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## **Operating Results and Financial Position (for the Three Months ended June 30, 2010)**

### **1. Operating Results**

#### **Consolidated Overview**

In the three months ended June 30, 2010 (first quarter of the fiscal year ending March 31, 2011), the Japanese economy experienced a steady recovery driven largely by economic stimulus and growth in exports to Asia. European economic recovery was dampened by a financial crisis in Greece, among other factors. In Asia, economic expansion proceeded, particularly in China and India. The US economy saw gradual recovery fueled largely by stimulus measures.

Amid such an environment, the Shimadzu Group is devoting the current fiscal year to solidifying its foundations to embark on a renewed growth path by capitalizing on economic recovery. The Group is proactively pursuing growth through such means as enlarging its scope of operations in emerging markets, expanding aftermarket operations, and launching new high-value-added products with exceptional cost-performance. At the same time, the Group is also pursuing sustained growth by strengthening its marketing capabilities to build a globally renowned brand and implementing functional and process reforms to build a solid earnings foundation.

By virtue of such efforts, consolidated net sales grew 13.3% year on year to ¥51,097 million in the fiscal first quarter. Profitability, however, was hurt by gross margin deterioration stemming largely from reversal of unrealized gains on consolidated subsidiaries' inventories. The Group consequently incurred a quarterly consolidated operating loss of ¥546 million, ordinary loss of ¥744 million, and net loss of ¥337 million.

The Group's sales tend to be disproportionately concentrated in the fiscal second and fourth quarters.

#### **Industry Segment Information**

##### **I. Analytical and Measuring Instruments**

In Japanese market, private capital spending has been recovering. Sales of products such as general-purpose equipment for chemical applications grew across the board in the fiscal first quarter. North American sales of large analytical instruments declined due to a falloff. In India, liquid chromatograph sales increased substantially amid recovery in the pharmaceutical sector. European sales have likewise been recovering in the pharmaceutical sector, among others. Chinese sales were buoyant, bolstered by growth in gas chromatograph sales.

Overall, the segment's quarterly net sales grew 6.9% year on year to ¥25,682 million.

## II. Medical Systems

Domestic sales of diagnostic digital x-ray systems grew briskly but sales of other products languished, resulting in a decline in overall domestic sales. Overseas, North American and European sales rose, largely by virtue of strengthened sales activities. Chinese sales also grew as health-care system reform continued to fuel demand growth.

The segment's overall net sales were up 2.5% year on year to ¥10,012 million in the fiscal first quarter.

## III. Aircraft Equipment

In Japan sales grew, bolstered by contracts to update F-15 fighter aircraft for Japan Defense Ministry. Overseas sales decreased as a result of reduced demand for passenger aircraft.

On balance, the segment's quarterly net sales grew 6.5% year on year to ¥5,939 million.

## IV. Industrial Machinery

Demand for turbo-molecular pumps picked up sharply both in Japan and others in the wake of robust growth in the semiconductor and LCD markets. Sales of thin film deposition systems for solar cell production declined in outside of Japan but in Japan held firm against a backdrop of steady capital spending. Hydraulic equipment sales grew due to improvements both in Japan and other markets conditions.

Overall, the segment's quarterly net sales increased 48.4% year on year to ¥6,579 million.

## V. Other

The segment's quarterly net sales grew 121.3% year on year to ¥2,882 million.

## 2. Consolidated Financial Position

At quarter-end (June 30, 2010), consolidated assets totaled ¥273,204 million, a decrease of ¥10,899 million from March 31, 2010. The decrease was mainly attributable to a ¥16,759 million reduction in trade notes and accounts receivable, partially offset by a ¥1,963 million increase in merchandise and product inventories, ¥1,772 million increase in raw materials and supplies inventories, and ¥2,575 million increase in buildings and structures (net of accumulated depreciation). Net assets totaled ¥150,719 million at June 30, 2010.

## 3. Consolidated Outlook

Although private capital spending and R&D investment are recovering, the Group anticipates that its operating environment will remain adverse due to fiscal tightening in many countries throughout the world and intensification of competition stemming from recent yen appreciation.

Faced with such an operating environment, the Group is devoting the current fiscal year to solidifying its foundations to embark on a renewed growth path by capitalizing on economic recovery. The Group is proactively pursuing growth through such means as enlarging its scope of operations in emerging markets, expanding aftermarket operations, and launching new high-value-added products with exceptional cost-performance. The group will also strengthen its global organization by progressively localizing R&D and manufacturing. The Group will further strengthen its R&D, manufacturing, sales, and service operations in China in particular, given its favorable economic growth prospects.

The Group will expand its operations and improve operating efficiency by implementing further functional and process reforms while maintaining the profit structure attained through the emergency cost-cutting measures implemented last fiscal year.

In light of its fiscal first-quarter operating performance and the business conditions described above, the Group has revised as follows its earnings forecast initially announced on May 11, 2010.

Consolidated earnings forecast for the fiscal year ending March 31, 2011  
(Millions of yen, except percentages)

	Fiscal first-half forecast		For reference: Previous forecast	Full-year forecast		For reference: Previous forecast
		Year-on-year change			Year-on-year change	
Net sales	118,000	11.9%	115,000	253,000	6.2%	250,000
Operating income	4,500	123.3%	4,000	14,500	40.9%	14,000
Ordinary income	3,500	85.2%	3,500	12,500	27.3%	12,500
Net income	2,300	91.9%	2,000	8,300	35.4%	8,000

The above forecast was derived from information available as of this document's publication date. Actual results may differ from the forecast due to a variety of factors, most notably including exchange rate movements and changes in economic conditions and/or product supply/demand fundamentals in the Group's major markets (Japan, Europe, the US, and non-Japan Asia).

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(In million yen)

	As of June 30, 2010	As of March 31, 2010
<b>Assets</b>		
Current assets		
Cash and time deposits	28,881	29,367
Trade notes and accounts receivable	66,292	83,051
Merchandise and products	31,405	29,441
Work in process	20,210	19,549
Raw materials and supplies	15,796	14,024
Deferred tax assets	7,531	6,138
Other	4,935	3,309
Allowance for doubtful receivables	(1,072)	(1,103)
Total current assets	173,980	183,778
Noncurrent assets		
Property, plant and equipment:		
Buildings and structures	71,099	68,135
Accumulated depreciation	(34,720)	(34,331)
Buildings and structures, net	36,378	33,803
Machinery, equipment and vehicles	18,423	19,880
Accumulated depreciation	(14,097)	(14,723)
Machinery, equipment and vehicles, net	4,326	5,157
Land	18,817	18,824
Leased assets	4,167	4,322
Accumulated depreciation	(2,558)	(2,662)
Leased assets, net	1,609	1,659
Construction in progress	208	1,881
Other	26,110	26,620
Accumulated depreciation	(20,033)	(20,332)
Other, net	6,077	6,287
Net property, plant and equipment	67,418	67,614
Intangible fixed assets	6,370	6,266
Investments and other assets:		
Investment securities	8,519	9,975
Long-term receivables	1,291	1,307
Deferred tax assets	10,941	10,531
Other	4,957	4,904
Allowance for doubtful receivables	(274)	(275)
Total investments and other assets	25,434	26,444
Total noncurrent assets	99,223	100,325
Total assets	273,204	284,104

(In million yen)

	As of June 30, 2010	As of March 31, 2010
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	44,161	44,820
Short-term loans	5,435	14,650
Lease obligations	752	793
Accounts payable, other	9,253	9,296
Income taxes payable	1,041	1,405
Allowance for employees' bonuses	2,030	5,451
Allowance for director's bonuses	87	182
Other	14,247	8,796
Total current liabilities	<u>77,009</u>	<u>85,397</u>
Long-term liabilities		
Unsecured bonds	10,000	10,000
Long-term debt	12,015	12,196
Lease obligations	966	984
Liability for employees' retirement benefits	15,908	15,806
Liability for directors' retirement benefits	292	287
Other	6,292	6,292
Total long-term liabilities	<u>45,475</u>	<u>45,567</u>
Total liabilities	<u>122,485</u>	<u>130,964</u>
<b>Net assets</b>		
Shareholders' capital		
Common stock	26,648	26,648
Additional paid-in capital	35,188	35,188
Retained earnings	96,040	97,411
Treasury stock	(652)	(646)
Total shareholders' capital	<u>157,225</u>	<u>158,601</u>
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	1,937	2,829
Foreign currency translation adjustments	(8,666)	(8,507)
Total valuation and translation adjustments	<u>(6,729)</u>	<u>(5,678)</u>
Minority interests		
	223	215
Total net assets	<u>150,719</u>	<u>153,139</u>
Total liabilities and net assets	<u>273,204</u>	<u>284,104</u>

**(2) Consolidated Statements of Operations**

(In million yen)

	Three months ended June 30, 2010	Three months ended June 30, 2009
Net sales	51,097	45,114
Cost of sales	32,863	27,444
Gross profit	18,233	17,670
Selling, general and administrative expenses	18,780	18,155
Operating loss	(546)	(485)
Other income:		
Interest income	27	22
Dividend income	71	67
Insurance payments received	37	25
Rent received	50	50
Other	393	340
Total other income	580	506
Other expenses:		
Interest expense	109	167
Foreign exchange loss, net	403	43
Other	263	169
Total other expenses	777	381
Ordinary loss	(744)	(359)
Extraordinary income:		
Gain on sale of property, plant and equipment	3	7
Total extraordinary income	3	7
Extraordinary losses:		
Effect of adoption of new accounting standards for asset retirement obligations	258	-
Loss on disposal of property, plant and equipment	12	6
Loss on write-down of investment securities	11	10
Total extraordinary losses	283	17
Loss before income taxes and minority interests	(1,023)	(369)
Income taxes	506	191
Refund of income taxes for past fiscal years	-	(389)
Income taxes adjustments	(1,199)	(514)
Total income taxes and income taxes adjustments	(693)	(712)
Loss before minority interests	(330)	-
Minority interests in net income	6	-
Net income (loss)	(337)	342

**(3) Consolidated Statements of Cash Flows**

(In million yen)

	Three months ended June 30, 2010	Three months ended June 30, 2009
I. Cash flows from operating activities:		
Loss before income taxes and minority interests	(1,023)	(369)
Depreciation and amortization	1,862	1,990
Effect of adoption of new accounting standards for asset retirement obligations	258	-
Increase (decrease) in allowance for doubtful receivables	(15)	21
Increase (decrease) in allowance for employees' bonuses	(3,421)	(3,291)
Increase (decrease) in allowance for director's bonuses	(95)	(191)
Provision for (reversal of) accrued retirement benefits for employees	120	(5)
Interest and dividends income	(98)	(90)
Interest expense	109	167
Foreign exchange (gain) loss, net	18	8
Net (gain) loss on sale and valuation of investment securities	11	10
Net (gain) loss on sale and disposal of property, plant and equipment	9	-
(Increase) decrease in trade receivables	16,544	17,228
(Increase) decrease in inventories	(4,451)	(5,531)
Increase (decrease) in trade payables	(625)	(9,134)
Other, net	(44)	(250)
Subtotal	9,159	561
Interest and dividends received	99	92
Interest paid	(129)	(160)
Income taxes paid	(1,043)	(1,531)
Net cash provided by (used in) operating activities	8,086	(1,038)
II. Cash flows from investing activities:		
Purchase of property, plant and equipment	(2,241)	(1,489)
Proceeds from sale of property, plant and equipment	663	48
Purchase of investment securities	(49)	-
Issuance of loans receivable	(16)	(3)
Collection of loans receivables	34	33
Other, net	(338)	(42)
Net cash provided by (used in) investing activities	(1,947)	(1,453)
III. Cash flows from financing activities:		
Borrowing of short-term loans	204	1,292
Repayment of short-term loans	(9,343)	(431)
Borrowing of long-term debt	-	10,000
Repayment of long-term debt	(162)	(222)
Issuance of commercial paper	4,000	4,000
Redemption of unsecured bonds	-	(10,000)
Cash dividends paid	(1,034)	(1,330)
Dividends payments to minority shareholders	(4)	(11)
Payment of finance lease obligations	(236)	(286)
Other, net	(5)	(7)
Net cash provided by (used in) financing activities	(6,580)	3,003
IV. Foreign currency translation adjustments on cash and cash equivalents	(81)	514
V. Net increase (decrease) in cash and cash equivalents	(523)	1,025
VI. Cash and cash equivalents, beginning of period	28,242	23,673
VII. Cash and cash equivalents, end of period	27,719	24,699

**(4) Notes on the Going-concern Assumption**

Not applicable

**(5) Segment Information***Additional information*

Effective the first quarter of the fiscal year ending March 31, 2011, the Company adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No. 17, revised March 27, 2009) and its accompanying *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Guidance No. 20, March 21, 2008).

In accord with the newly adopted standard, the former Aircraft Equipment & Industrial Machinery segment was separated to two segments and presented as Aircraft Equipment and Industrial Machinery. Unallocated operating expenses (expenses for the Company's fundamental research and development, advertisement expenses, and administration) that were previously included in "Eliminations/corporate" were allocated among the four segments, namely Analytical & Measuring Instruments, Medical Systems, Aircraft Equipment, and Industrial Machinery.

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

Three months ended June 30, 2010 (April 1, 2010 – June 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	25,682	10,012	5,939	6,579	48,214	2,882	51,097	-	51,097
(2) Inter-segment sales	43	-	13	7	64	236	301	(301)	-
Total	25,726	10,012	5,952	6,587	48,279	3,119	51,398	(301)	51,097
Segment income (loss)	(686)	(517)	(130)	222	(1,112)	561	(550)	3	(546)

## Operating income (loss) under the previous segmentation

Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)

(In million yen)

	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment & Industrial Machinery	Other	Total	Eliminations/corporate	Consolidated total
Operating income (loss)	934	(179)	657	561	1,973	(2,520)	(546)



For reference:

Segment information for the three months ended June 30, 2009, under the new segmentation  
Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

(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				
I. Sales									
(1) Sales to customers	24,034	9,767	5,576	4,432	43,811	1,302	45,114	-	45,114
(2) Inter-segment sales	110	-	17	20	148	189	337	(337)	-
Total	24,144	9,767	5,594	4,453	43,959	1,491	45,451	(337)	45,114
Segment income (loss)	6	(494)	217	(515)	(786)	297	(489)	4	(485)

Operating income (loss) under the previous segmentation

Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

(In million yen)

	Analytical & Measuring Instruments	Medical Systems	Aircraft Equipment & Industrial Machinery	Other	Total	Eliminations/ corporate	Consolidated total
Operating income (loss)	1,532	(171)	222	297	1,880	(2,365)	(485)

## 2) Relevant information

Sales by geographic segment

Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
30,153	4,745	4,264	6,187	3,914	1,831	51,097

For reference:

Geographic segment information for the three months ended June 30, 2009, under the new segmentation

Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

(In million yen)

Japan	The Americas	Europe	China	Other Asian countries	Other	Total
25,731	4,630	3,635	5,961	3,325	1,830	45,114

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

Not applicable