

November 10, 2011

## **Operating Results and Financial Position** **(for the Six Months ended September 30, 2011)**

### **1. Operating Results**

#### **(1) Consolidated Overview**

In the six months ended September 30, 2011 (second quarter of the fiscal year ending March 31, 2012), the Japanese economy struggled through difficult conditions due to effects from the Great East Japan Earthquake, but due to a recovery in manufacturing activity, the economy appears to be recovering.

Overseas, the Asian economy expanded, primarily in China and India. The pace of economic improvement in Europe has stagnated due to concerns regarding financial crises in some countries. In the United States, recovery has become weak due to unemployment rates that remain high and lack of growth in personal spending.

In the midst of such circumstances, the Shimadzu Group has started a new 3-year medium-term management plan from April 2011. Based on this plan, we are implementing aggressive growth measures, such as promoting local R&D in China, introducing globally strategic products, and consolidating analytical and measuring instrument service subsidiaries to strengthen the aftermarket business. In addition, we focused efforts on ensuring business results in spite of a strong yen by introducing new competitive products tailored to customer needs, reducing costs, reducing expenses, and other measures.

As a result, for the current first half, consolidated net sales were 125,374 million yen (year-on-year increase of 7.1%), operating income was 7,309 million yen (year-on-year increase of 56.1%), ordinary income was 6,342 million yen (year-on-year increase of 62.0%), and net income was 2,144 million yen (year-on-year decrease of 23.2%).

## **I. Analytical & Measuring Instruments**

In Japan, due to a recovery in capital equipment and R&D investment as private sector market conditions improve and due also to the introduction of new key products, sales of liquid chromatographs have been strong in the pharmaceutical and chemical fields. Sales of gas chromatographs and testing machines increased in chemical fields and sales of non-destructive inspection systems increased in the electrical products and transportation equipment fields. In government and academia markets, sales of liquid chromatographs and mass spectrometers increased due to an increase in Japan's Ministry of Education, Culture, Sports, Science and Technology budget for scientific research, the introduction of new products, and other factors.

Overseas, sales of liquid chromatographs and mass spectrometers were strong due to increased demand in the pharmaceutical and food safety fields in China, such as for inspecting food and agricultural products, due to new product effects in North America, and growth in public sector demand in Russia and other countries. Sales of gas chromatographs increased primarily due to increased demand in Chinese chemical field and North American petrochemical field. Sales of non-destructive inspection systems and spectroscopy increased due to new demand from fields related to the expanding production of smart phones in China.

As a result, sales from the Analytical and Measuring Instruments business increased 12.6% year on year, to 69,992 million yen.

## **II. Medical Systems**

In Japan, sales of FPD-equipped angiography and fluoroscopy systems were strong, but overall sales increased only slightly, due in part to effects from the Great East Japan Earthquake.

Overseas, overall sales decreased due to the strong yen and other factors, but sales of digital mobile X-ray systems and general radiography systems were strong in North America. In China, sales were strong due to increasing local production to meet market needs resulting from the ongoing targeted investment by the government in medical fields, where medical reforms have now penetrated to rural hospitals.

As a result, sales from the Medical Systems business decreased 0.6% year on year, to 23,084 million yen.

## **III. Aircraft Equipment**

In Japan, sales of aircraft components and service parts for Japan's Ministry of Defense's new patrol plane (P-1) increased, but sales of equipment for modernization of the F-15 fighter decreased, resulting in an overall slight decrease. Overseas, sales of components for passenger aircraft increased.

As a result, sales from the Aircraft Equipment business increased 1.9% year on year, to 13,065 million yen.

## **IV. Industrial Machinery**

Sales of turbomolecular pumps, such as for glass coaters, increased in China and Taiwan, but overall sales decreased due to stagnant demand for semiconductor and LCD applications. Sales of solar cell film deposition systems were weak due to postponement of capital equipment investments by solar panel manufacturers and other factors. Sales of glass winders and gear pumps expanded significantly in China. Sales of hydraulic equipment increased significantly due to rapid market recovery.

As a result, sales from the Industrial Machinery business increased 4.9% year on year, to 15,132 million

yen.

## **V. Other**

The other segment's quarterly net sales decreased 8.3% year on year, to 4,100 million yen.

### **(2) Consolidated Outlook**

The current outlook is that our business environment will become worse, due to the sharp increase in the yen, financial problems in Europe and the United States, and so on. Given this operating environment, we aim to improve our business results in spite of the severely strong yen, by engaging in measures to expand business and strengthen profitability from a global perspective, such as by expanding overseas production and procurement and further reducing costs.

The Shimadzu Group has now started a new 3-year medium-term management plan, based on our long term vision "Toward Becoming a True Global Business." This plan aims to achieve significant growth of the Shimadzu Group, even in the face of changing business conditions, based on a fundamental policy of aiming to "Become the No. 1 Partner Selected by Customers Globally." This is based on a strategy of achieving growth in both developed and newly emerging economies by introducing globally strategic products and providing solutions, and steadily implementing measures to (1) pursue global growth, (2) provide solutions that customers will choose, (3) focus on growth markets and strong businesses, and (4) improve profitability.

## **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:**

None

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(In million yen)

	As of September 30, 2011	As of March 31, 2011
<b>Assets</b>		
Current assets		
Cash and time deposits	29,396	35,455
Trade notes and accounts receivable	74,543	79,669
Merchandise and products	35,094	31,032
Work in process	18,368	16,573
Raw materials and supplies	16,944	15,076
Deferred tax assets	7,114	7,335
Other	4,150	3,749
Allowance for doubtful receivables	(1,120)	(982)
Total current assets	184,491	187,909
Noncurrent assets		
Property, plant and equipment:		
Buildings and structures	71,320	70,926
Accumulated depreciation	(36,322)	(35,346)
Buildings and structures, net	34,997	35,579
Machinery, equipment and vehicles	18,017	17,784
Accumulated depreciation	(14,430)	(14,103)
Machinery, equipment and vehicles, net	3,586	3,680
Land	18,755	18,749
Leased assets	3,334	3,389
Accumulated depreciation	(1,761)	(1,847)
Leased assets, net	1,573	1,541
Construction in progress	122	15
Other	27,128	26,600
Accumulated depreciation	(21,129)	(20,522)
Other, net	5,999	6,078
Net property, plant and equipment	65,034	65,644
Intangible fixed assets	6,687	6,794
Investments and other assets:		
Investment securities	8,153	9,489
Long-term receivables	671	876
Deferred tax assets	9,814	9,738
Other	4,303	4,571
Allowance for doubtful receivables	(467)	(180)
Total investments and other assets	22,476	24,494
Total noncurrent assets	94,198	96,933
Total assets	278,689	284,843

(In million yen)

	As of September 30, 2011	As of March 31, 2011
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	46,068	48,278
Short-term loans	7,056	9,754
Lease obligations	619	637
Accounts payable, other	7,701	8,541
Income taxes payable	1,659	2,990
Allowance for employees' bonuses	5,424	5,884
Allowance for director's bonuses	137	193
Other	10,097	8,453
Total current liabilities	<u>78,765</u>	<u>84,733</u>
Long-term liabilities		
Unsecured bonds	10,000	10,000
Long-term debt	10,817	10,974
Lease obligations	1,080	1,017
Liability for employees' retirement benefits	14,714	15,155
Liability for directors' retirement benefits	237	302
Other	5,785	6,006
Total long-term liabilities	<u>42,634</u>	<u>43,456</u>
Total liabilities	<u>121,400</u>	<u>128,190</u>
<b>Net assets</b>		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	106,208	105,244
Treasury stock	(690)	(680)
Total shareholders' capital	<u>167,355</u>	<u>166,401</u>
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	1,477	2,334
Foreign currency translation adjustments	(11,778)	(12,305)
Total valuation and translation adjustments	<u>(10,300)</u>	<u>(9,970)</u>
Minority interests	233	222
Total net assets	<u>157,289</u>	<u>156,653</u>
Total liabilities and net assets	<u>278,689</u>	<u>284,843</u>

**(2) Consolidated Statements of Operations**

(In million yen)

	Year ended September 30, 2011	Year ended September 30, 2010
Net sales	125,374	117,082
Cost of sales	78,217	73,632
Gross profit	47,157	43,450
Selling, general and administrative expenses	39,847	38,768
Operating income	7,309	4,682
Other income:		
Interest income	74	63
Dividend income	92	72
Insurance payments received	169	138
Rent received	75	95
Other	299	532
Total other income	711	901
Other expenses:		
Interest expense	210	214
Foreign exchange loss, net	798	771
Other	668	681
Total other expenses	1,678	1,667
Ordinary income	6,342	3,915
Extraordinary income:		
Gain on sale of property, plant and equipment	5	5
Total extraordinary income	5	5
Extraordinary losses:		
Loss on disposal of property, plant and equipment	156	43
Loss on write-down of investment securities	101	90
Effect of adoption of new accounting standards for asset retirement obligations	—	258
Total extraordinary losses	258	392
Income before income taxes and minority interests	6,089	3,529
Income taxes	1,515	1,305
Refund of income taxes for past fiscal years	1,709	—
Income taxes adjustments	708	(580)
Total income taxes and income taxes adjustments	3,933	725
Income before minority interests	2,156	2,803
Minority interests in net income	11	12
Net income	2,144	2,791

### (3) Consolidated Statements of Cash Flows

(In million yen)

	Year ended September 31, 2011	Year ended September 31, 2010
I. Cash flows from operating activities:		
Income before income taxes and minority interests	6,089	3,529
Depreciation and amortization	3,902	3,803
Effect of adoption of new accounting standards for asset retirement obligations	—	258
Increase (decrease) in allowance for doubtful receivables	410	(142)
Increase (decrease) in allowance for employees' bonuses	(460)	(418)
Increase (decrease) in allowance for director's bonuses	(56)	(24)
Provision for (reversal of) accrued retirement benefits for employees	(453)	(271)
Interest and dividends income	(166)	(135)
Interest expense	210	214
Foreign exchange (gain) loss, net	23	36
Net (gain) loss on sale and valuation of investment securities	101	90
Net (gain) loss on sale and disposal of property, plant and equipment	151	37
(Increase) decrease in trade receivables	5,459	9,989
(Increase) decrease in inventories	(7,495)	(2,264)
Increase (decrease) in trade payables	(2,396)	(1,757)
Other, net	936	(102)
Subtotal	6,257	12,843
Interest and dividends received	165	136
Interest paid	(288)	(212)
Income taxes paid	(4,762)	(1,170)
Net cash provided by (used in) operating activities	1,372	11,596
II. Cash flows from investing activities:		
Purchase of property, plant and equipment	(2,874)	(4,025)
Proceeds from sale of property, plant and equipment	57	744
Purchase of investment securities	(186)	(118)
Increase in long term receivables	(9)	(28)
Decrease in long term receivables	241	46
Other, net	(26)	(245)
Net cash provided by (used in) investing activities	(2,798)	(3,626)
III. Cash flows from financing activities:		
Borrowing of short-term loans	379	153
Repayment of short-term loans	(3,151)	(5,794)
Borrowing of long-term debt	80	—
Repayment of long-term debt	(282)	(321)
Issuance of commercial paper	—	4,000
Repayment of commercial paper	—	(4,000)
Cash dividends paid	(1,185)	(1,032)
Dividends payments to minority shareholders	—	(9)
Repayment of financial lease	(333)	(333)
Payment of finance lease obligations	(375)	(460)
Other, net	76	(12)
Net cash provided by (used in) financing activities	(4,792)	(7,811)
IV. Foreign currency translation adjustments on cash and cash equivalents	228	(863)
V. Net increase (decrease) in cash and cash equivalents	(5,990)	(704)
VI. Cash and cash equivalents, beginning of period	34,221	28,242
VII. Cash and cash equivalents, end of period	28,231	27,538

#### (4) Segment Information

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

Six months ended September 30, 2011 (April 1, 2011 – September 30, 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	69,992	23,084	13,065	15,132	121,274	4,100	125,374	—	125,374
(2) Inter-segment sales	18	3	35	21	79	547	626	(626)	—
Total	70,011	23,087	13,100	15,153	121,353	4,647	126,000	(626)	125,374
Segment income (loss)	5,793	(372)	314	889	6,625	682	7,307	2	7,309

Six months ended September 30, 2010 (April 1, 2010– September 30, 2010)

(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	62,138	23,219	12,824	14,426	112,609	4,473	117,082	—	117,082
(2) Inter-segment sales	56	1	38	22	119	530	649	(649)	—
Total	62,195	23,221	12,862	14,449	112,728	5,003	117,732	(649)	117,082
Segment income (loss)	3,786	(289)	(240)	414	3,671	1,007	4,679	2	4,682

##### 2) For reference

##### Sales by geographic segment

Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
72,410	12,139	9,065	18,547	9,195	4,016	125,374

Six months ended September 30, 2010 (April 1, 2010– September 30, 2010)

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
69,941	11,279	8,271	14,671	8,708	4,211	117,082

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

Not applicable