



SHIMADZU CORPORATION

IR Group

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## **Operating Results and Financial Position** **(for the Nine Months Ended December 31, 2008)**

### **1. Operating Results**

#### **Consolidated Overview**

During the nine months to December 31, 2008, the Japanese economy worsened as exports, production, and capital spending contracted in the wake of the global economic downturn and financial crisis. Overseas, the US and EU economies slid into recession, while even leading emerging economies such as China, India, and Russia saw their growth rates slow.

Against such a backdrop, the Shimadzu Group pursued sustained growth by strengthening its marketing capabilities in the aim of building a globally renowned brand in accord with its 3-year Management Plan initiated in April 2008. Toward this end, the Group carried out functional and process reforms to solidify its earnings foundation while also endeavoring to expand sales of new products targeted at customer needs.

Consolidated net sales for the nine months ended December 31, 2008, were ¥197,729 million, a 3.3% decrease from the corresponding year-earlier period. Profits likewise declined, with operating income down 17.4% to ¥14,644 million, ordinary income down 17.6% to ¥13,223 million, and net income down 25.0% to ¥6,892 million, all on a year-on-year basis.

The Group's sales tend to be disproportionately concentrated in the fiscal second and fourth quarters.

#### **Industry Segment Information**

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

In the domestic market, capital spending and corporate R&D demand slowed while public-sector and academic demand also slackened. Sales of high-performance liquid chromatographs (HPLCs), mass analyzers, and industrial x-ray inspection systems increased, but their growth was negated by declines in hitherto brisk sales of large analytical devices, spectrometers, and testing machines. Overall, domestic demand for analytical and measuring instruments was sluggish.

Overseas, European and Asian demand slowed from the fiscal third-quarter, but Chinese demand related to food safety and environmental monitoring remained strong. Overall, overseas sales held firm, buoyed by growth in sales of HPLCs, mass analyzers, spectrometers, and environmental measuring instruments.

On balance, the segment's net sales for the nine months ended December 31, 2008, fell 3.4% year-on-year to ¥107.4 million. Its operating income declined 10.9% year-on-year to ¥14,246 million.

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

Domestic sales languished amid a downshift in demand for medical diagnostic imaging equipment.

Overseas, North American and Asian demand slowed from the fiscal third-quarter, but Chinese, North American, and Middle Eastern sales nonetheless grew by virtue of solid demand for digital systems.

The segment's net sales for the nine months ended December 31, 2008, were down 2.4% year-on-year to ¥36,786 million, while its operating income declined 20.3% to ¥1,341 million.

### III. Aircraft Equipment and Industrial Machinery

The aircraft equipment business encountered a lull in domestic military demand following delivery of next-generation fixed-wing maritime patrol aircraft (XP-1) and large transportation plane(C-X) prototypes. Domestic sales consequently declined. Overseas sales also declined amid a precipitous downturn in commercial aircraft demand from the fiscal third-quarter.

The industrial machinery business achieved growth in sales of turbomolecular pumps used in LCD panel production and glass coating processes, even as the semiconductor market stagnated. Sales of CDV(chemical vapor deposition) equipment for solar panel also grew substantially, mainly in China, Taiwan, and South Korea, reflecting the solar power market's ongoing growth. However, the solar industry has been curtailing its hitherto robust capital spending since the fiscal third-quarter. Hydraulic equipment sales decreased in the wake of a steep falloff in demand since the fiscal third-quarter.

Overall, the segment booked net sales of ¥49,161 million, a 2.1% year-on-year decrease, during the nine months to December 31, 2008. Its operating income fell 14.3% year-on-year to ¥4,978 million.

### IV. Other

The segment's net sales for the nine months to December 31 declined 19.2% year-on-year to ¥4,381 million. Its operating income was down 6.8% year-on-year to ¥1,264 million.

Note: Net sales and operating income's year-on-year rates of change were included in the above discussion for reference.

## 2. Consolidated Financial Position

At December 31, 2008, the Group had total assets of ¥293,903 million, a decrease of ¥9,927 million from March 31, 2008. The decrease in assets was chiefly attributable to a ¥11,424 million reduction in holdings of cash and time deposits. Net assets stood at ¥150,523 million at December 31, 2008.

## 3. Consolidated Outlook

Looking ahead, the Shimadzu Group anticipates an increasingly challenging operating environment, including adverse exchange rate movements and repercussions of the global financial crisis and economic downturn.

Amid such an environment, the Group will create its own growth opportunities by conducting industry- and customer-targeted marketing activities in the aim of building a globally renowned brand. The Group will also continue to steadfastly implement functional and process reforms to solidify its earnings foundation.

In light of cumulative operating performance in the first nine months of the current fiscal year and recent changes in the operating environment as described above, the Shimadzu Group has revised its earnings forecast released on November 11, 2008.

Full-year earnings forecasts for fiscal year ending March 31, 2009

	Net Sales (million yen)	Operating Income (million yen)	Ordinary Income (million yen)	Net Income (million yen)	EPS (yen)
Previous forecast (A)	285,000	25,000	23,000	14,500	49.13
Revised forecast (B)	272,000	17,500	15,000	7,000	23.72
Change in forecast (B - A)	(13,000)	(7,500)	(8,000)	(7,500)	-
Percentage revision (%)	(4.6)	(30.0)	(34.8)	(51.7)	-
Reference: Previous fiscal year's results	289,971	27,597	23,864	13,724	46.49

Note: The above forecast is based on information available as of this document's publication date. Actual results may differ from the forecasted values due to various factors, most notably including economic conditions in major markets (e.g., Japan, Europe, US, Asia), exchange rate movements, and changes in product markets' supply and demand fundamentals.

#### 4. Other Information

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

- 1) Effective this consolidated fiscal year, Shimadzu Corporation adopted the "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and its accompanying "Guidance on the Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). The consolidated financial statements for the six months ended September 30, 2008, were prepared in accord with the "Regulation for Terminology, Format, and Preparation of Quarterly Financial Statements."
- 2) Accounting Standard for the Valuation of Inventories  
Effective this consolidated fiscal year, Shimadzu Corporation adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) and has switched from its former cost-accounting method to a cost-accounting 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 reported under other expenses, will be reported under cost of sales.

As a result, operating income is ¥744 million lower, ordinary income is ¥333 million higher, and income before income taxes and minority interests is ¥1,419 million lower than the figures that would have resulted with the previous accounting method.

- 3) Accounting Standard for Lease Transactions  
Effective this consolidated fiscal year, Shimadzu Corporation adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13; June 17, 1993; latest revision March 30, 2007) and its accompanying "Guidance on the 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. Assets leased in non-ownership transfer finance leases will be depreciated straight-line over a useful life equal to the lease period with an estimated residual value of zero. The effect of these changes on earnings is immaterial.

**(1) Consolidated Balance Sheets**

(In million yen)

	As of December 31, 2008	As of March 31, 2008
<b>Assets</b>		
Current assets		
Cash and time deposits	24,341	35,766
Trade notes and accounts receivable	80,579	87,238
Marketable securities	-	142
Merchandise and products	37,403	30,395
Work in process	26,452	22,075
Raw materials and supplies	14,854	13,528
Deferred tax assets	5,296	6,122
Other	4,764	4,987
Allowance for doubtful receivables	(1,060)	(879)
Total current assets	192,632	199,378
Noncurrent assets		
Property, plant and equipment:		
Buildings and structures	66,171	65,670
Accumulated depreciation	(32,960)	(31,962)
Buildings and structures, net	33,210	33,708
Machinery, equipment and vehicles	19,420	20,253
Accumulated depreciation	(13,709)	(13,835)
Machinery, equipment and vehicles, net	5,711	6,418
Land	18,893	18,849
Leased assets	6,040	-
Accumulated depreciation	(3,454)	-
Leased assets, net	2,585	-
Construction in progress	589	81
Other	26,700	26,720
Accumulated depreciation	(19,583)	(18,990)
Other, net	7,117	7,730
Net property, plant and equipment	68,108	66,788
Intangible fixed assets	6,283	6,211
Investments and other assets:		
Investment securities	8,452	12,352
Long-term receivables	1,476	969
Deferred tax assets	12,143	12,584
Other	4,999	5,718
Allowance for doubtful receivables	(192)	(171)
Total investments and other assets	26,878	31,453
Total noncurrent assets	101,271	104,452
Total assets	293,903	303,830

(In million yen)

As of December 31, 2008      As of March 31, 2008

<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	53,751	52,611
Short-term loans	15,820	5,246
Current portion of unsecured bonds	10,000	15,000
Lease obligations	1,163	-
Accounts payable, other	9,465	11,725
Income taxes payable	1,251	2,670
Allowance for employees' bonuses	1,884	5,933
Allowance for director's bonuses	234	322
Other	12,447	10,401
Total current liabilities	106,018	103,911
Long-term liabilities		
Unsecured bonds	10,000	20,000
Long-term debt	2,011	2,556
Lease obligations	1,541	-
Liability for employees' retirement benefits	16,898	19,432
Liability for directors' retirement benefits	249	237
Other	6,659	6,982
Total long-term liabilities	37,360	49,207
Total liabilities	143,379	153,118
<b>Net assets</b>		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	91,897	87,574
Treasury stock	(616)	(536)
Total shareholders' capital	153,119	148,875
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	1,864	3,211
Foreign currency translation adjustments	(4,902)	(1,779)
Total valuation and translation adjustments	(3,037)	1,432
Minority interests	442	404
Total net assets	150,523	150,712
Total liabilities and net assets	293,903	303,830

## (2) Consolidated Statements of Operations

	(In million yen)
	Nine months ended December 31, 2008
Net sales	197,729
Cost of sales	120,098
Gross profit	77,631
Selling, general and administrative expenses	62,986
Operating income	14,644
Other income:	
Interest income	168
Dividend income	178
Insurance payments received	183
Rent received	114
Other	447
Total other income	1,092
Other expenses:	
Interest expense	378
Foreign exchange loss, net	1,046
Other	1,088
Total other expenses	2,513
Ordinary income	13,223
Extraordinary income:	
Gain on contribution of securities to employees' retirement benefit trust	1,450
Gain on sale of property, plant and equipment	20
Gain on sale of investment securities	13
Total extraordinary income	1,484
Extraordinary losses:	
Loss on write-down of inventories	1,752
Loss on write-down of investment securities	1,079
Loss on disposal of property, plant and equipment	110
Total extraordinary losses	2,943
Income before income taxes and minority interests	11,764
Income taxes	2,576
Income taxes adjustments	2,284
Total income taxes and income taxes adjustments	4,860
Minority interests in net income	11
Net income	6,892

Effective this consolidated fiscal year, Shimadzu Corporation has adopted "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and its accompanying "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14). The consolidated financial statements for nine months ended December 31, 2008 were prepared in accord with the "Regulation for Terminology, Format and Preparation of Quarterly Financial Statements."

### (3) Note on the Going-Concern Assumption

Not applicable

### (4) Segment Information

#### 1) Industry Segment Information

Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)

(In million yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/corporate	Consolidated total
I. Net sales							
(1) Sales to customers	107,400	36,786	49,161	4,381	197,729	-	197,729
(2) Inter-segment sales	63	10	55	756	885	(885)	-
Total	107,463	36,797	49,216	5,137	198,614	(885)	197,729
Operating income	14,246	1,341	4,978	1,264	21,830	(7,186)	14,644

#### 2) Overseas sales

Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)

(In million yen)

	The Americas	Europe	Asia and Oceania	Total
I. Overseas sales	20,951	16,492	49,193	86,636
II. Consolidated sales				197,729
III. Ratio of overseas to total consolidated sales	10.6 %	8.3 %	24.9 %	43.8 %

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

Not applicable



**Reference:**  
**Consolidated Financial Statements for the Nine Months ended December 31, 2007**  
**(April 1, 2007 – December 31, 2007)**

**(1) Consolidated Statements of Operations**

	(In million yen)
	Nine months ended December 31, 2007
Net sales	204,495
Cost of sales	125,621
Gross profit	78,874
Selling, general and administrative expenses	61,153
Operating income	17,720
Other income:	
Interest income	218
Dividend income	172
Other	827
Total other income	1,217
Other expenses:	
Interest expense	520
Loss on disposal of inventories	708
Foreign exchange loss, net	252
Other	1,403
Total other expenses	2,884
Ordinary income	16,054
Extraordinary income:	
Gain on liquidation of subsidiaries	246
Gain on sale of property, plant and equipment	11
Total extraordinary income	257
Extraordinary losses:	
Loss on disposal of property, plant and equipment	375
Loss on write-down of investment securities	1
Total extraordinary losses	376
Income before income taxes and minority interests	15,934
Income taxes	3,996
Income taxes adjustments	2,730
Minority interests in net income	15
Net income	9,191

## (2) Segment Information

### 1) Industry Segment Information

Nine months ended December 31, 2007 (April 1, 2007 – December 31, 2007)

(In million yen)

	Analytical and measuring instruments	Medical systems	Aircraft equipment and industrial machinery	Other	Total	Eliminations/corporate	Consolidated total
I. Net sales							
(1) Sales to customers	111,167	37,701	50,204	5,422	204,495	-	204,495
(2) Inter-segment sales	129	109	48	713	1,001	(1,001)	-
Total	111,297	37,811	50,253	6,135	205,497	(1,001)	204,495
Operating expenses	95,312	36,128	44,444	4,778	180,664	6,111	186,775
Operating income	15,984	1,683	5,808	1,356	24,833	(7,112)	17,720

### 2) Overseas sales

Nine months ended December 31, 2007 (April 1, 2007 – December 31, 2007)

(In million yen)

	The Americas	Europe	Asia and Oceania	Total
I. Overseas sales	22,344	15,286	47,729	85,361
II. Consolidated sales				204,495
III. Ratio of overseas to total consolidated sales	10.9 %	7.5 %	23.3 %	41.7 %