

February 7, 2014

## **Operating Results and Financial Position** **(for the Nine Months ended December 31, 2013)**

### **1. Operating Results**

#### (1) Consolidated Overview

In the nine months ended December 31, 2013, the Japanese economy recovered slowly due to yen depreciation, a rise in stock prices, and effects of government economic and financial policies.

Overseas, economic growth in China continues to expand gradually. The European economy shows signs of recovery despite the negative influence from debt problems and fiscal austerity policies in some of the countries. In the U.S., a gradual economic recovery is continuing.

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. Moreover, we have been promoting the development of applications and strengthening customer support functions. We significantly expanded the customer support center for analytical and measuring instruments in Europe and North America just like we did in China. In addition, we focused efforts on ensuring business results by expanding sales of new competitive products tailored to customer needs and other measures.

As a result, for the nine months, consolidated net sales were 212,291 million yen (a year-on-year increase of 15.0%), operating income was 12,856 million yen (a year-on-year increase of 162.1%), ordinary income was 14,272 million yen (a year-on-year increase of 166.5%), and net loss was 5,200 million yen, due to a provision for loss on defense equipment of 22,000 million yen and other factors. Shimadzu Group sales tend to be concentrated in the second and fourth quarters.

## I. Analytical & Measuring Instruments

In Japan, sales increased in the pharmaceutical, machinery, and transportation equipment fields as part of the Japanese economy's trend of recovery. In the governmental and academia markets, we successfully marketed our products to satisfy demands related to the government's supplementary budgets. Consequently, overall sales in Japan increased. Demand for liquid chromatographs, our strongest product line, recovered in the pharmaceutical and other fields. Sales of mass spectrometers, for which we have been trying to strengthen our product line and applications, also increased.

Overseas, overall sales significantly increased due to yen depreciation and other factors. In North America, sales of liquid chromatographs and mass spectrometers continuously increased to be used in the healthcare field and laboratory testing organizations. In Europe, there seems to be a sense that markets have hit bottom and are turning around, especially in Western Europe, with demand for liquid chromatographs having recovered in the pharmaceutical field and strong mass spectrometer sales in environmental and food product fields. In China, where recovery of demand has been slow, demand is now steady for liquid chromatographs in the pharmaceutical and other fields and for mass spectrometers in the public sector food safety field. Environmental equipment sales are steadily expanding as well.

As a result, sales from the Analytical & Measuring Instruments business were 123,211 million yen (a year-on-year increase of 16.3%).

## II. Medical Systems

In Japan, sales are increasing due to strong sales for new X-ray fluoroscopy systems that allow using a single system for examinations in multiple departments, such as gastrointestinal, urology, and orthopedics departments, as well as those equipped with portable FPD units for small and medium sized hospitals and clinics.

Overseas, overall sales significantly increased due to yen depreciation and other factors. In North America, sales of digital mobile X-ray systems and general radiography systems were strong. In China, sales of new X-ray fluoroscopy products and digital mobile X-ray systems increased. In Europe and Southeast Asia, sales increased due to large-scale orders.

As a result, sales from the Medical Systems business were 42,621 million yen (a year-on-year increase of 12.0%).

## III. Aircraft Equipment

In Japan, in spite of negative effects from Shimadzu being suspended from participating in contracts with the Japanese Ministry of Defense, overall sales increased due to large-scale orders.

Overseas, sales increased significantly due to strong sales of passenger aircraft equipment delivered to Boeing.

As a result, sales from the Aircraft Equipment business were 19,490 million yen (a year-on-year increase of 13.1%).

#### IV. Industrial Machinery

Sales of turbomolecular pumps increased due to strong sales for glass coaters in China and other factors. Sales of solar cell anti-reflective coating systems remained weak. Sales of glass winders increased in China. Sales of hydraulic equipment increased steadily, with expanding sales in North America and China.

As a result, sales from the Industrial Machinery business were 22,240 million yen (a year-on-year increase of 26.4%).

#### V. Other

Sales from other business segments were 4,727 million yen (a year-on-year decrease of 18.1%).

#### (2) Consolidated Outlook

In terms of the outlook for the future, there are some uncertain factors such as influence of consumption tax increase in Japan. However, we expect the economy to move toward recovery, as export conditions are improving due to yen depreciation and as we benefit from increased public spending. Overseas, the economy is predicted to continue gradually recovering in the U.S., gradually expanding in China, and start to rebound in Europe.

In terms of the business environment for Shimadzu operations in Japan, demand is expected to increase due to the implementation of the government's supplementary budgets and the promotion of corporate investment in capital equipment. Overseas, the healthcare and laboratory testing markets are expected to expand in the U.S. and demand is predicted to recover in Europe. In China, though there is concern that the influence of tensions between Japan and China will stretch further into the long term, recovery is predicted for private sector demand and progress is expected in public sector projects in the environmental, medical and other fields.

Given these circumstances, the Shimadzu Group will take advantage of this favorable turn of events in the business environment and develop its businesses through the efforts of the entire Group.

First, we will pursue global growth by increasing the sales of new competitive high-end products such as high-speed and high-sensitivity mass spectrometers, strengthening our product lines through the development of middle-range products accurately tailored to specific customer needs, such as needs for prices and functions in China, and offering optimal solutions that can solve customers' problems through the development of applications with added values that strongly appeal to customers. In order to secure stable profitability which enables us to handle ongoing changes in business conditions, we will improve the production and procurement system and reduce costs in all stages starting from product design, throughout the entire Shimadzu Group.

We will work diligently to implement these measures, make a new medium-term management plan that starts in FY 2014, and also establish a strong management base so that the Shimadzu Group can make a great leap forward over the next three years.

Taking into account the progress in current third quarter results, the business circumstances indicated above, and the influence of the provision for loss on defense equipment, we have revised the forecast for consolidated results announced on November 8, 2013 as below.

Year ended March 31, 2012

	Newly forecast	Previous forecast
Net sales	298,000	298,000
Operating income	22,000	22,000
Ordinary income	22,000	22,000
Net income	4,000	15,000

## 2. Other Information

(1) Significant changes in subsidiaries during this quarter:

None

(2) Use of specialized accounting practices in creating financial statements for this quarter:

None

(3) Changes in accounting policy, changes in accounting estimates, or restatement:

Since Japan's "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Guidance No. 25) can now be applied to consolidated financial results after April 1, 2013, these have been applied as accounting standards for this first quarter consolidated accounting period.

As a result, the accumulated other comprehensive income decreased by 3,312 million yen and retained earnings decreased by 3,283 million yen at the beginning of the third quarter consolidated accounting period. In addition, operating income and ordinary income increased by 161 million yen respectively, and loss before income taxes and minority interests decreased by 161 million yen for nine months, ended December 31, 2013.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	(In million yen)	
	As of December 31, 2013	As of March 31, 2013
<b>Assets</b>		
Current assets		
Cash and time deposits	38,108	35,140
Trade notes and accounts receivable	95,845	88,781
Securities	20	
Merchandise and products	39,339	35,201
Work in process	22,154	18,527
Raw materials and supplies	18,972	15,879
Deferred tax assets	13,141	6,535
Other	6,005	4,997
Allowance for doubtful receivables	(876)	(986)
Total current assets	232,709	204,076
Noncurrent assets		
Property, plant and equipment:		
Buildings and structures	75,866	71,962
Accumulated depreciation	(39,859)	(37,859)
Buildings and structures, net	36,006	34,102
Machinery, equipment and vehicles	19,553	18,534
Accumulated depreciation	(15,009)	(14,228)
Machinery, equipment and vehicles, net	4,544	4,305
Land	18,623	18,532
Leased assets	3,941	3,589
Accumulated depreciation	(1,789)	(1,624)
Leased assets, net	2,152	1,964
Construction in progress	2,954	789
Other	30,062	28,505
Accumulated depreciation	(23,148)	(22,034)
Other, net	6,913	6,471
Net property, plant and equipment	71,194	66,166
Intangible fixed assets	6,712	6,629
Investments and other assets:		
Investment securities	15,427	11,948
Long-term receivables	233	378
Deferred tax assets	9,626	7,776
Other	3,593	3,650
Allowance for doubtful receivables	(293)	(366)
Total investments and other assets	28,587	23,387
Total noncurrent assets	106,494	96,183
Total assets	339,204	300,259

(In million yen)

	As of December 31, 2013	As of March 31, 2013
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	49,096	48,651
Short-term loans	32,573	18,876
Commercial papers	4,000	
Lease obligations	781	712
Accounts payable	12,223	9,025
Income taxes payable, other	1,424	1,524
Allowance for employees' bonuses	2,535	5,531
Allowance for director's bonuses	185	188
Provision for loss on defense equipment	22,000	
Other	12,752	9,614
Total current liabilities	137,573	94,124
Long-term liabilities		
Long-term debt	1,569	11,632
Lease obligations	1,514	1,392
Liability for employees' retirement benefits		13,916
Liability for directors' retirement benefits	170	277
Liabilities for retirement benefits	23,555	
Other	4,939	5,487
Total long-term liabilities	31,749	32,706
Total liabilities	169,323	126,830
<b>Net assets</b>		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	104,442	117,053
Treasury stock	(744)	(715)
Total shareholders' capital	165,535	178,174
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	5,726	3,544
Foreign currency translation adjustments	1,590	(8,420)
Cumulative adjustments to retirement benefits	(3,146)	
Total valuation and translation adjustments	4,169	(4,876)
Minority interests	175	131
Total net assets	169,880	173,429
Total liabilities and net assets	339,204	300,259

**(2) Consolidated Statements of Operations**

(In million yen)

	Year ended December 31, 2013	Year ended December 31, 2012
Net sales	212,291	184,562
Cost of sales	130,515	117,948
Gross profit	81,776	66,613
Selling, general and administrative expenses	68,919	61,708
Operating income	12,856	4,904
Other income:		
Interest income	128	111
Dividend income	175	149
Insurance payments received	125	189
Rent received	68	69
Foreign exchange profit	842	32
Subsidy income		
Other	1,124	785
Total other income	2,464	1,337
Other expenses:		
Interest expense	270	297
Other	778	588
Total other expenses	1,049	886
Ordinary income	14,272	5,356
Extraordinary income:		
Gain on sale of property, plant and equipment	22	20
Gain on sale of investment securities		3
Total extraordinary income	22	23
Extraordinary losses:		
Provision for loss on defense equipment	22,000	
Retirement benefit cost	343	
Impairment loss	263	243
Loss on disposal of property, plant and equipment	110	65
Loss on write-down of investment securities	68	95
Other	208	
Total extraordinary losses	22,994	404
Income(loss) before income taxes and minority interests	(8,699)	4,975
Income taxes	3,549	1,604
Refund of income taxes for past fiscal years	(1,317)	
Income taxes adjustments	(5,769)	546
Total income taxes and income taxes adjustments	(3,537)	2,151
Net income(loss) before minority interests	(5,162)	2,823
Minority interests in net income	37	10
Net income(loss)	(5,200)	2,813

### (3) Consolidated Statements of Comprehensive Income

	(In million yen)	
	Year ended	Year ended
	December 31, 2013	December 31, 2012
Net income before minority interest	(5,162)	2,823
Other Comprehensive income:		
Unrealized gain or loss on available-for-sale securities	2,182	214
Foreign currency translation adjustments	6,936	469
Adjustments to retirement benefits	165	
Total other comprehensive income	<u>9,284</u>	<u>684</u>
Comprehensive income	<u>4,122</u>	<u>3,508</u>
Total comprehensive income attribute to:		
Owners of the parent	4,075	3,497
Minority interests	46	10

### (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, 2013 (April 1, 2013 – December 31, 2013)

(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	123,211	42,621	19,490	22,240	207,563	4,727	212,291		212,291
(2) Inter-segment sales	31	6	49	44	132	939	1,071	(1,071)	
Total	123,243	42,627	19,540	22,285	207,696	5,667	213,363	(1,071)	212,291
Segment income (loss)	11,957	1,005	(808)	1,720	13,875	1,209	15,085	(2,228)	12,856

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

### 2) For reference

#### Sales by geographic segment

Nine months ended December 31, 2013 (April 1, 2013 – December 31, 2013)

(In million yen)

Japan	The Americas	Europe	China	Other Asian	Other	Total
106,045	27,112	17,707	37,220	16,301	7,905	212,291

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

(In million yen)

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

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

Not applicable