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Operating Results and Financial Position **(for the Nine Months Ended December 31, 2006)**

1. Operating Results

[Overview]

During the nine months under review, the Japanese economy continued its 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 remained mostly firm helped by capital expenditures in the private sector amid concerns of a slowdown reflecting weaker growth in consumer spending. European economy saw a mild recovery, while Asia experienced continued growth led by China.

Under such economic conditions, the Shimadzu Group pursued further globalization and drove forward structural reform of business operations centered on manufacturing, sales and service, which are basic policy of the medium-term management plan (from April 2005 through March 2008), while focusing efforts on expanding sales of new products accommodating to customer needs.

As a result, Group consolidated net sales for the period increased 9.3% from a year earlier to ¥179,888 million. Overseas sales also rose 22.2% to ¥66,419 million.

Ordinary income grew 27.8% to ¥13,652 million while net income totaled ¥8,050 million, which represented a rise of 26.1% from a year earlier.

Because of the nature of its business, the Group tends to post relatively higher net sales in the second and fourth quarters.

[Industry Segment Information]

I. Analytical and Measuring Instruments

In the domestic market, solid performance came primarily from mass spectrometers, spectrometers and testing machines, reflecting growing capital investment by the private sector. The segment's overseas performance was also robust mainly in Asia and Europe, partly due to growing demand for chromatographs and X-ray fluorescence spectrometers, the latter relating to WEEE and RoHS (European Union regulations on hazardous substances).

As a result, segment net sales for the period increased 9.2% year-on-year to ¥100,377 million while operating income rose 22.0% to ¥16,128 million.

II. Medical Systems

In the domestic market, X-ray TV system and other X-ray equipment products delivered strong performance. Overseas performance was robust in Asia as well as in Americas.

As a result, net sales for the segment grew 13.2% year-on-year to ¥33,800 million, while operating income surged 413.8% to ¥1,185 million.

III. Aircraft Equipment and Industrial Machinery

In the aircraft equipment segment, the domestic market remained solid supported by demand for spare parts, despite the prolonged difficult business environment resulting from defense budget constraints by the Japanese government. The segment saw strong performance in the overseas market on recovery of demand for commercial aircrafts.

In the industrial machinery segment, domestic operations saw growing demand for hydraulic equipment and turbomolecular pumps (TMPs), while demand for CVD equipment for solar panel declined. Overseas, demand for industrial machinery grew in Asia and North America.

As a result, net sales for the segment increased 8.2% year-on-year to ¥41,757 million and operating income rose 0.4% to ¥3,317 million.

IV. Other

Net sales for the segment declined 5.6% year-on-year to ¥3,953 million while operating income increased 33.3% to ¥1,269 million.

2. Financial Position

[Total Assets and Shareholders' Equity]

Total assets at the end of the nine months under review stood at ¥283,743 million, representing an increase of ¥6,690 million from the end of the previous fiscal year. This is primarily due to a decrease in cash and deposits by ¥9,648 million and increases in inventories by ¥10,725 million and buildings and structures by ¥2,114 million respectively. Net assets amounted to ¥135,961 million.

[Cash Flow Position]

Net cash used in operating activities at the end of the period under review improved ¥4,911 million from the end of the same period of the previous fiscal year to ¥1,960 million, owing chiefly to a decline in income taxes paid of ¥3,917million.

Net cash used in investment activities increased ¥3,183 million to ¥6,464 million, due primarily to purchases of property, plant and equipment and other assets in the amount of ¥5,652 million.

Net cash used in financing activities increased ¥4,603 million to ¥1,705 million, due primarily to a ¥6,541 million net increase in repayment of loans.

As a result of these factors, cash and cash equivalents at the end of the period decreased ¥9,678 million from the end of the previous fiscal year to ¥22,248 million.

3. Outlook for the Fiscal Year Ending March 31, 2007

For the fiscal year ending March 31, 2007, although the Japanese economy is expected to continue its recovery driven by the private sector demand, there are concerns regarding rising crude oil and raw material prices and the direction of the U.S. economy.

Under this business environment, the Group will steadfastly implement initiatives to achieve new growth (Global Growth) and build a firm foundation for Group earnings (Structural Reform of Business Operations), which are the two basic policies of the Group's three-year medium-term management plan. Through implementation of the plan, the Group is pursuing further growth to become a truly global corporation.

Full-year earnings forecasts remain unchanged from the forecasts released on November 8, 2006, when the Company announced the earnings results for the six months through September 30, 2006.

Outlook for the Fiscal Year Ending March 31, 2007

(1) Consolidated Earnings Forecast (April 1, 2006 – March 31, 2007)

(In million yen)

	Forecast for the full year	
		Year-on-year change
Net sales	253,000	4.3%
Operating income	23,500	11.5%
Ordinary income	20,500	11.9%
Net income	11,500	1.6%

* The earnings forecasts given above are estimated based on information available at the time of the release of this report. Actual results may differ from these forecasts due to various factors including, but not limited to, economic conditions of the Group's major markets (Japan, North America, Europe and Asia, etc.), changes in demand for the Group's products and services, and foreign exchange movements.

Consolidated Balance Sheets

(In million yen)

	As of December 31, 2006 (A)	As of December 31, 2005 (B)	(A) – (B)	As of March 31, 2006 (C)	(A) – (C)
Assets					
Current assets					
Cash and time deposits	22,958	23,503	(545)	32,606	(9,648)
Trade notes and accounts receivable	78,067	72,419	5,648	79,408	(1,340)
Marketable securities	99	89	9	92	6
Inventories	70,805	65,710	5,095	60,080	10,725
Deferred tax assets	5,872	5,257	615	7,178	(1,305)
Other	7,580	5,195	2,385	2,925	4,654
Allowance for doubtful receivables	(958)	(1,258)	300	(1,246)	288
Total current assets	184,426	170,917	13,509	181,046	3,380
Noncurrent assets					
Property, plant and equipment:					
Buildings and structures	30,239	28,242	1,997	28,124	2,114
Machinery, equipment and vehicles	5,253	4,943	310	4,895	357
Land	18,990	18,992	(1)	19,010	(19)
Construction in progress	1,222	232	990	1,160	62
Other	6,797	5,945	851	6,401	395
Net property, plant and equipment	62,503	58,355	4,147	59,592	2,911
Intangible fixed assets	2,746	1,818	927	2,224	521
Investments and other assets:					
Investment securities	14,728	14,027	701	15,156	(427)
Long-term receivables	761	2,030	(1,269)	1,996	(1,235)
Deferred tax assets	13,401	13,679	(278)	13,494	(92)
Other	5,454	4,881	573	4,890	564
Allowance for doubtful receivables	(279)	(1,382)	1,102	(1,348)	1,068
Total investments and other assets	34,066	33,237	829	34,188	(122)
Total noncurrent assets	99,316	93,412	5,904	96,005	3,310
Total assets	283,743	264,329	19,413	277,052	6,690

(Amounts are rounded down to the nearest million yen)

(In million yen)

	As of December 31, 2006 (A)	As of December 31, 2005 (B)	(A) – (B)	As of March 31, 2006 (C)	(A) – (C)
Liabilities					
Current liabilities					
Trade notes and accounts payable	49,743	43,639	6,103	49,830	(87)
Short-term loans	8,180	17,943	(9,763)	15,592	(7,412)
Commercial paper	7,000	6,000	1,000	-	7,000
Accounts payable, other	10,549	8,286	2,262	8,418	2,130
Income taxes payable	1,599	1,067	532	3,950	(2,350)
Allowance for employees' bonuses	2,463	2,092	370	5,526	(3,063)
Other	11,258	7,129	4,129	7,977	3,280
Total current liabilities	90,794	86,158	4,635	91,296	(501)
Long-term liabilities					
Unsecured bonds	25,000	25,000	-	25,000	-
Long-term debt	3,144	1,628	1,515	2,039	1,105
Liability for employees' retirement benefits	21,232	20,023	1,209	20,686	545
Liability for directors' retirement benefits	634	516	117	547	87
Other	6,975	7,439	(464)	7,315	(340)
Total long-term liabilities	56,986	54,608	2,378	55,589	1,397
Total liabilities	147,781	140,766	7,014	146,885	895
Net assets					
Shareholders' capital					
Common stock	26,648	-	-	-	-
Additional paid-in capital	35,188	-	-	-	-
Retained earnings	71,067	-	-	-	-
Treasury stock	(382)	-	-	-	-
Total shareholders' capital	132,522	-	-	-	-
Valuation and translation adjustments					
Net unrealized gain on available-for-sale securities	5,031	-	-	-	-
Foreign currency translation adjustments	(2,149)	-	-	-	-
Total valuation and translation adjustments	2,882	-	-	-	-
Minority interests	557	-	-	-	-
Total net assets	135,961	-	-	-	-
Total liabilities and net assets	283,743	-	-	-	-
Minority interests	-	489	-	507	-
Shareholders' equity					
Common stock	-	26,648	-	26,648	-
Additional paid-in capital	-	35,188	-	35,188	-
Retained earnings	-	60,391	-	65,322	-
Net unrealized gain on available-for-sale securities	-	4,959	-	5,750	-
Foreign currency translation adjustments	-	(3,824)	-	(2,946)	-
Treasury stock	-	(289)	-	(304)	-
Total shareholders' equity	-	123,073	-	129,659	-
Total liabilities, minority interests and shareholders' equity	-	264,329	-	277,052	-

(Amounts are rounded down to the nearest million yen)

Consolidated Statements of Operations

(In million yen)

	Nine months ended December 31, 2006		Nine months ended December 31, 2005		Change		Year ended March 31, 2006	
	Amount (A)	%	Amount (B)	%	Amount (A) – (B)	%	Amount	%
Net sales	179,888	100.0	164,585	100.0	15,303	9.3	242,638	100.0
Cost of sales	108,757	60.5	102,681	62.4	6,076	5.9	151,062	62.3
Gross profit	71,130	39.5	61,903	37.6	9,227	14.9	91,576	37.7
Selling, general and administrative expenses	55,861	31.0	50,394	30.6	5,467	10.8	70,500	29.0
Operating income	15,269	8.5	11,509	7.0	3,759	32.7	21,076	8.7
Other income:								
Interest income	159		94		65		147	
Dividend income	120		96		24		95	
Foreign exchange gain, net	-		360		(360)		270	
Other	745		517		227		947	
Total other income	1,025	0.6	1,068	0.7	(42)	(4.0)	1,461	0.6
Other expenses								
Interest expense	499		500		(1)		699	
Loss on disposals of inventories	692		604		88		1,572	
Foreign exchange loss, net	172		-		172		-	
Other	1,278		790		488		1,944	
Total other expenses	2,642	1.5	1,895	1.2	747	39.5	4,217	1.7
Ordinary income	13,652	7.6	10,683	6.5	2,969	27.8	18,319	7.6
Extraordinary income:								
Gain on reversal of allowance for doubtful receivables	206		-		206		-	
Gain on sale of investment securities	68		4		63		5	
Gain on sale of property, plant and equipment	23		349		(325)		351	
Total extraordinary income	298	0.2	354	0.2	(55)	(15.7)	356	0.1
Extraordinary losses:								
Patent fee for past year	534		-		534		-	
Loss on disposal of property, plant and equipment	236		164		71		232	
Loss on write-down of investment securities	107		8		99		189	
Loss on sale of investment securities	-		4		(4)		4	
Loss on adoption of FRS17 by British subsidiaries	-		-		-		497	
Total extraordinary losses	879	0.5	177	0.1	701	396.1	924	0.4
Income before income taxes and minority interests	13,071	7.3	10,860	6.6	2,211	20.4	17,752	7.3
Income taxes								
Current	3,079		3,544		(464)		7,839	
Deferred	1,891		895		996		(1,448)	
Minority interests in net income	50	0.0	35	0.0	14	39.8	45	0.0
Net income	8,050	4.5	6,384	3.9	1,665	26.1	11,316	4.7

(Amounts are rounded down to the nearest million yen)

Consolidated Statements of Cash Flows

(In million yen)

	Nine months ended December 31, 2006 (A)	Nine months ended December 31, 2005 (B)	(A) - (B)	Year ended March 31, 2006
I. Cash flows from operating activities:				
Income before income taxes and minority interests	13,071	10,860	2,211	17,752
Depreciation and amortization	3,727	3,493	234	4,866
Increase/decrease in allowance for doubtful receivables	(231)	(178)	(52)	(240)
Increase/decrease in allowance for employees' bonuses	(3,063)	(3,148)	84	286
Provision for/reversal of accrued retirement benefits for employees	545	806	(261)	1,470
Interest and dividends income	(280)	(190)	(89)	(242)
Interest expense	499	500	(1)	699
Foreign exchange gain/loss, net	(6)	(26)	20	(22)
Net gain/loss on sale and valuation of investment securities	39	8	31	189
Net gain/loss on sale and disposal of property, plant and equipment	212	(185)	397	(119)
Increase/decrease in trade receivables	1,904	4,735	(2,831)	(1,697)
Increase/decrease in inventories	(10,184)	(8,414)	(1,770)	(2,180)
Increase/decrease in trade payables	(426)	(3,844)	3,418	1,776
Other, net	(1,982)	(1,502)	(480)	1,815
Subtotal	3,826	2,913	912	24,352
Interest and dividends received	288	193	95	237
Interest paid	(580)	(566)	(14)	(699)
Income taxes paid	(5,494)	(9,412)	3,917	(10,950)
Net cash provided by/used in operating activities	(1,960)	(6,872)	4,911	12,941
II. Cash flows from investing activities:				
Proceeds from sale of marketable securities	65	83	(17)	110
Purchase of property, plant and equipment	(5,652)	(4,068)	(1,583)	(6,811)
Proceeds from sale of property, plant and equipment	190	569	(379)	626
Purchase of investment securities	(1,158)	(173)	(984)	(495)
Proceeds from sale of investment securities	117	42	74	32
Other, net	(29)	264	(293)	196
Net cash used in investing activities	(6,464)	(3,281)	(3,183)	(6,341)
III. Cash flows from financing activities:				
Net increase/decrease in loans	(6,540)	-	(6,541)	(2,115)
Issuance of commercial paper	7,000	23,000	(16,000)	23,000
Redemption of commercial paper	-	(17,000)	17,000	(23,000)
Redemption of unsecured bonds	-	(381)	381	(381)
Deposit of the cash for unsecured bonds	-	(16,335)	16,335	(16,335)
Withdrawal of the cash for unsecured bonds	-	16,335	(16,335)	16,335
Cash dividends paid	(2,069)	(2,229)	160	(2,229)
Dividends payments to minority shareholders	(16)	(12)	(3)	(12)
Redemption of construction cooperation fund	-	(329)	329	(428)
Other, net	(78)	(149)	70	(163)
Net cash used in/provided by financing activities	(1,705)	2,897	(4,603)	(5,330)
IV. Foreign currency translation adjustments on cash and cash equivalents	342	385	(43)	890
V. Net increase/decrease in cash and cash equivalents	(9,788)	(6,870)	(2,918)	2,159
VI. Cash and cash equivalents, beginning of period	31,926	29,859	2,066	29,859
VII. Increase in cash and cash equivalents due to inclusion of subsidiaries in consolidation	110	-	110	-
VIII. Decrease due to exclusion of subsidiaries from consolidation	-	(92)	92	(92)
IX. Cash and cash equivalents, end of period	22,248	22,897	(649)	31,926

(Amounts are rounded down to the nearest million yen)

Segment Information

1. Industry Segment Information

Nine months ended December 31, 2006 (April 1, 2006 – December 31, 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	100,377	33,800	41,757	3,953	179,888	-	179,888
(2) Inter-segment sales	221	25	48	767	1,062	(1,062)	-
Total	100,599	33,825	41,805	4,721	180,951	(1,062)	179,888
Operating expenses	84,470	32,639	38,488	3,451	159,049	5,569	164,619
Operating income	16,128	1,185	3,317	1,269	21,901	(6,631)	15,269

(Amounts are rounded down to the nearest million yen)

Nine months ended December 31, 2005 (April 1, 2005 – December 31, 2005)

(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	91,949	29,869	38,579	4,186	164,585	-	164,585
(2) Inter-segment sales	117	1	69	727	916	(916)	-
Total	92,067	29,870	38,649	4,914	165,501	(916)	164,585
Operating expenses	78,845	29,639	35,344	3,961	147,791	5,284	153,075
Operating income	13,221	230	3,304	952	17,710	(6,200)	11,509

(Amounts are rounded down to the nearest million yen)

Year ended March 31, 2006 (April 1, 2005 – March 31, 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	138,452	46,277	52,460	5,447	242,638	-	242,638
(2) Inter-segment sales	214	5	83	1,043	1,347	(1,347)	-
Total	138,667	46,282	52,543	6,491	243,985	(1,347)	242,638
Operating expenses	116,776	44,142	48,634	4,997	214,551	7,010	221,562
Operating income	21,891	2,140	3,909	1,493	29,433	(8,357)	21,076

(Amounts are rounded down to the nearest million yen)

2. Overseas Sales

Nine months ended December 31, 2006 (April 1, 2006 – December 31, 2006)

(In million yen)

	North and South America	Europe	Asia and Oceania	Total
I. Overseas sales	17,607	11,787	37,024	66,419
II. Consolidated sales				179,888
III. Ratio of overseas to total consolidated sales	9.8%	6.5%	20.6%	36.9%

(Amounts are rounded down to the nearest million yen)

Nine months ended December 31, 2005 (April 1, 2005 – December 31, 2005)

(In million yen)

	North and South America	Europe	Asia and Oceania	Total
I. Overseas sales	14,125	10,845	29,373	54,344
II. Consolidated sales				164,585
III. Ratio of overseas to total consolidated sales	8.6%	6.6%	17.8%	33.0%

(Amounts are rounded down to the nearest million yen)

Year ended March 31, 2006 (April 1, 2005 – March 31, 2006)

(In million yen)

	North and South America	Europe	Asia and Oceania	Total
I. Overseas sales	20,171	15,343	43,614	79,128
II. Consolidated sales				242,638
III. Ratio of overseas to total consolidated sales	8.3%	6.3%	18.0%	32.6%

(Amounts are rounded down to the nearest million yen)