

February 12, 2013

## **Operating Results and Financial Position** **(for the Nine Months ended December 31, 2012)**

### **1. Operating Results**

#### (1) Consolidated Overview

In the nine months ended December 31, 2012, the Japanese economy was gradually recovering, due to recovery demand after the Great East Japan Earthquake and other factors, but this economic recovery trend now seems to be faltering. Overseas, the pace of economic expansion in China has slowed and the economy is weakening in Europe due to concerns over the financial crisis in some countries. In the U.S., the economy has gradually recovered.

In the midst of such circumstances, the Shimadzu Group has been actively implementing growth measures in accordance with our medium-term management plan, such as introducing globally strategic products, strengthening the aftermarket business, and promoting local R&D and local production overseas. A new organizational structure has been started that integrates the planning, R&D, manufacturing, and sales functions for major markets, namely North America, Europe, and China, under the control of respective divisions. An International Business Department was established with a mission of developing new markets and growth primarily in newly emerging economies. In addition, we focused efforts on ensuring business results in spite of a strong yen by expanding sales of new competitive products tailored to customer needs and other measures.

As a result, for the current nine months, sales increased for the Analytical & Measuring Instruments and Medical Systems businesses, but decreased for the Aircraft Equipment business, due to lower demand in Japan, and the Industrial Machinery business, due to stagnating semiconductor and LCD markets. Consequently, overall sales were flat year on year at 184,562 million yen. In terms of profit and loss, an increase in expenditures, such as for research and development associated with aggressive business development measures, and the persistently strong yen, resulted in an operating income of 4,904 million yen (50.2% decrease year on year), ordinary income of 5,356 million yen (39.7% decrease year on year), and a net income of 2,813 million yen (12.4% increase year on year). Shimadzu Group sales tend to be concentrated in the second and fourth quarters.

## I. Analytical & Measuring Instruments

In Japan, sales of liquid chromatographs decreased due to lower capital investment in pharmaceutical manufacturing markets in response to worsening market conditions. However, sales of mass spectrometers increased due to the release of new products, consisting of mainly high-end models, and due to replacement demand in the governmental and academia markets. Furthermore, sales of gas chromatographs recovered due to large replacement orders, sales of systemized products, and other factors. Consequently, overall sales of the Analytical and Measuring Instruments in Japan increased slightly. On the other hand, we delivered food radiation inspection systems to Fukushima Prefecture and elsewhere, which we had released for the purpose of inspecting whole bags of rice. These contributed to the high-speed and high-precision inspection of rice.

Overseas, overall sales increased, primarily in North America and China. In North America, sales of mass spectrometers were strong to universities and sales of gas chromatographs also increased to clinical test organizations. In China, sales of mass spectrometers and spectrophotometers were strong due to investment in R&D at universities and elsewhere, efforts to strengthen inspection capabilities in the food safety field, and so on. Sales of testing machines were also strong in chemical, electrical, and other fields. In Southeast Asia, sales of liquid chromatographs were strong. In Europe, however, market conditions remained severe due to effects from the financial crises.

As a result, sales from the Analytical and Measuring Instruments business increased 2.3% year on year, to 105,903 million yen.

## II. Medical Systems

In Japan, overall sales increased significantly, due to the introduction of new products that fit market needs and other factors. Sales of high-end multi-purpose X-ray fluoroscopy systems equipped with portable FPD units were strong to small and medium sized hospitals and clinics. Sales of angiography systems were also strong to cardiovascular departments.

Overseas, sales of digital mobile X-ray systems and other products continued to increase in North America, due to replacement demand captured by introducing new products ahead of competitors and other factors. In Europe, sales increased in spite of the severe conditions resulting from the continuing effects from the financial crises, due to strong sales of X-ray fluoroscopy systems and other products. In China, however, sales decreased due not only to slowing market conditions and a trend towards delaying equipment and supply purchases at hospitals, but also due to effects from the strained relations between China and Japan.

As a result, sales from the Medical Systems business increased 9.2% year on year, to 38,065 million yen.

### III. Aircraft Equipment

In Japan, sales were weak due to lower sales of aircraft components, such as for Japan's Ministry of Defense's F-15 fighter upgrade and new patrol plane P-1.

Overseas, sales of passenger aircraft equipment were strong due to increased deliveries to Boeing and other factors.

As a result, sales from the Aircraft Equipment business decreased 9.1% year on year, to 17,228 million yen.

### IV. Industrial Machinery

Sales of turbomolecular pumps decreased due to stagnant semiconductor and LCD markets and sales of solar cell anti-reflective layer deposition systems decreased due to hesitance by solar panel manufacturers to invest in capital equipment.

Sales of hydraulic equipment increased due to recovery in the production of industrial vehicles (fork lifts) and other factors.

As a result, sales from the Industrial Machinery business decreased 19.0% year on year, to 17,592 million yen.

### V. Other

Sales from the other segments increased 5.6% year on year, to 5,772 million yen.

## (2) Consolidated Outlook

Due to the uncertain future in relations between China and Japan, the ongoing economic stagnation in Europe, and other factors, the current outlook is for a severe and unforgiving operating environment. Given these circumstances, the Shimadzu Group will focus efforts on the stronger North American and Southeast Asian markets and on public sector demand in Japan, which is expected to grow due to the large supplementary budget appropriations.

In addition, we have continued to build our global business capabilities and strengthen our overseas sales capabilities according to our medium-term management plan. Based on the above, we will increase market share and achieve business results by introducing and expanding sales of new highly competitive products, especially globally strategic products, and supply applications, services, and other solutions that provide convenience and high added value to customers and increase customer satisfaction levels. Also, we will expand our aftermarket business, which is expected to provide a stable source of profit, so that we can establish an operating structure that ensures profitability under even difficult business conditions. Furthermore, we will engage in measures to reduce costs for the entire Group, such as implementing efficient cost controls and operations, strengthening overseas manufacturing operations, and expanding overseas local procurement functions.

The Shimadzu Group will continue to grow and expand our businesses toward achieving our long-term vision "Toward Becoming a True Global Business" by remaining diligently committed to steadily implementing the policies specified in the medium-term management plan.

Considering the lower than expected business results during the period from April to December, severe business climate, and other factors, we have revised the forecast for consolidated results announced on November 8, 2012, as follows.

### <Consolidated outlook of this fiscal year>

	(In million yen)		Last announcement
	New announcement	Increase or decrease, YoY	
Net Sales	263,000	-1.2%	267,000
Operating income	12,000	-38.0%	15,500
Ordinary income	12,000	-35.7%	14,300
Net income	7,000	-22.9%	8,800

On January 25, 2013, it was discovered that the Shimadzu Corporation Aircraft Equipment Division overcharged the Japanese Ministry of Defense by reporting more-than-actual labor hours. Consequently, Shimadzu has been suspended from participating in contracts with the Ministry of Defense. It is still uncertain what effects this will have on Shimadzu's business performance. Therefore, the currently reported business outlook does not reflect any such effects. However, they will be announced as soon as the situation becomes apparent.

Note: The forecasted results above were calculated based on information available on the date this report was released. Actual results may vary from forecast values, due to various factors in the future. Some of the more significant factors include, the economic circumstances in major markets (Japan, Europe, U.S., and Asia), fluctuations in product demand, and fluctuations in the foreign exchange rates.

## **2. Other Information**

### **(1) Significant Changes in Subsidiaries During These Nine Months**

None applicable

### **(2) Use of Special Accounting Practices in Financial Statements Prepared for This Quarter**

None applicable

### **(3) Changes in Accounting Policy, Changes in Accounting Estimates, or Restatements**

Due to revisions in the Japanese Corporate Tax Law, starting in the first quarter of the consolidated accounting period, the depreciation method for tangible fixed assets acquired by Shimadzu Corporation or its consolidated subsidiaries in Japan after April 1, 2012, was changed to comply with the revised Japanese Corporate Tax Law. This change had a minimal effect on stated profit and loss values.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	As of 31-Dec-2012	(In million yen) As of 31-Mar-2012
<b>Assets</b>		
Current assets		
Cash and time deposits	28,026	31,218
Trade notes and accounts receivable	76,362	85,435
Merchandise and products	36,697	33,348
Work in process	23,034	19,359
Raw materials and supplies	17,169	16,364
Deferred tax assets	6,354	6,701
Other	5,773	4,804
Allowance for doubtful receivables	(933)	(987)
Total current assets	192,485	196,244
Noncurrent assets		
Property, plant and equipment:		
Buildings and structures	71,256	71,058
Accumulated depreciation	(37,095)	(36,255)
Buildings and structures, net	34,161	34,802
Machinery, equipment and vehicles	17,919	18,071
Accumulated depreciation	(13,902)	(14,502)
Machinery, equipment and vehicles, net	4,017	3,569
Land	18,490	18,730
Leased assets	3,598	3,168
Accumulated depreciation	(1,593)	(1,542)
Leased assets, net	2,005	1,626
Construction in progress	287	713
Other	27,789	26,864
Accumulated depreciation	(21,665)	(21,093)
Other, net	6,124	5,770
Net property, plant and equipment	65,086	65,213
Intangible fixed assets	7,069	7,218
Investments and other assets:		
Investment securities	10,013	9,292
Long-term receivables	482	593
Deferred tax assets	8,482	8,776
Other	3,891	4,104
Allowance for doubtful receivables	(500)	(602)
Total investments and other assets	22,370	22,164
Total noncurrent assets	94,526	94,596
Total assets	287,012	290,840

	As of 31-Dec-2012	(In million yen) As of 31-Mar-2012
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	44,760	50,045
Short-term loans	6,078	7,519
Commercial papers	7,000	-
Current portion of unsecured bonds	10,000	10,000
Lease obligations	719	619
Accounts payable, other	9,045	9,268
Income taxes payable	758	2,917
Allowance for employees' bonuses	2,057	5,980
Allowance for director's bonuses	146	204
Other	11,105	9,449
Total current liabilities	91,671	96,004
Long-term liabilities		
Long-term debt	11,397	11,556
Lease obligations	1,432	1,127
Liability for employees' retirement benefits	14,234	14,528
Liability for directors' retirement benefits	260	259
Other	5,449	5,795
Total long-term liabilities	32,774	33,266
Total liabilities	124,446	129,271
<b>Net assets</b>		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	112,288	111,968
Treasury stock	(712)	(699)
Total shareholders' capital	173,413	173,105
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	2,210	1,995
Foreign currency translation adjustments	(13,285)	(13,754)
Total valuation and translation adjustments	(11,074)	(11,758)
Minority interests	227	221
Total net assets	162,566	161,568
Total liabilities and net assets	287,012	290,840

## (2) Consolidated Statements of Operations

	(In million yen)	
	Year ended 31-Dec-2012	Year ended 31-Dec-2011
Net sales	184,562	184,505
Cost of sales	117,948	115,506
Gross profit	66,613	68,998
Selling, general and administrative expenses	61,708	59,146
Operating income	4,904	9,851
Other income:		
Interest income	111	116
Dividend income	149	145
Insurance payments received	189	196
Rent received	69	96
Foreign exchange profit	32	-
Other	785	487
Total other income	1,337	1,042
Other expenses:		
Interest expense	297	315
Foreign exchange loss, net	-	797
Other	588	897
Total other expenses	886	2,010
Ordinary income	5,356	8,883
Extraordinary income:		
Gain on sale of property, plant and equipment	20	15
Gain on sale of investment securities	3	-
Total extraordinary income	23	15
Extraordinary losses:		
Impairment loss	243	-
Loss on disposal of property, plant and equipment	95	309
Loss on write-down of investment securities	65	226
Total extraordinary losses	404	535
Income before income taxes and minority interests	4,975	8,363
Income taxes	1,604	2,088
Refund of income taxes for past fiscal years	-	1,709
Income taxes adjustments	546	2,050
Total income taxes and income taxes adjustments	2,151	5,848
Net income before minority interests	2,823	2,515
Minority interests in net income	10	12
Net income	2,813	2,502

## (3) Consolidated Statements of Comprehensive Income

	Year ended 31-Dec-2012	Year ended 31-Dec-2011
Net income before minority interest	2,823	2,515
Other Comprehensive income:		
Unrealized gain or loss on available-for-sale securities	214	(722)
Foreign currency translation adjustments	469	(1,803)
Total other comprehensive income	684	(2,525)
Comprehensive income	3,508	(10)
Total comprehensive income attribute to:		
Owners of the parent	3,497	(17)
Minority interests	10	6



#### (4) Notes on Going Concern

Not applicable

#### (5) Segment Information

##### 1) Sales and income (loss) by reportable segment

In an effort to promote the creation of new businesses, the method of allocating research and development expenses was reconsidered. As a result, starting in this first quarter, a portion of the research and development expenses previously allocated to reportable segments will be included in adjustments. Results from the previous first quarter are also indicated calculated using the new method.

Nine months ended December 31, 2012 (April 1, 2012 – December 31, 2012)

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of operations
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
I. Sales									
(1) Sales to customers	105,903	38,065	17,228	17,592	178,790	5,772	184,562	—	184,562
(2) Inter-segment sales	30	1	42	26	101	779	880	(880)	—
Total	105,934	38,067	17,270	17,619	178,891	6,551	185,443	(880)	184,562
Segment income (loss)	5,686	267	(435)	177	5,696	1,099	6,796	(1,891)	4,904

Nine months ended December 31, 2011 (April 1, 2011– December 31, 2011)

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of operations
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
I. Sales									
(1) Sales to customers	103,494	34,858	18,958	21,727	179,039	5,465	184,505	—	184,505
(2) Inter-segment sales	39	3	51	38	133	824	957	(957)	—
Total	103,534	34,862	19,009	21,766	179,173	6,289	185,462	(957)	184,505
Segment income (loss)	8,591	(49)	624	1,417	10,584	942	11,526	(1,674)	9,851

##### 2) For reference

##### Sales by geographic segment

Nine months ended December 31, 2012 (April 1, 2012 – December 31, 2012)

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
104,679	19,292	12,080	28,313	14,026	6,169	184,562

Nine months ended December 31, 2011 (April 1, 2011– December 31, 2011)

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
105,754	18,225	12,993	27,811	13,750	5,970	184,505

#### (6) Notes on Significant Changes in Shareholders' Capital

Not applicable