% from a year earlier.

#### **Geographic Segment Information**

Domestic sales were supported by strong demand, resulting from a recovery in private sector capital expenditures, and favorable export performance. As a result, sales rose 10.9% over the same period last year to ¥95,339 million, and operating income was up 11.0% to ¥13,620 million.

In North and South America, analytical and measuring instruments and medical systems performed favorably, and demand for aircraft equipment and industrial machinery grew in North America. This resulted in sales of ¥13,517 million, an increase of 38.2% over the same period last year, and operating

income of ¥961 million, a 74.7% rise.

Analytical and measuring instruments and medical systems performed favorably in Europe where sales totaled ¥10,100 million, for 26.7% growth over the same period last year, and operating income came in at ¥801 million yen, an increase of 73.3%.

In Asia and Oceania, net sales increased 18.6% over the same period last year to ¥19,319 million, and operating income rose 29.8% to ¥2,007 million, reflecting strong performance in analytical and measuring instruments, most prominently in China.

## **Industry Segment Information**

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

In the domestic market, capital expenditure in the private sector followed an expansionary trend, and strong private demand was experienced primarily for mass spectrometers and testing machines. Public sector demand in this area retreated, however. The segment's overseas performance was also robust, mainly in Europe and North and South America, reflecting growing demand for chromatographs, mass spectrometers, and photometric analysis instruments.

As a result, net sales for the segment rose 8.6% over the same period last year to ¥75,361 million, and operating income was up 0.2% to ¥11,760 million.

### **II. Medical Systems**

In the domestic market, sales of products such as X-ray TV systems were low as a result of intensifying competition. Elsewhere, medical systems displayed particularly robust performance in Europe and North and South America. As a result, net sales for the segment increased 8.8% over the same period last year to ¥25,572 million, while operating income declined 22.5% to ¥945 million.

### **III. Aircraft Equipment and Industrial Machinery**

The domestic market remained strong in the aircraft equipment business, primarily reflecting demand for spare parts. Business in overseas markets was also robust as demand for commercial aircraft recovered.

In the industrial machinery business, while the domestic market remained flat, growth in demand for turbo-molecular pumps, glass winders, and CVD equipment for solar panels resulted in strong growth in North America and Asia, particularly in China.

As a result, net sales for the segment increased 37.0% over the same period last year to ¥33,792 million, and operating income advanced 106.2% to ¥3,625 million.

### **IV. Other**

Net sales for other areas were up 47.4% from the same period last year to ¥3,550 million, while operating income fell 15.2% to ¥809 million.

## **Outlook for the Fiscal Year Ending March 31, 2008**

For the fiscal year ending March 31, 2008, although the Japanese economy is expected to continue on the path of recovery, driven by private sector demand, concerns exist regarding rising crude oil and raw materials prices and a possible slowdown of the U.S. economy.

In this business environment, the Group's objective is to continue growing towards becoming a truly global corporation by achieving global growth and implementing structural reforms to its business operations, the basic policies set out in the current three-year medium-term management plan.

Although public sector demand in the domestic market for analytical and measuring instruments remains stagnant, private sector capital expenditure is expected to continue on the current expansionary trend, and stable levels of demand are anticipated. Performance is expected to remain firm in overseas markets due to demand increases related to the tightening of environmental and safety regulations as well as expanding demand in China and other growing Asian markets.

Prices continue to drop due to intensifying competition in the medical systems business, and harsh market conditions are expected to persist. Under these circumstances, the Shimadzu Group will work to expand sales by introducing new products to the market and enhancing its sales systems.

Harsh domestic business conditions are expected to persist for the aircraft equipment business due to curtailment of the defense budget, but favorable demand for commercial aircraft applications is anticipated in overseas markets. Firm demand, mainly from overseas markets, is anticipated for industrial machinery, with growth in demand expected to continue for products such as CVD equipment for solar panels and glass winders in China and other Asian markets. The Shimadzu Group will also be enhancing production systems for turbo-molecular pumps to ensure that it can satisfy future demand increases.

## **2. Financial Position**

### **Total Assets and Shareholders' Equity**

Total assets at the end of the six months under review stood at ¥296,998 million, an increase of ¥1,914 million from the end of the previous fiscal year, primarily reflecting a ¥3,260 million increase in inventories. Net assets had increased by ¥6,223 million to ¥148,427 million, primarily due to a ¥5,219 million increase in retained earnings.

### **Cash Flow Position**

Cash and cash equivalents at the end of the interim period had decreased ¥6,082 million from the end of the previous fiscal year to ¥20,823 million.

Net cash provided by operating activities during the six months under review was ¥1,600 million lower than for the same period last year at ¥2,712 million.

Net cash used in investing activities increased ¥1,972 million to ¥6,557 million. This primarily reflects purchases of property, plant, and equipment and other assets in the amount of ¥5,648 million.

Net cash used in financing activities decreased ¥4,293 million to ¥2,936 million. This was primarily due a net outflow of ¥1,194 million for the repayment of loans and debt and ¥1,327 million in dividend payments.

### Cash Flow Ratios

|                               | Fiscal year ended March 31: |      |      |       | Six months ended<br>September 30, 2007 |
|-------------------------------|-----------------------------|------|------|-------|--|
|                               | 2004                        | 2005 | 2006 | 2007  |  |
| Equity ratio (%)              | 33.4                        | 36.7 | 46.8 | 48.0  | 49.8                                   |
| Market-value equity ratio (%) | 53.4                        | 64.9 | 79.0 | 102.2 | 116.9                                  |
| Years to repay debt           | 5.2                         | 3.6  | 3.3  | 2.5   | 6.4                                    |
| Interest coverage ratio       | 10.4                        | 16.9 | 18.5 | 19.9  | 7.9                                    |

Notes:

Equity ratio: (Net assets - minority interests) / total assets

Market-value equity ratio: Market capitalization / total assets

Years to repay debt: Interest-bearing debt / cash flow from operating activities

Interest coverage ratio: Cash flow from operating activities / interest payments

1. All indices are calculated using consolidated figures.

2. Market capitalization is calculated by multiplying the closing price of the company's stock by the number of shares issued and outstanding (excluding treasury stock) at the end of the fiscal year.

3. The figure for cash flow from operating activities is taken from the cash flow from operating activities item listed in the consolidated cash flow statements. Interest-bearing debt consists of all interest-bearing debt listed under liabilities on the consolidated balance sheet. The figure for interest payments is taken from interest payments recorded in the consolidated statements of cash flows.

4. For the calculation of years to repay debt, the interim figure for cash flow from operating activities is annualized by doubling it.

### 3. Dividend Policy and Current Dividends

Shimadzu believes that its policy on the distribution of profits to shareholders is one of the most vital aspects of its operations. The Company's policy is to make stable and continued dividend payments that reflect earnings performance.

The Company is fully committed to improving business performance, enhancing profitability and financial standing, and working to boost return on equity. The Company's objective is to utilize retained earnings to make effective investments in new facilities and R&D to ensure future growth.

The company intends to pay an interim dividend of ¥4 and a final dividend of ¥4 for a total annual dividend of ¥8 per share.

## Consolidated Balance Sheets

(In million yen)

|                                     | As of<br>September 30,<br>2006 (A) | As of<br>September 30,<br>2007 (B) | (B) – (A) | As of<br>March 31, 2007<br>(C) | (B) – (C) |
|-------------------------------------|------------------------------------|------------------------------------|-----------|--------------------------------|-----------|
| <b>(Assets)</b>                     |                                    |                                    |           |                                |           |
| Current assets                      |                                    |                                    |           |                                |           |
| Cash and time deposits              | 25,094                             | 21,373                             | (3,721)   | 27,626                         | (6,253)   |
| Trade notes and accounts receivable | 77,306                             | 88,854                             | 11,548    | 89,151                         | (296)     |
| Marketable securities               | 88                                 | 275                                | 186       | 109                            | 165       |
| Inventories                         | 65,002                             | 67,277                             | 2,274     | 64,017                         | 3,260     |
| Deferred tax assets                 | 6,937                              | 6,787                              | (150)     | 7,020                          | (233)     |
| Other                               | 4,179                              | 5,925                              | 1,746     | 4,238                          | 1,687     |
| Allowance for doubtful receivables  | (950)                              | (734)                              | 215       | (881)                          | 146       |
| Total current assets                | 177,659                            | 189,758                            | 12,099    | 191,282                        | (1,523)   |
| Noncurrent assets                   |                                    |                                    |           |                                |           |
| Property, plant and equipment:      |                                    |                                    |           |                                |           |
| Buildings and structures            | 28,114                             | 32,271                             | 4,156     | 31,965                         | 305       |
| Machinery, equipment and vehicles   | 5,014                              | 5,993                              | 979       | 5,569                          | 423       |
| Land                                | 18,972                             | 18,889                             | (83)      | 18,907                         | (18)      |
| Construction in progress            | 2,642                              | 1,364                              | (1,277)   | 115                            | 1,249     |
| Other                               | 6,706                              | 7,690                              | 983       | 7,111                          | 579       |
| Net property, plant and equipment   | 61,450                             | 66,208                             | 4,757     | 63,669                         | 2,538     |
| Intangible fixed assets             | 2,710                              | 4,839                              | 2,128     | 4,009                          | 829       |
| Investments and other assets:       |                                    |                                    |           |                                |           |
| Investment securities               | 14,969                             | 15,524                             | 554       | 15,535                         | (11)      |
| Long-term receivables               | 805                                | 1,001                              | 196       | 539                            | 462       |
| Deferred tax assets                 | 13,386                             | 13,466                             | 80        | 13,598                         | (131)     |
| Other                               | 4,852                              | 6,472                              | 1,619     | 6,709                          | (236)     |
| Allowance for doubtful receivables  | (287)                              | (272)                              | 15        | (260)                          | (11)      |
| Total investments and other assets  | 33,725                             | 36,192                             | 2,467     | 36,121                         | 70        |
| Total noncurrent assets             | 97,886                             | 107,239                            | 9,353     | 103,801                        | 3,438     |
| Total assets                        | 275,545                            | 296,998                            | 21,452    | 295,083                        | 1,914     |

(Amounts are rounded down to the nearest million yen)

(In million yen)

|  | As of<br>September 30,<br>2006 (A) | As of<br>September 30,<br>2007 (B) | (B) – (A) | As of<br>March 31, 2007<br>(C) | (B) – (C) |
|--|------------------------------------|------------------------------------|-----------|--------------------------------|-----------|
| <b>(Liabilities)</b>                                 |                                    |                                    |           |                                |           |
| Current liabilities                                  |                                    |                                    |           |                                |           |
| Trade notes and accounts payable                     | 50,850                             | 52,401                             | 1,550     | 55,726                         | (3,324)   |
| Short-term loans                                     | 9,433                              | 6,878                              | (2,554)   | 7,460                          | (581)     |
| Current portion of unsecured bonds                   | -                                  | 15,000                             | 15,000    | -                              | 15,000    |
| Accounts payable, other                              | 8,293                              | 12,397                             | 4,103     | 10,617                         | 1,779     |
| Income taxes payable                                 | 3,391                              | 5,079                              | 1,687     | 5,183                          | (104)     |
| Allowance for employees' bonuses                     | 5,400                              | 5,668                              | 267       | 5,871                          | (202)     |
| Allowance for directors' bonuses                     | 165                                | 206                                | 41        | 271                            | (64)      |
| Other  | 8,241                              | 11,106                             | 2,864     | 11,349                         | (243)     |
| Total current liabilities                            | 85,777                             | 108,738                            | 22,960    | 96,480                         | 12,258    |
| Long-term liabilities                                |                                    |                                    |           |                                |           |
| Unsecured bonds                                      | 25,000                             | 10,000                             | (15,000)  | 25,000                         | (15,000)  |
| Long-term debt                                       | 2,130                              | 2,689                              | 559       | 3,092                          | (403)     |
| Liability for employees' retirement benefits         | 20,961                             | 19,841                             | (1,119)   | 20,711                         | (869)     |
| Liability for directors' retirement benefits         | 605                                | 207                                | (397)     | 687                            | (479)     |
| Other  | 6,951                              | 7,093                              | 141       | 6,908                          | 184       |
| Total long-term liabilities                          | 55,647                             | 39,832                             | (15,815)  | 56,399                         | (16,567)  |
| Total liabilities                                    | 141,425                            | 148,571                            | 7,145     | 152,880                        | (4,309)   |
| <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                                    | 69,841                             | 81,616                             | 11,774    | 76,396                         | 5,219     |
| Treasury stock                                       | (344)                              | (493)                              | (148)     | (419)                          | (73)      |
| Total shareholders' capital                          | 131,334                            | 142,960                            | 11,626    | 137,814                        | 5,145     |
| Valuation and translation adjustments                |                                    |                                    |           |                                |           |
| Net unrealized gain on available-for-sale securities | 5,163                              | 5,167                              | 3         | 5,464                          | (297)     |
| Foreign currency translation adjustments             | (2,909)                            | (338)                              | 2,571     | (1,649)                        | 1,311     |
| Total valuation and translation adjustments          | 2,254                              | 4,829                              | 2,575     | 3,815                          | 1,014     |
| Minority interests                                   | 532                                | 637                                | 105       | 573                            | 64        |
| Total net assets                                     | 134,120                            | 148,427                            | 14,306    | 142,203                        | 6,223     |
| Total liabilities and net assets                     | 275,545                            | 296,998                            | 21,452    | 295,083                        | 1,914     |

(Amounts are rounded down to the nearest million yen)

## Consolidated Statements of Operations

(In million yen)

|   | Six months ended<br>September 30, 2006 |       | Six months ended<br>September 30, 2007 |       | Change              |        | Year ended<br>March 31, 2007 |       |
|---|--|-------|--|-------|---------------------|--------|------------------------------|-------|
|   | Amount<br>(A)                          | %     | Amount<br>(B)                          | %     | Amount<br>(B) – (A) | %      | Amount                       | %     |
| Net sales   | 119,973                                | 100.0 | 138,276                                | 100.0 | 18,302              | 15.3   | 262,431                      | 100.0 |
| Cost of sales   | 71,621                                 | 59.7  | 84,556                                 | 61.2  | 12,934              | 18.1   | 159,107                      | 60.6  |
| Gross profit  | 48,352                                 | 40.3  | 53,720                                 | 38.8  | 5,367               | 11.1   | 103,323                      | 39.4  |
| Selling, general and administrative<br>expenses           | 37,100                                 | 30.9  | 41,310                                 | 29.8  | 4,210               | 11.3   | 78,042                       | 29.8  |
| Operating income  | 11,251                                 | 9.4   | 12,409                                 | 9.0   | 1,157               | 10.3   | 25,280                       | 9.6   |
| Other income:   |  |       |  |       |                     |        |                              |       |
| Interest income   | 99                                     |       | 139                                    |       | 40                  |        | 284                          |       |
| Dividend income   | 77                                     |       | 114                                    |       | 37                  |        | 120                          |       |
| Other   | 616                                    |       | 730                                    |       | 114                 |        | 1,337                        |       |
| Total other income  | 793                                    | 0.6   | 985                                    | 0.7   | 191                 | 24.2   | 1,742                        | 0.7   |
| Other expenses  |  |       |  |       |                     |        |                              |       |
| Interest expense  | 325                                    |       | 342                                    |       | 16                  |        | 717                          |       |
| Loss on disposals of inventories                          | 570                                    |       | 658                                    |       | 88                  |        | 1,353                        |       |
| Foreign exchange loss, net                                | 150                                    |       | 165                                    |       | 14                  |        | 316                          |       |
| Other   | 1,016                                  |       | 925                                    |       | (91)                |        | 1,430                        |       |
| Total other expenses                                      | 2,063                                  | 1.7   | 2,091                                  | 1.5   | 28                  | 1.4    | 3,817                        | 1.5   |
| Ordinary income   | 9,981                                  | 8.3   | 11,303                                 | 8.2   | 1,321               | 13.2   | 23,205                       | 8.8   |
| Extraordinary income:                                     |  |       |  |       |                     |        |                              |       |
| Gain on liquidation of subsidiary                         | -                                      |       | 246                                    |       | 246                 |        | -                            |       |
| Gain on sale of property, plant and<br>equipment          | 7                                      |       | 9                                      |       | 1                   |        | 30                           |       |
| Gain on reversal of allowance for<br>doubtful receivables | 206                                    |       | -                                      |       | (206)               |        | 206                          |       |
| Gain on sale of investment<br>securities                  | 68                                     |       | -                                      |       | (68)                |        | 68                           |       |
| Total extraordinary income                                | 282                                    | 0.2   | 256                                    | 0.2   | (26)                | (9.4)  | 305                          | 0.1   |
| Extraordinary losses:                                     |  |       |  |       |                     |        |                              |       |
| Loss on disposal of property, plant<br>and equipment      | 123                                    |       | 306                                    |       | 182                 |        | 439                          |       |
| Loss on write-down of investment<br>securities            | 107                                    |       | 1                                      |       | (106)               |        | 120                          |       |
| Patent fee for past year                                  | 534                                    |       | -                                      |       | (534)               |        | 534                          |       |
| Total extraordinary losses                                | 766                                    | 0.6   | 307                                    | 0.3   | (458)               | (59.8) | 1,094                        | 0.4   |
| Income before income taxes and<br>minority interests      | 9,498                                  | 7.9   | 11,251                                 | 8.1   | 1,753               | 18.5   | 22,416                       | 8.5   |
| Income taxes  |  |       |  |       |                     |        |                              |       |
| Current   | 2,928                                  |       | 4,018                                  |       | 1,090               |        | 8,684                        |       |
| Deferred  | 749                                    |       | 622                                    |       | (126)               |        | 297                          |       |
| Minority interests in net income                          | 29                                     | 0.0   | 23                                     | 0.0   | (5)                 | (20.2) | 55                           | 0.0   |
| Net income  | 5,790                                  | 4.8   | 6,585                                  | 4.8   | 795                 | 13.7   | 13,379                       | 5.1   |

(Amounts are rounded down to the nearest million yen)

## Statement of Changes in Shareholders' Capital

Six months ended September 30, 2007 (April 1, 2007 – September 30, 2007)

(In million yen)

|   | Shareholders' capital |                            |                   |                |                             | Valuation and translation adjustments                |  |   | Minority interests | Total net assets |
|---|-----------------------|----------------------------|-------------------|----------------|-----------------------------|--|--|---|--------------------|------------------|
|   | Common stock          | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' capital | Net unrealized gain on available-for-sale securities | Foreign currency translation adjustments | Total valuation & translation adjustments |                    |                  |
| Balance as of March 31, 2007  | 26,648                | 35,188                     | 76,396            | (419)          | 137,814                     | 5,464  | (1,649)                                  | 3,815                                     | 573                | 142,203          |
| Changes during the period   |                       |                            |                   |                |                             |  |  |   |                    |                  |
| Distribution of retained earnings   |                       |                            | (1,328)           |                | (1,328)                     |  |  |   |                    | (1,328)          |
| Decrease in retained earnings due to an increase in the number of consolidated subsidiaries |                       |                            | (37)              |                | (37)                        |  |  |   |                    | (37)             |
| Net income  |                       |                            | 6,585             |                | 6,585                       |  |  |   |                    | 6,585            |
| Purchase of treasury stock  |                       |                            |                   | (73)           | (73)                        |  |  |   |                    | (73)             |
| Net change in items other than shareholders' capital during the period                      |                       |                            |                   |                | -                           | (297)  | 1,311                                    | 1,014                                     | 64                 | 1,078            |
| Total changes during the period   | -                     | -                          | 5,219             | (73)           | 5,145                       | (297)  | 1,311                                    | 1,014                                     | 64                 | 6,223            |
| Balance as of September 30, 2007  | 26,648                | 35,188                     | 81,616            | (493)          | 142,960                     | 5,167  | (338)                                    | 4,829                                     | 637                | 148,427          |

(Amounts are rounded down to the nearest million yen)





## Consolidated Statements of Cash Flows

(In million yen)

|   | Six months<br>ended<br>September 30,<br>2006 (A) | Six months<br>ended<br>September 30,<br>2007 (B) | (B) - (A) | Year ended<br>March 31, 2007 |
|---|--|--|-----------|------------------------------|
| <b>I. Cash flows from operating activities:</b>   |  |  |           |                              |
| Income before income taxes and minority interests   | 9,498  | 11,251   | 1,753     | 22,416                       |
| Depreciation and amortization   | 2,394  | 2,851  | 456       | 5,156                        |
| Increase (decrease) in allowance for doubtful receivables   | (219)  | (151)  | 68        | (346)                        |
| Increase (decrease) in allowance for employees' bonuses   | (125)  | (202)  | (76)      | 344                          |
| Increase (decrease) in allowance for directors' bonuses   | 165  | (64)   | (229)     | 271                          |
| Provision for (reversal of) accrued retirement benefits for employees                               | 274  | (869)  | (1,143)   | 16                           |
| Interest and dividends income   | (177)  | (254)  | (77)      | (404)                        |
| Interest expense  | 325  | 342  | 16        | 717                          |
| Foreign exchange (gain) loss, net   | (4)  | 13   | 17        | (11)                         |
| Net (gain) loss on sale of and valuation of investment securities                                   | 39   | 1  | (37)      | 52                           |
| Net (gain) loss on sale and disposal of property, plant and equipment                               | 115  | 296  | 180       | 408                          |
| (Increase) decrease in trade receivables  | 2,254  | 1,127  | (1,126)   | (8,057)                      |
| (Increase) decrease in inventories  | (4,926)  | (2,219)  | 2,707     | (2,839)                      |
| Increase (decrease) in trade payables   | 1,058  | (4,056)  | (5,114)   | 3,984                        |
| Other, net  | (2,689)  | (1,055)  | 1,634     | 152                          |
| Subtotal  | 7,983  | 7,011  | (971)     | 21,860                       |
| Interest and dividends received   | 183  | 256  | 72        | 409                          |
| Interest paid   | (335)  | (343)  | (8)       | (704)                        |
| Income taxes paid   | (3,518)  | (4,211)  | (692)     | (7,574)                      |
| Net cash provided by (used in) operating activities   | 4,312  | 2,712  | (1,600)   | 13,990                       |
| <b>II. Cash flows from investing activities:</b>  |  |  |           |                              |
| Purchases of marketable securities  | -  | (235)  | (235)     | -                            |
| Proceeds from sale of marketable securities   | 44   | 107  | 63        | 91                           |
| Purchases of property, plant and equipment  | (3,923)  | (5,648)  | (1,724)   | (9,342)                      |
| Proceeds from sale of property, plant and equipment   | 137  | 184  | 46        | 319                          |
| Purchases of investment securities  | (1,147)  | (619)  | 527       | (1,290)                      |
| Proceeds from sale of investment securities   | 153  | -  | (153)     | 133                          |
| Acquisition of cash owned by newly consolidated   | -  | -  | -         | 508                          |
| Increase in long-term receivables   | (15)   | (506)  | (491)     | (29)                         |
| Decrease in long-term receivables   | 64   | 44   | (19)      | 145                          |
| Other, net  | 100  | 115  | 15        | (332)                        |
| Net cash provided by (used in) investing activities   | (4,585)  | (6,557)  | (1,972)   | (9,797)                      |
| <b>III. Cash flows from financing activities:</b>   |  |  |           |                              |
| Borrowing of short-term loans   | 811  | 455  | (356)     | 1,301                        |
| Repayment of short-term loans   | (2,175)  | (1,384)  | 791       | (4,737)                      |
| Borrowing of long-term debt   | 660  | 200  | (460)     | 1,901                        |
| Repayment of long-term debt   | (5,448)  | (465)  | 4,983     | (5,894)                      |
| Issuance of commercial paper  | -  | 4,000  | 4,000     | 7,000                        |
| Redemption of commercial paper  | -  | (4,000)  | (4,000)   | (7,000)                      |
| Cash dividends paid   | (1,030)  | (1,327)  | (296)     | (2,069)                      |
| Dividends payments to minority shareholders   | (5)  | (7)  | (2)       | (16)                         |
| Redemption of construction cooperation fund   | -  | (333)  | (333)     | (98)                         |
| Other, net  | (40)   | (73)   | (33)      | (114)                        |
| Net cash provided by (used in) financing activities   | (7,229)  | (2,936)  | 4,293     | (9,728)                      |
| <b>IV. Foreign currency translation adjustments on cash and cash equivalents</b>                    | (16)   | 592  | 609       | 403                          |
| <b>V. Net increase (decrease) in cash and cash equivalents</b>                                      | (7,519)  | (6,188)  | 1,330     | (5,130)                      |
| <b>VI. Cash and cash equivalents, beginning of period</b>   | 31,926   | 26,906   | (5,020)   | 31,926                       |
| <b>VII. Increase in cash and cash equivalents due to inclusion of subsidiaries in consolidation</b> | 110  | 106  | (4)       | 110                          |
| <b>VIII. Cash and cash equivalents, end of period</b>   | 24,517   | 20,823   | (3,694)   | 26,906                       |

## Segment Information

### Industry Segment Information

Six months ended September 30, 2006 (April 1, 2006 – September 30, 2006)

(In million yen)

|                         | Analytical and measuring instruments | Medical systems | Aircraft equipment and industrial machinery | Other | Total   | Eliminations/Corporate | Consolidated |
|-------------------------|--------------------------------------|-----------------|---|-------|---------|------------------------|--------------|
| Net sales               |                                      |                 |   |       |         |                        |              |
| (1) Sales to customers  | 69,397                               | 23,504          | 24,664                                      | 2,408 | 119,973 | -                      | 119,973      |
| (2) Inter-segment sales | 125                                  | -               | 22  | 504   | 652     | (652)                  | -            |
| Total                   | 69,522                               | 23,504          | 24,686                                      | 2,912 | 120,626 | (652)                  | 119,973      |
| Operating expenses      | 57,780                               | 22,285          | 22,928                                      | 1,958 | 104,953 | 3,769                  | 108,722      |
| Operating income        | 11,741                               | 1,219           | 1,757                                       | 954   | 15,673  | (4,421)                | 11,251       |

(Amounts are rounded down to the nearest million yen)

Six months ended September 30, 2007 (April 1, 2007 – September 30, 2007)

(In million yen)

|                         | Analytical and measuring instruments | Medical systems | Aircraft equipment and industrial machinery | Other | Total   | Eliminations/Corporate | Consolidated |
|-------------------------|--------------------------------------|-----------------|---|-------|---------|------------------------|--------------|
| Net sales               |                                      |                 |   |       |         |                        |              |
| (1) Sales to customers  | 75,361                               | 25,572          | 33,792                                      | 3,550 | 138,276 | -                      | 138,276      |
| (2) Inter-segment sales | 88                                   | 108             | 22  | 471   | 690     | (690)                  | -            |
| Total                   | 75,450                               | 25,680          | 33,814                                      | 4,021 | 138,966 | (690)                  | 138,276      |
| Operating expenses      | 63,689                               | 24,735          | 30,189                                      | 3,211 | 121,825 | 4,040                  | 125,866      |
| Operating income        | 11,760                               | 945             | 3,625                                       | 809   | 17,140  | (4,731)                | 12,409       |

(Amounts are rounded down to the nearest million yen)

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 |
|-------------------------|--------------------------------------|-----------------|---|-------|---------|------------------------|--------------|
| 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       |

(Amounts are rounded down to the nearest million yen)

Notes:

- Classification of business segment and names of major products under each segment.  
The Group's operations are classified into four principal segments: Analytical and measuring instruments, medical systems, aircraft equipment and industrial machinery, and other, based on the purpose of use of each product in the market.
- "Elimination/Corporate" includes unallocated operating expenses of ¥4,426 million, ¥4,737 million and ¥9,025 million for the six months ended September 30, 2006 and 2007, and for the year ended March 31, 2007 respectively, consisting principally of general corporate expenses incurred by the administration of the Company, fundamental research and development expenses and advertisement expenses.

## Overseas Sales

Six months ended September 30, 2006 (April 1, 2006 – September 30, 2006)

(In million yen)

|  | North and South America | Europe | Asia and Oceania | Total   |
|--|-------------------------|--------|------------------|---------|
| I. Overseas sales                                  | 11,646                  | 7,815  | 24,751           | 44,213  |
| II. Consolidated sales                             |                         |        |                  | 119,973 |
| III. Ratio of overseas to total consolidated sales | 9.7%                    | 6.5%   | 20.7%            | 36.9%   |

(Amounts are rounded down to the nearest million yen)

Six months ended September 30, 2007 (April 1, 2007 – September 30, 2007)

(In million yen)

|  | North and South America | Europe | Asia and Oceania | Total   |
|--|-------------------------|--------|------------------|---------|
| I. Overseas sales                                  | 14,740                  | 10,081 | 30,955           | 55,778  |
| II. Consolidated sales                             |                         |        |                  | 138,276 |
| III. Ratio of overseas to total consolidated sales | 10.6%                   | 7.3%   | 22.4%            | 40.3%   |

(Amounts are rounded down to the nearest million yen)

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%   |

(Amounts are rounded down to the nearest million yen)

Notes:

- Classification method of geographic segment: by geographic proximity.
- Major countries or regions in each segment:
  - North and South America · U.S.
  - Europe ··········· U.K. and Germany
  - Asia and Oceania ········· China, Southeast Asian nations and Australia
- Overseas sales are sales in the countries and regions other than Japan by the Company and its consolidated subsidiaries.