

November 10, 2014

Operating Results and Financial Position **《For The Six Months ended September 30, 2014》**

1. Operating Results

(1) Consolidated Overview

In the first half of the fiscal year, the Japanese economy remained on a recovery path as government economic and financial policies supported improvements in corporate earnings and employment, which helped offset the adverse effects of a reactionary decline in demand following the surge in consumption prior to the consumption tax hike. Overseas, the pace of economic growth in China continued to slow while the European economy stagnated. The U.S. economy, however, continued to recover stably.

Under such an economic environment, the Shimadzu Group launched a new three-year medium-term management plan in April 2014, with the goal of becoming “An Innovative Company Contributing to the Growth of Customers around the World.” Under the new management plan, we will implement a number of measures targeting further corporate growth, including introducing global strategic products, strengthening application development and customer support functions, expanding our business base in emerging markets, and bolstering the aftermarket business.

As a result, in the first half of the fiscal year, the Shimadzu Group posted consolidated net sales of 141,648 million yen (a year-on-year increase of 2.5%), operating income of 10,046 million yen (a year-on-year increase of 27.4%), ordinary income of 10,159 million yen (a year-on-year increase of 16.5%), and net income of 6,438 million yen (a year-on-year decrease of 10.2%).

The results for reportable business segments were as follows.

I. Analytical & Measuring Instruments

In Japan, overall sales declined slightly on lower demand from universities and other institutions dependent on subsidies from government supplementary budget. However, demand for our testing and non-destructive inspection machines from users in the transportation equipment, electronics, and other industries was solid. We also enjoyed firm demand for our liquid chromatographs from users in the chemicals industry and for mass spectrometers from food makers.

Overseas, sales of our mainstay liquid chromatographs and mass spectrometers were solid, supported by demand from the pharmaceutical and healthcare industries in North America and the pharmaceutical and food industries in Europe. In China, sales of liquid chromatographs to pharmaceutical industries and of mass spectrometers for use in food safety fields were both strong, despite prolongation of the bidding process for government projects. In India, demand for our liquid

chromatographs from pharmaceutical makers rebounded nicely.

As a result of the above global developments, the Analytical & Measuring Instruments segment posted sales of 85,650 million yen (a year-on-year increase of 5.1%) in the first half of the fiscal year.

II. Medical Systems

In Japan, overall sales declined amid the reactionary decline in demand following the surge in demand ahead of the consumption tax hike. However, we continued to see strong demand for our angiography systems featuring a newly developed image processing engine.

Overseas sales also declined during the first half of the fiscal year as we faced tougher competition for our digital mobile X-ray systems in North America and prolongation of the bidding process in China. However, we continued to see solid demand in North America for our digital general radiography systems and our new X-ray fluoroscopy system. Also, we increased sales of our angiography systems in Latin America.

As a result of the above developments, the Medical Systems segment posted sales of 27,416 million yen (a year-on-year decrease of 3.2%) in the first half of the fiscal year.

III. Aircraft Equipment

Sales to Japan's Ministry of Defense declined in the first half of the fiscal year, but sales in North America expanded as we achieved an increase in sales of passenger aircraft components to the Boeing Company.

Overall, the Aircraft Equipment segment posted sales of 10,512 million yen (a year-on-year decrease of 0.8%) in the first half of the fiscal year.

IV. Industrial Machinery

Sales of turbo-molecular pumps were strong, buoyed by rebounding semiconductor markets in North America and Asia, and increased production of touch panel and liquid-crystal displays in China. Meanwhile, sales of glass winders in China declined from the high levels seen in the previous year, but we continued to enjoy brisk sales of our hydraulic equipment for use in industrial vehicles (forklifts), specially equipped vehicles, and other applications.

Overall, the Industrial Machinery segment posted sales of 14,784 million yen (a year-on-year increase of 0.5%) in the first half of the fiscal year.

V. Other

Sales in the Other businesses segment amounted to 3,285 million yen (a year-on-year increase of 5.3%).

(2) Consolidated Outlook

Looking forward, we expect a continued gradual economic recovery in Japan. Overseas, the outlooks for the European and Chinese economies are clouded with uncertainties, but we expect a continuation of gradual recoveries in U.S. and other overseas markets.

In this global economic environment, at the start of this fiscal year the Shimadzu Group launched a new three-year medium-term management plan, during which we will continue to strive toward our long-term vision of being a truly global company. The new plan's fundamental theme is to develop Shimadzu into "An Innovative Company Contributing to the Growth of Customers around the World". Over the next three years, we will continue to pursue growth strategies and reforms of our profit structure that will enhance enterprise value. To help realize those goals, we will strengthen our global organization and network.

Under the plan's growth strategy, we will continue efforts to grow and stimulate our customers' markets, and at the same time, endeavor to provide innovative solutions that lead to the creation of new markets and a new great leap forward for the Shimadzu Group. The three-year plan's growth strategy includes the following core strategic initiatives:

- (1) Provide "Number One/Only One" products that reaffirm our position as a global leader in our core businesses.
- (2) Develop new fields through joint research projects with leading research institutions and universities.
- (3) Establish the solid business foundation in emerging markets that will strengthen our manufacturing and sales capabilities and better enable us to capture growing demand in volume zones.
- (4) Expand our aftermarket business based on analysis of customer data.

Going forward, regarding the first initiative, we will strive to expand our business by increasing sales of unique new products, such as our fully integrated, high-speed liquid chromatographies, and by introducing new products that will strengthen our position in areas relatively new to the Shimadzu Group, such as radiation treatment support systems and small turbo-molecular pumps. In addition, we will apply the results of our joint research with customers on the cutting edge in various fields to develop innovative products that we will then introduce to the market. As part of the second initiative noted above, this September we introduced a new dedicated PET mammography system that is the fruit of a joint R&D project with Kyoto University and other institutions. Another ongoing joint R&D project, being carried out with Osaka University, Miyazaki Prefecture and others, seeks to develop a completely automated, high-speed analytical system that will use supercritical fluid technology to simultaneously analyze several hundred types of components without any complicated pre-processing.

In line with our third initiative, we plan to solidify our operating base in the ASEAN region, which we regard as a key growth market. Our plans include setting up a sales office and possibly a local manufacturing site.

To expand our aftermarket business, the fourth initiative above, we plan to strengthen our services in the conventional aftermarket areas of maintenance service and sales of replacement parts and

consumables. In addition, we plan to further raise customer satisfaction by introducing a new service based on network technology, including a system that will enable customers to grasp at a glance the operating conditions of equipment anywhere in the world.

Efforts to improve our profit structure will include expanding overseas production and increasing localization ratios as well as lowering costs, including through greater standardization of parts. We will also make every effort to ensure thorough implementation of corporate compliance measures at our operations around the world, and strengthen our organization and network by developing and appropriately assigning employees who can thrive in a global work environment.

We expect this fiscal year income below, which is not changed outlook at 13th May, 2014.

<Consolidated outlook of this fiscal year>

(In million yen except EPS)

	Outlook	
	Year ended March 31, 2015	Year on Year increase or decrease
Net sales	¥312,000	1.5%
Operating income	¥26,000	8.2%
Ordinary income	¥25,000	0.8%
Net income	¥15,500	59.4%
Earnings Per Share Year	¥52.56	59.4%

Notice: This outlook is based on information available when Shimadzu is prepared. They are subject to risks and uncertainties. Factors that may influence are fluctuation of economic conditions change mainly in Japan, US, Europe and Asia, products demand, and foreign exchange rates.

2. Other Information

(1) Changes in the consolidation status (scope of consolidation) of material subsidiaries during the period

Not applicable

(2) Use of simplified accounting procedures and/or accounting procedures specific to the preparation of quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

(Changes in accounting policy not easily distinguished from changes in accounting estimates)

Effective the first three months for the fiscal year ending March 31, 2015, the depreciation method for property, plant and equipment (excluding leased assets) of Shimadzu Corporation and consolidated subsidiaries in Japan was changed to the straight line method from the declining balance method except for buildings, which were depreciated by the straight line method.

This change was decided as a result of reviewing the depreciation methods when we were rebuilding the head office building and manufacturing plants and acquiring associated production equipment as part of production reforms entitled the Sanjo Works in Kyoto city rearrangement plan, which were primarily aimed at promoting in-house manufacturing within the Group. The new depreciation method is more consistent with how noncurrent assets are used in the future.

Due to this change, in the first half of the fiscal year, operating income, ordinary income, and income before income taxes and minority interests were each 450 million yen higher than what would have been under the previous accounting method.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(In million yen)

	As of September 30, 2014	As of March 31, 2014
Assets		
Current assets:		
Cash and time deposits	¥33,692	¥46,028
Trade notes and accounts receivable	88,917	112,193
Marketable securities	0	20
Merchandise and products	39,486	36,273
Work in process	18,859	16,934
Raw materials and supplies	18,114	17,509
Deferred tax assets	8,099	7,973
Other	6,227	5,624
Allowance for doubtful receivables	(1,058)	(1,218)
Total current assets	¥212,339	¥241,338
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	¥38,519	¥32,133
Machinery, equipment and vehicles	4,753	4,470
Land	18,180	18,195
Leased assets	2,426	2,365
Construction in progress	814	4,817
Other	8,447	7,423
Net property, plant and equipment	¥73,142	¥69,405
Intangible fixed assets	¥7,294	¥6,958
Investments and other assets:		
Investment securities	11,050	10,345
Long-term receivables	175	171
Deferred tax assets	8,717	9,462
Other	3,514	3,482
Allowance for doubtful receivables	(452)	(449)
Total investments and other assets	¥23,004	¥23,012
Total noncurrent assets	¥103,441	¥99,376
Total assets	¥315,781	¥340,715

(In million yen)

	As of September 30, 2014	As of March 31, 2014
Liabilities		
Current liabilities		
Trade notes and accounts payable	¥ 43,628	¥ 51,662
Short-term loans	11,540	37,055
Commercial papers	0	16,000
Lease obligations	887	842
Accounts payable	11,807	12,074
Income taxes payable	1,576	1,715
Allowance for employees' bonuses	6,129	6,770
Allowance for director's bonuses	191	265
Other	14,770	12,272
Total current liabilities	¥ 90,533	¥ 138,659
Long-term liabilities		
Unsecured bonds	¥ 15,000	¥ 0
Long-term debt	673	805
Lease obligations	1,731	1,688
Liability for directors' retirement benefits	169	174
Liability for retirement benefits	16,004	16,699
Other	723	693
Total long-term liabilities	¥ 34,302	¥ 20,061
Total liabilities	¥ 124,835	¥ 158,720
Net assets		
Shareholders' capital		
Common stock	¥ 26,648	¥ 26,648
Additional paid-in capital	35,188	35,188
Retained earnings	124,339	119,367
Treasury stock	(770)	(755)
Total shareholders' capital	¥ 185,406	¥ 180,449
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	3,852	2,994
Foreign currency translation adjustments	3,016	85
Cumulative adjustments to retirement benefits	(1,540)	(1,714)
Total valuation and translation adjustments	¥ 5,328	¥ 1,365
Minority interests	¥ 210	¥ 180
Total net assets	¥ 190,945	¥ 181,994
Total liabilities and net assets	¥ 315,781	¥ 340,715

(2) Consolidated Statements of Operations & of Comprehensive Income

Consolidated Statements of Operations

	(In million yen)	
	Year ended September 30, 2014	Year ended September 30, 2013
Net sales	¥ 141,648	¥ 138,256
Cost of sales	84,108	84,768
Gross profit	¥ 57,539	¥ 53,487
Selling, general and administrative expenses	47,492	45,602
Operating income	¥ 10,046	¥ 7,885
Other income:		
Interest income	¥ 86	¥ 75
Dividend income	127	110
Insurance payments received	140	72
Foreign exchange profit	292	186
Subsidy received	0	400
Other	411	616
Total other income	¥ 1,057	¥ 1,462
Other expenses:		
Interest expense	¥ 106	¥ 165
Other	838	462
Total other expenses	¥ 945	¥ 627
Ordinary income	¥ 10,159	¥ 8,720
Extraordinary income:		
Gain on sale of property, plant and equipment	¥ 28	¥ 7
Gain on sales of investment securities	9	0
Total extraordinary income	¥ 38	¥ 7
Extraordinary losses:		
Settlement of contract amendment	¥ 915	¥ 0
Loss on disposal of property, plant and equipment	108	34
Retirement benefit cost	0	343
Impairment loss	0	263
Loss on sales of investment securities	0	110
Other	0	208
Total extraordinary losses	¥ 1,023	¥ 960
Income before income taxes and minority interests	¥ 9,174	¥ 7,767
Income taxes	¥ 2,551	¥ 2,576
Refund of income taxes for past fiscal years	0	(1,317)
Income taxes adjustments	156	(681)
Total income taxes and income taxes adjustments	¥ 2,708	¥ 576
Income before minority interests	¥ 6,466	¥ 7,190
Minority interests in net income	¥ 27	¥ 18
Net income	¥ 6,438	¥ 7,172

Consolidated Statements of Comprehensive Income

	(In million yen)	
	Year ended September 30, 2014	Year ended September 30, 2013
Net income before minority loss	¥ 6,466	¥ 7,190
Other Comprehensive income		
Unrealized loss on available-for-sale securities	¥ 857	¥ 1,021
Foreign currency translation adjustments	2,896	2,372
Retirement benefit adjustments	174	164
Total other comprehensive income	¥ 3,928	¥ 3,558
Comprehensive income	¥ 10,394	¥ 10,749
Total comprehensive income attribute to		
Owners of the parent	¥ 10,363	¥ 10,726
Minority interests	¥ 30	¥ 22

(3) Consolidated Statements of Cash Flows

	(In million yen)	
	Year ended September 30, 2014	Year ended September 30, 2013
Cash flows from operating activities		
Income before income taxes and minority interests	¥9,174	¥7,767
Depreciation and amortization	3,793	4,016
Impairment loss	0	263
Increase (decrease) in allowance for doubtful receivables	(192)	(230)
Increase (decrease) in allowance for employees' bonuses	(649)	215
Increase (decrease) in allowance for director's bonuses	(73)	(5)
Provision for (reversal of) accrued retirement benefits for employees	(544)	(153)
Interest and dividends income	(214)	(186)
Interest expense	106	165
Bonds issue expenses	79	0
Foreign exchange (gain) loss, net	(28)	(15)
Net (gain) loss on sale and valuation of investment securities	(9)	110
Net (gain) loss on sale and disposal of property, plant and equipment	79	26
(Increase) decrease in trade receivables	24,567	3,073
(Increase) decrease in inventories	(4,374)	(1840)
Increase (decrease) in trade payables	(9,418)	(7,072)
Other, net	538	359
Subtotal	¥22,833	¥6,494
Interest and dividends received	¥218	¥182
Interest paid	(164)	(161)
Income taxes paid	(2,173)	(709)
Net cash provided by (used in) operating activities	¥20,713	¥5,805
Cash flows from investing activities		
Withdrawal of cash for redemption of securities	¥20	¥0
Purchase of property, plant and equipment	(6,507)	(4,979)
Proceeds from sale of property, plant and equipment	284	73
Purchase of investment securities	(223)	(2)
Proceeds from sales of investment securities	13	0
Increase in long term receivables	(11)	(8)
Decrease in long term receivables	112	118
Other, net	433	285
Net cash provided by (used in) investing activities	¥(5,877)	¥(4,512)
Cash flows from financing activities		
Borrowing of short-term loans	¥1,645	¥1,394
Repayment of short-term loans	(16,418)	(995)
Borrowing of long-term debt	50	71
Repayment of long-term debt	(10,997)	(280)
Issuance of commercial paper	4,000	4,000
Repayment of commercial paper	(20,000)	(4,000)
Issuance of unsecured bonds	14,920	0
Cash dividends paid	(1,328)	(1,326)
Dividends payments to minority shareholders	(2)	0
Repayment of financial lease	(10)	(343)
Payment of finance lease obligations	(478)	(406)
Other, net	(15)	(12)
Net cash provided by (used in) financing activities	¥(28,633)	¥(1,899)
Foreign currency translation adjustments on cash and cash equivalents	¥1,071	¥649
Net increase (decrease) in cash and cash equivalents	¥(12,725)	¥43
Cash and cash equivalents, beginning of period	¥43,929	¥33,842
Increase in cash and cash equivalents due to inclusion of subsidiaries in consolidation	692	0
Net (increase)/ decrease in cash and cash equivalents due to unify subsidiaries' fiscal term with parent company	0	(1,300)
Cash and cash equivalents, end of period	¥31,896	¥32,585

5. Segment Information

Segment information for the six months ended September 30, 2014

(1) Income by Business Segment

From April 1st to September 30th of Fiscal year ended March 31, 2015

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of income
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
Net Sales									
(1) Sales to customers	¥85,650	¥27,416	¥10,512	¥14,784	¥138,363	¥3,285	¥141,648	0	¥141,648
(2) Inter-segment sales	19	24	34	41	120	605	726	¥(726)	0
Total Sales	¥85,669	¥27,441	¥10,547	¥14,825	¥138,483	¥3,891	¥142,375	¥(726)	¥141,648
Operating income (loss)	¥10,557	¥403	¥(1,232)	¥946	¥10,675	¥586	¥11,262	¥(1,215)	¥10,046

From April 1st to September 30th of Fiscal year ended March 31, 2014

(In million yen)

	Reportable segment					Other	Total	Adjustments	Amounts reported on the quarterly statements of income
	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment	Industrial Machinery	Total				
Net Sales									
(1) Sales to customers	¥81,523	¥28,310	¥10,596	¥14,705	¥135,136	¥3,119	¥138,256	0	¥138,256
(2) Inter-segment sales	26	3	36	23	89	658	748	¥(748)	0
Total Sales	¥81,549	¥28,314	¥10,633	¥14,729	¥135,226	¥3,777	¥139,004	¥(748)	¥138,256
Operating income (loss)	¥8,209	¥917	¥(1,434)	¥1,002	¥8,695	¥826	¥9,522	¥(1,637)	¥7,885

(2) Income by Geographic Segment

From April 1st to September 30th of Fiscal year ended March 31, 2015

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥68,716	19,888	12,378	23,949	11,274	5,441	¥141,648

From April 1st to September 30th of Fiscal year ended March 31, 2014

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
¥68,339	17,661	11,612	24,347	11,147	5,088	¥138,256