



SHIMADZU CORPORATION
IR Group
Corporate Strategy Planning Department
1, Nishinokyo-Kuwabaracho, Nakagyo-ku
Kyoto 604-8511, Japan
<http://www.shimadzu.com>

August 4, 2006

Operating Results and Financial Position **(for the Three Months Ended June 30, 2006)**

1. Operating Results

[Overview]

During the three months under review, the Japanese economy continued its recovery supported by improved corporate profits and the ensuing growth in capital expenditures and a mild increase in personal consumption, despite an impact of rising oil and raw material prices. Overseas, the U.S. economy remained robust and European economies saw a mild recovery, while Asia experienced continued growth in China and other economies.

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

As a result, Group consolidated net sales for the period increased 2.4% from a year earlier to ¥52,026 million. Overseas sales also rose 22.0% to ¥19,931 million.

Ordinary income grew 21.0% to ¥2,246 million while net income totaled ¥1,549 million, which represented a surge of 77.6% 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 chromatographs and testing

machines reflecting growing private sector capital expenditures. The segment's overseas performance was also solid mainly in Asia and Europe, partly due to growing demand relating to WEEE and RoHS (European Union regulations on hazardous substances).

As a result, segment net sales for the period increased 11.9% year-on-year to ¥30,254 million while operating income rose 35.6% to ¥3,753 million.

II. Medical Systems

In the domestic market, X-ray equipment products including products equipped with digital flat panel detectors delivered strong performance. Overseas performance was robust in Asia.

As a result, net sales for the segment grew 20.2% year-on-year to ¥9,981 million, while operating income stood at ¥273 million, compared with an operating loss of ¥438 million a year earlier.

III. Aircraft Equipment and Industrial Machinery

In the aircraft equipment segment, the domestic market stagnated amid a difficult business environment resulting from defense budget constraints by the Japanese government.

In the industrial machinery segment, domestic operations saw growing demand for hydraulic equipment and turbomolecular pumps, while demand for membrane manufacturing devices for solar cells declined. Overseas, demand for industrial machinery declined in Asia.

As a result, net sales for the segment decreased 22.8% year-on-year to ¥10,583 million and operating income declined 45.9% to ¥703 million.

IV. Other

Net sales for the segment declined 30.1% year-on-year to ¥1,206 million while operating income increased 34.4% to ¥421 million.

2. Financial Position

[Total Assets and Shareholders' Equity]

Total assets at the end of the period stood at ¥271,402 million, representing a decrease of ¥5,649 million from the end of the previous fiscal year. This is primarily due to decreases in cash and deposits by ¥4,278 million and accounts receivable by ¥9,261 million, respectively, and an increase in inventories by ¥6,693 million. As a result, net assets amounted to ¥129,924 million.

[Cash Flow Position]

Net cash used in operating activities at the end of the period totaled ¥666 million, an improvement of ¥4,763 million from a year earlier, owing chiefly to a decrease in income taxes paid of ¥3,129 million.

Net cash used in investment activities increased ¥1,389 million to ¥1,880 million, due primarily to purchases of property, plant and equipment and other assets in the amount of ¥1,495 million.

Net cash used in financing activities shrank ¥4,535 million to ¥1,976 million, due primarily to a ¥4,000 million decrease in the amount of commercial papers issued.

As a result of these factors, cash and cash equivalents at the end of the period decreased ¥4,351 million from the end of the previous fiscal year to ¥27,574 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 interest rate rises, which may negatively affect the global 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 for 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 initial forecasts included in "Operating Results and Financial Position (Fiscal Year 2005)" released on May 19, 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 first six months		Forecast for the full year	
		Year-on-year change		Year-on-year change
Net sales	118,000	2.8%	250,000	3.0%
Operating income	10,000	10.8%	23,000	9.1%
Ordinary income	8,300	1.7%	20,000	9.2%
Net income	4,800	-5.8%	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 June 30, 2006 (A)	As of June 30, 2005 (B)	(A) – (B)	As of March 31, 2006 (C)	(A) – (C)
(Assets)					
Current assets					
Cash and time deposits	28,327	27,242	1,084	32,606	-4,278
Trade notes and accounts receivable	70,147	73,410	-3,263	79,408	-9,261
Marketable securities	88	106	-17	92	-3
Inventories	66,773	61,438	5,335	60,080	6,693
Deferred tax assets	7,246	5,973	1,273	7,178	68
Other	3,945	3,528	416	2,925	1,019
Allowance for doubtful receivables	-1,245	-1,458	213	-1,246	-
Total current assets	175,284	170,241	5,042	181,046	-5,761
Noncurrent assets					
Property, plant and equipment:					
Buildings and structures	28,192	28,657	-465	28,124	68
Machinery, equipment and vehicles	4,834	4,645	189	4,895	-60
Land	18,971	18,977	-5	19,010	-38
Construction in progress	2,163	99	2,064	1,160	1,003
Other	6,322	5,707	615	6,401	-78
Net property, plant and equipment	60,485	58,087	2,398	59,592	893
Intangible fixed assets	2,245	1,520	724	2,224	20
Investments and other assets:					
Investment securities	14,339	10,056	4,282	15,156	-817
Long-term receivables	1,967	2,098	-131	1,996	-29
Deferred tax assets	13,781	14,603	-822	13,494	287
Other	4,571	4,933	-362	4,890	-319
Allowance for doubtful receivables	-1,271	-1,343	72	-1,348	77
Total investments and other assets	33,387	30,348	3,039	34,188	-801
Total noncurrent assets	96,118	89,956	6,162	96,005	112
Total assets	271,402	260,198	11,204	277,052	-5,649

(Amounts are rounded down to the nearest million yen)

(In million yen)

	As of June 30, 2006 (A)	As of June 30, 2005 (B)	(A) – (B)	As of March 31, 2006 (C)	(A) – (C)
(Liabilities)					
Current liabilities					
Trade notes and accounts payable	48,445	46,966	1,478	49,830	-1,384
Short-term loans	14,892	12,348	2,544	15,592	-700
Commercial paper	-	4,000	-4,000	-	-
Current portion of unsecured convertible bonds	-	19,996	-19,996	-	-
Accounts payable, other	8,779	7,274	1,505	8,418	361
Income taxes payable	1,157	725	431	3,950	-2,793
Allowance for employees' bonuses	2,309	2,185	124	5,526	-3,217
Other	10,199	10,724	-525	7,977	2,222
Total current liabilities	85,784	104,221	-18,437	91,296	-5,511
Long-term liabilities					
Unsecured bonds	25,000	25,000	-	25,000	-
Long-term debt	1,861	6,876	-5,015	2,039	-178
Liability for employees' retirement benefits	20,970	19,527	1,442	20,686	283
Liability for directors' retirement benefits	546	463	83	547	-
Other	7,314	7,755	-440	7,315	-
Total long-term liabilities	55,693	59,623	-3,929	55,589	104
Total liabilities	141,478	163,845	-22,366	146,885	-5,407
Net assets					
Shareholders' capital					
Common stock	26,648	-	-	-	-
Additional paid-in capital	35,188	-	-	-	-
Retained earnings	65,600	-	-	-	-
Treasury stock	-315	-	-	-	-
Total shareholders' capital	127,122	-	-	-	-
Valuation and translation adjustments					
Net unrealized gain on available-for-sale securities	5,083	-	-	-	-
Foreign currency translation adjustments	-2,816	-	-	-	-
Total valuation and translation adjustments	2,266	-	-	-	-
Minority interests	534	-	-	-	-
Total net assets	129,924	-	-	-	-
Total liabilities and net assets	271,402	-	-	-	-
Minority interests	-	334	-	507	-
Shareholders' equity					
Common stock	-	16,826	-	26,648	-
Additional paid-in capital	-	25,395	-	35,188	-
Retained earnings	-	55,913	-	65,322	-
Net unrealized gain on available-for-sale securities	-	2,660	-	5,750	-
Foreign currency translation adjustments	-	-4,560	-	-2,946	-
Treasury stock	-	-216	-	-304	-
Total shareholders' equity	-	96,018	-	129,659	-
Total liabilities, minority interests and shareholders' equity	-	260,198	-	277,052	-

(Amounts are rounded down to the nearest million yen)

Consolidated Statements of Operations

(In million yen)

	Three months ended June 30, 2006		Three months ended June 30, 2005		Change		Year ended March 31, 2006	
	Amount (A)	%	Amount (B)	%	Amount (A) – (B)	%	Amount	%
Net sales	52,026	100.0	50,797	100.0	1,228	2.4	242,638	100.0
Cost of sales	31,459	60.5	32,937	64.8	-1,477	-4.5	151,062	62.3
Gross profit	20,566	39.5	17,860	35.2	2,706	15.2	91,576	37.7
Selling, general and administrative expenses	17,578	33.8	15,792	31.1	1,785	11.3	70,500	29.0
Operating income	2,987	5.7	2,067	4.1	920	44.5	21,076	8.7
Other income:								
Interest income	44		28		16		147	
Dividend income	75		55		20		95	
Foreign exchange gain, net	-		44		-44		270	
Other	185		129		56		947	
Total other income	305	0.6	257	0.5	48	18.7	1,461	0.6
Other expenses								
Interest expense	166		215		-49		699	
Loss on disposals of inventories	211		65		146		1,572	
Foreign exchange loss, net	212		-		212		-	
Other	457		188		269		1,944	
Total other expenses	1,046	2.0	468	0.9	578	123.5	4,217	1.7
Ordinary income	2,246	4.3	1,856	3.7	389	21.0	18,319	7.6
Extraordinary income:								
Gain on sale of investment securities	21		-		21		5	
Gain on sale of property, plant and equipment	4		69		-64		351	
Total extraordinary income	26	0.0	69	0.1	-43	-62.0	356	0.1
Extraordinary losses:								
Loss on disposal of property, plant and equipment	70		9		60		232	
Loss on adoption of FRS17 by British subsidiaries	-		-		-		497	
Loss on write-down of investment securities	-		-		-		189	
Loss on sale of investment securities	-		-		-		4	
Total extraordinary losses	70	0.1	9	0.0	60	620.9	924	0.4
Income before income taxes and minority interests	2,202	4.2	1,916	3.8	285	14.9	17,752	7.3
Income taxes								
Current	511		264		246		7,839	
Deferred	125		764		-639		-1,448	
Minority interests in net income	16	0.0	14	0.0	1	11.4	45	0.0
Net income	1,549	3.0	872	1.7	677	77.6	11,316	4.7

(Amounts are rounded down to the nearest million yen)

Consolidated Statements of Cash Flows

(In million yen)

	Three months ended June 30, 2006 (A)	Three months ended June 30, 2005 (B)	(A) - (B)	Year ended March 31, 2006
I. Cash flows from operating activities:				
Income before income taxes and minority interests	2,202	1,916	285	17,752
Depreciation and amortization	1,161	1,131	30	4,866
Increase/decrease in allowance for doubtful receivables	-83	-5	-77	-240
Increase/decrease in allowance for employees' bonuses	-3,217	-3,055	-161	286
Provision for/reversal of accrued retirement benefits for employees	283	311	-27	1,470
Interest and dividends income	-120	-83	-36	-242
Interest expense	166	215	-49	699
Foreign exchange gain/loss, net	3	-12	16	-22
Net gain/loss on sale of and valuation of investment securities	-21	-	-21	189
Net gain/loss on sale and disposal of property, plant and equipment	65	-60	125	-119
Increase/decrease in trade receivables	9,393	3,379	6,013	-1,697
Increase/decrease in inventories	-6,620	-4,663	-1,956	-2,180
Increase/decrease in trade payables	-1,434	-134	-1,299	1,776
Other, net	974	2,230	-1,255	1,815
Subtotal	2,754	1,168	1,586	24,352
Interest and dividends received	128	86	42	237
Interest paid	-226	-231	5	-699
Income taxes paid	-3,323	-6,453	3,129	-10,950
Net cash used in/provided by operating activities	-666	-5,430	4,763	12,941
II. Cash flows from investing activities:				
Proceeds from sale of marketable securities	23	21	1	110
Purchases of property, plant and equipment	-1,495	-977	-517	-6,811
Proceeds from sale of property, plant and equipment	58	430	-372	626
Purchases of investment securities	-490	-1	-489	-495
Proceeds from sale of investment securities	44	-	44	32
Other, net	-21	34	-56	196
Net cash used in investing activities	-1,880	-490	-1,389	-6,341
III. Cash flows from financing activities:				
Net increase/decrease in loans	-928	-232	-696	-2,115
Issuance of commercial paper	-	4,000	-4,000	23,000
Redemption of commercial paper	-	-	-	-23,000
Redemption of unsecured bonds	-	-	-	-381
Withdrawal of cash for redemption of unsecured bonds	-	-	-	-16,335
Deposit of cash for redemption of unsecured bonds	-	-	-	16,335
Cash dividends paid	-1,035	-1,200	165	-2,229
Dividends payments to minority shareholders	-	-	-	-12
Redemption of construction cooperation fund	-	-	-	-428
Other, net	-11	-6	-4	-163
Net cash used in/provided by financing activities	-1,976	2,558	-4,535	-5,330
IV. Foreign currency translation adjustments on cash and cash equivalents	61	20	41	890
V. Net increase/decrease in cash and cash equivalents	-4,462	-3,342	-1,120	2,159
VI. Cash and cash equivalents, beginning of year	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 year	27,574	26,425	1,149	31,926

(Amounts are rounded down to the nearest million yen)

Segment Information

1. Industry Segment Information

Three months ended June 30, 2006 (April 1, 2006 – June 30, 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	30,254	9,981	10,583	1,206	52,026	-	52,026
(2) Inter-segment sales	42	-	6	222	270	-270	-
Total	30,296	9,981	10,590	1,428	52,297	-270	52,026
Operating expenses	26,543	9,708	9,887	1,007	47,146	1,892	49,038
Operating income	3,753	273	703	421	5,150	-2,163	2,987

(Amounts are rounded down to the nearest million yen)

Three months ended June 30, 2005 (April 1, 2005 – June 30, 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	27,046	8,306	13,717	1,726	50,797	-	50,797
(2) Inter-segment sales	32	-	39	196	269	-269	-
Total	27,079	8,306	13,757	1,923	51,066	-269	50,797
Operating expenses	24,311	8,745	12,456	1,609	47,123	1,606	48,729
Operating income/loss	2,767	-438	1,300	313	3,942	-1,875	2,067

(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

Three months ended June 30, 2006 (April 1, 2006 – June 30, 2006)

(In million yen)

	North and South America	Europe	Asia and Oceania	Total
I. Overseas sales	5,486	3,405	11,039	19,931
II. Consolidated sales				52,026
III. Ratio of overseas to total consolidated sales	10.6%	6.5%	21.2%	38.3%

(Amounts are rounded down to the nearest million yen)

Three months ended June 30, 2005 (April 1, 2005 – June 30, 2005)

(In million yen)

	North and South America	Europe	Asia and Oceania	Total
I. Overseas sales	4,571	2,852	8,919	16,343
II. Consolidated sales				50,797
III. Ratio of overseas to total consolidated sales	9.0%	5.6%	17.6%	32.2%

(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)