

May 11, 2010

## **Operating Results and Financial Position (for the Fiscal Year ended March 31, 2010)**

### **1. Operating Results**

#### **(1) Analysis of Operating Results**

##### **Overview of the Fiscal Year ended March 31, 2010**

During the fiscal year ended March 31, 2010, the Japanese economy continued to face stiff headwinds in the form of delayed recoveries in employment and private-sector capital spending, but exports, production, and consumer spending picked up on the back of improvements in overseas economies and the effects of economic stimulus measures. Overseas, the Chinese economy is recovering, largely in response to government policies to expand domestic demand. The US and Europe remained under severe pressure from high unemployment, but their economies also have started to gradually recover, largely by virtue of stimulus measures.

The Shimadzu Group designated the fiscal year ended March 31, 2010, as a period for responding to this new economic environment by implementing emergency measures to maintain sales levels and reduce total costs in the aim of maintaining profitability. Meanwhile, the Group also pursued sustained growth by strengthening its marketing capabilities to build Shimadzu into a premier global brand, while also carrying out functional and process reforms to solidify its earnings foundation.

As a result of these efforts, the Group earned consolidated operating income of ¥10,294 million, a 47.5% year-on-year decrease, on consolidated net sales of ¥238,255 million, a 12.7% year-on-year decrease, in the fiscal year ended March 31, 2010. Consolidated ordinary income was down 44.6% year on year to ¥9,816 million, while consolidated net income declined 28.2% year on year to ¥6,130 million. The declines in sales and profits for the fiscal year as a whole were largely attributable to a downturn in domestic and overseas demand and yen appreciation, despite the recovery trend that emerged in the fiscal second half.

##### **Geographic Segment Information**

Although demand for medical systems and aircraft equipment was firm, sales in Japan were impacted by a downturn in demand for analytical and measuring instruments, industrial machinery, and other products. Net sales were down 10.3% year on year to ¥162,219 million, and operating income shrank 32.5% year on year to ¥13,615 million.

US demand for analytical and measuring instruments and aircraft equipment declined. As a result, net sales were down 28.1% year on year to ¥17,101 million, and operating income declined 56.5% year on year to ¥1,014 million.

In Europe, demand for analytical and measuring instruments and medical systems dropped, resulting in a 21.8% year-on-year decline in net sales to ¥16,921million, and operating income dropped 40.5% year on year to ¥823 million.

In Asia and Oceania, demand for medical systems was strong, particularly from China, but demand for analytical and measuring instruments and industrial machinery dropped. As a result, net sales fell 10.0% year on year to ¥42,011 million, and operating income was down 9.7% year on year to ¥3,569 million.

## **Industry Segment Information**

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

Sales in Japan declined during the fiscal year ended March 31, 2010, held back by demand retrenchment in the wake of the rapid slowdown ongoing since autumn 2008. Demand bottomed out in the fiscal first half and then embarked on a modest recovery. In the fiscal second half, public- and higher education-sector demand for high-performance mass spectrometers and surface spectrometers was strong, bolstered by supplementary budget appropriations. Private sector investment in environmental and alternative energy-related fields was buoyant, while a recovery in overseas business conditions prompted capital spending by companies whose production levels are recovering and companies that anticipate making production increases.

Overseas, overall sales declined amid a delayed recovery in market conditions in the fiscal first half and the yen's strength throughout the fiscal year. In the US, Europe, and India, where pharmaceutical markets are large, performance was weak as sales of our mainstay liquid and gas chromatographs and mass spectrometers declined. Overall sales in China fell, but sales of liquid and gas chromatographs grew in the fields of pharmaceuticals and food safety, driven by active public-sector investment. In the fiscal second half, market conditions began to recover in all regions.

The segment earned operating income of ¥17,022 million (down 19.6% year on year) on net sales of ¥134,407 million (down 11.8% year on year) in the fiscal year ended March 31, 2010.

### **II. Medical Systems**

In the domestic market, demand from private hospitals showed no signs of recovery as their operating environment remained adverse. Demand from public and university hospitals recovered, however, as a result of the 2008 revision of medical service fees. Combined with a boost from supplementary budget appropriations, this resulted in an overall increase in domestic sales.

Overseas sales declined overall. In the US, hospital-related capital spending was sluggish due to the economic downturn and reluctance to purchase equipment while healthcare reform was pending, but sales of mobile diagnostic X-ray systems embarked on a recovery. In China, sales increased as hospitals continued to actively invest in equipment as health insurance reform and the healthcare system upgrades were initiated pursuant to the government's new healthcare reform policies. Latin American sales also grew, bolstered by solid demand.

The segment earned operating income of ¥1,259 million (up 7.0% year on year) on net sales of ¥50,483 million (down 1.1% year on year) in the fiscal year ended March 31, 2010.

### **III. Aircraft Equipment & Industrial Machinery**

The aircraft equipment business saw a slight increase in domestic sales, reflecting an increase in sales to Japan's Ministry of Defense for the F-15 fighter modernization program, which was largely offset by a drop in sales as a result of having completed deliveries of

prototype products for the next-model fixed-wing maritime patrol aircraft (XP-1) and the next-model large transport plane (XC-2) in the previous fiscal year. Overseas, aircraft equipment sales were down sharply due to a precipitous downshift in civilian aircraft demand.

In the industrial machinery business, demand for turbomolecular pumps was sluggish in the fiscal first half, reflecting semiconductor market weakness amid the global economic downturn. Demand for CVD (chemical vapor deposition) equipment for solar cell production decreased in the fiscal first half in response to a temporary contraction in overseas solar power markets, particularly in Europe. In the fiscal second half, semiconductor-related markets recovered rapidly and demand from LCD manufacturers grew again, resulting in a doubling of turbomolecular pump sales versus the fiscal first half. Overseas sales of CVD equipment for solar cell production decreased, but the domestic market is in recovery. Hydraulic equipment demand was sluggish in most fields through the fiscal first half but gradually recovered in the second half, led by demand from construction machinery and industrial vehicle makers.

The segment earned operating income of ¥340 million (down 93.0% year on year) on net sales of ¥47,795 million (down 24.3% year on year) in the fiscal year ended March 31, 2010.

#### IV. Other

The segment earned operating income of ¥1,451 million (down 17.3% year on year) on net sales of ¥5,568 million (down 11.0% year on year) in the fiscal year ended March 31, 2010.

#### **Outlook for the fiscal year ending March 31, 2011**

Domestic and overseas economic conditions are still adverse, particularly in terms of capital spending and employment conditions. Our operating environment outlook consequently remains beset by uncertainty in terms of exchange rate trends, global economic prospects, and other factors. However, we expect the economic recovery to continue, driven largely by economic stimulus measures implemented by countries worldwide.

Amid this business environment, we have designated the new fiscal year as a period to embark on a renewed growth path. We will actively implement strategies aimed at growth, including expanding the scope of our operations in China and other emerging markets, building up our after-sales business, and introducing products that offer high-value-added and excellent cost-performance.

Also this year, we will strengthen our global operations by, for example, localizing development and production activities. In China, where economic growth is expected to remain strong, we will further enhance our development, production, sales and services operations.

Additionally, we will work to further boost earnings power and maintain the robust earnings capability that we have achieved through emergency measures and efforts to cut total costs. In accord with the slogan "Dedicated to continuous improvement for the future of our customers," we aim to embark on a renewed growth path to capitalize on the economic recovery as quickly as possible.

**Analytical & Measuring Instruments:** We expect demand in the domestic market to recover overall as companies increase capital spending as economic sentiment improves. We expect to see public-sector demand funded by supplementary budget appropriations, although it will not be as robust as in the previous fiscal year. We expect to see private sector demand in fields where investment activity is strong, such as the environment, alternative energy, and new materials. We expect transport equipment-related demand to

begin recovering and research and development investment to be firm in the pharmaceuticals industry. To meet market needs in these fields, we intend to further enhance the competitiveness of our analytical and measuring instruments. A key step in this regard will be the introduction of our new ultra-high-speed liquid chromatograph.

Overseas, we anticipate an overall recovery in market conditions. Although fiscal instability in the euro zone has clouded Europe's economic outlook, China's firm economic growth should continue, US markets should improve in response to economic policies, and India should see a recovery in demand from pharmaceutical companies. We will expand overseas business by increasing our share in these markets through new products. We expect strong growth to continue in emerging markets. Particularly in China—where markets are being driven by public-sector demand generated by massive economic stimulus measures and industrial promotion policies—we expect this strong growth to be led by expansive food safety and environment-related markets. We will work to develop products that satisfy local needs in these regions while maintaining and enhancing competitiveness.

Additionally, to expand our business, particularly in growing fields and regions, we will step up development of applications for individual fields and accelerate our after-sales business.

**Medical Systems:** While we anticipate some public-sector demand driven by supplementary budget appropriations, the impact of medical service fee revisions in fiscal 2010 should be limited, and we therefore expect the domestic market to be somewhat subdued. Use of digital imaging by healthcare providers should increase over the next few years as institutions set up digital imaging departments in response to fiscal 2010 revisions to medical service fees. We intend to rapidly build new product lines to serve demand in this area.

Overseas, we expect US and European markets to rebound and China and other Asian markets to remain strong. We will work to increase sales of X-ray systems equipped with high-performance FPD (flat panel detector) technology and boost our market share for general X-ray systems in emerging markets.

**Aircraft Equipment & Industrial Machinery:** We expect demand for aircraft equipment to remain flat overall, due to demand from Japan's Ministry of Defense and the impact of the domestic and global economy. Nevertheless, we view the civilian aircraft market as a future growth market, and we will strive to raise profitability and expand business in this area, including by expanding after-sales business such as repair sales to airlines. With respect to industrial machinery, we expect strong market conditions for both semiconductors and LCDs, and we aim to improve our earnings position with respect to turbomolecular pumps by reducing costs and boosting productivity. In anticipation of increased demand from the solar power industry, we will work to further improve the cost-performance of our CVD (chemical vapor deposition) equipment for solar cell production and increase sales. We will also strive to increase sales of hydraulic equipment by raising our market share in the fields of construction machinery, industrial vehicles, agricultural machinery, and specially adapted vehicles.

## **(2) Analysis of financial condition**

Assets as of March 31, 2010

Over the course of the fiscal year ended March 31, 2010, total assets increased ¥2,948 million to ¥284,104 million, reflecting increases of ¥4,872 million in cash and time deposits and ¥3,800 million in trade notes and accounts receivable, partly offset by declines of ¥4,303 million in merchandise and products and ¥1,373 million in work in process. Net assets increased ¥5,833 million to ¥153,139 million due to a ¥3,769 million increase in

retained earnings.

#### Cash flows

Cash and cash equivalents increased ¥4,569 million versus March 31, 2009, to ¥28,242 million at March 31, 2010.

Following is an analysis of cash flows for the fiscal year ended March 31, 2010.

#### I. Cash flow from operating activities

Net cash provided by operating activities was ¥13,756 million, up ¥833 million year on year, primarily due to a positive contribution to cash flow of ¥8,081 million, representing the net effect of an increase in accounts receivable but a decrease in inventories, and a ¥5,633 million decline in income before income taxes and minority interests.

#### II. Cash flow from investing activities

Net cash used in investing activities was ¥7,675 million, down ¥2,765 million year on year due chiefly to capital expenditures of ¥7,281 million.

#### III. Cash flow from financing activities

Net cash used in financing activities was ¥1,754 million, down ¥10,003 million year on year. Borrowings provided net proceeds of ¥12,093 million, which were offset by outflows of ¥10,000 million in corporate bond redemptions, ¥2,360 million in dividend payments, and ¥1,120 million in payments of finance lease obligations.

#### Cash Flow Indicators

| March 31,                       | 2006 | 2007  | 2008 | 2009 | 2010 |
|---------------------------------|------|-------|------|------|------|
| Equity ratio (%)                | 46.8 | 48.0  | 49.5 | 52.3 | 53.8 |
| Market-value equity ratio (%)   | 79.0 | 102.2 | 89.5 | 66.0 | 77.8 |
| Years to repay debt             | 3.3  | 2.5   | 2.2  | 2.7  | 2.7  |
| Interest-coverage ratio (times) | 18.5 | 19.9  | 27.1 | 20.9 | 23.8 |

Notes:

Equity ratio: (Net assets - Minority interests) / Total assets

Market-value equity ratio: Market capitalization / Total assets

Years to repay debt: Interest-bearing debt / Cash flow from operating activities

Interest-coverage ratio: Cash flow from operating activities / Interest payments

1. All indices are calculated using consolidated financial statement data.

2. Market capitalization is calculated by multiplying the closing price of the company's stock by the number of shares issued and outstanding (net of treasury stock) at the end of the fiscal year.

3. "Cash flow from operating activities" is from the consolidated statement of cash flows.

"Interest-bearing debt" means all interest-bearing debt listed under liabilities on the consolidated balance sheet. The figure for "Interest payments" is from "Interest paid" on the consolidated statement of cash flows.

#### (3) Dividend policy and dividends for the fiscal years ended March 31, 2010 and 2011

Shimadzu views the return of profits to shareholders as a key management objective. We aim to maintain a stable dividend while taking ongoing earnings performance into account. With this goal in mind, we will continue our efforts to boost earnings—and hence return on equity—by further improving our profit-generating capacity and financial health while also maintaining sufficient internal reserves to fund capital expenditures and R&D to provide a platform for future growth.

We paid a year-end dividend of ¥4.50 per share for the fiscal year ended March 31, 2009,

but for the fiscal year ended March 31, 2010, we intend to pay a year-end dividend of ¥3.5 per share. Combined with the interim dividend of ¥3.5 per share, this takes the total annual dividend to ¥7 per share, which is ¥2 per share lower than the previous fiscal year.

For the fiscal year ending March 31, 2011, we currently plan to pay interim and year-end dividends of ¥4 per share for a total annual dividend of ¥8 per share, an increase of ¥1 per share versus the fiscal year ended March 31, 2010.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In million yen)

|  | As of<br>March 31, 2010 | As of<br>March 31, 2009 |
|--|-------------------------|-------------------------|
| <b>Assets</b>                          |                         |                         |
| Current assets                         |                         |                         |
| Cash and time deposits                 | 29,367                  | 24,494                  |
| Trade notes and accounts receivable    | 83,051                  | 79,250                  |
| Merchandise and products               | 29,441                  | 33,744                  |
| Work in process                        | 19,549                  | 20,923                  |
| Raw materials and supplies             | 14,024                  | 14,065                  |
| Deferred tax assets                    | 6,138                   | 6,555                   |
| Other                                  | 3,309                   | 3,196                   |
| Allowance for doubtful receivables     | (1,103)                 | (1,007)                 |
| Total current assets                   | 183,778                 | 181,224                 |
| Noncurrent assets                      |                         |                         |
| Property, plant and equipment:         |                         |                         |
| Buildings and structures               | 68,135                  | 65,114                  |
| Accumulated depreciation               | (34,331)                | (32,700)                |
| Buildings and structures, net          | 33,803                  | 32,413                  |
| Machinery, equipment and vehicles      | 19,880                  | 19,482                  |
| Accumulated depreciation               | (14,723)                | (13,564)                |
| Machinery, equipment and vehicles, net | 5,157                   | 5,917                   |
| Land                                   | 18,824                  | 18,808                  |
| Leased assets                          | 4,322                   | 5,323                   |
| Accumulated depreciation               | (2,662)                 | (3,132)                 |
| Leased assets, net                     | 1,659                   | 2,191                   |
| Construction in progress               | 1,881                   | 1,321                   |
| Other                                  | 26,620                  | 26,637                  |
| Accumulated depreciation               | (20,332)                | (19,681)                |
| Other, net                             | 6,287                   | 6,955                   |
| Net property, plant and equipment      | 67,614                  | 67,608                  |
| Intangible fixed assets                | 6,266                   | 6,538                   |
| Investments and other assets:          |                         |                         |
| Investment securities                  | 9,975                   | 7,776                   |
| Long-term receivables                  | 1,307                   | 1,465                   |
| Deferred tax assets                    | 10,531                  | 11,598                  |
| Other                                  | 4,904                   | 5,135                   |
| Allowance for doubtful receivables     | (275)                   | (190)                   |
| Total investments and other assets     | 26,444                  | 25,784                  |
| Total noncurrent assets                | 100,325                 | 99,931                  |
| Total assets                           | 284,104                 | 281,155                 |

(In million yen)

|  | As of<br>March 31, 2010 | As of<br>March 31, 2009 |
|--|-------------------------|-------------------------|
| <b>Liabilities</b>                                   |                         |                         |
| Current liabilities                                  |                         |                         |
| Trade notes and accounts payable                     | 44,820                  | 45,754                  |
| Short-term loans                                     | 14,650                  | 12,520                  |
| Current portion of unsecured bonds                   | -                       | 10,000                  |
| Lease obligations                                    | 793                     | 1,039                   |
| Accounts payable, other                              | 9,296                   | 9,442                   |
| Income taxes payable                                 | 1,405                   | 2,239                   |
| Allowance for employees' bonuses                     | 5,451                   | 5,186                   |
| Allowance for director's bonuses                     | 182                     | 309                     |
| Other  | 8,796                   | 9,939                   |
| Total current liabilities                            | <u>85,397</u>           | <u>96,429</u>           |
| Long-term liabilities                                |                         |                         |
| Unsecured bonds                                      | 10,000                  | 10,000                  |
| Long-term debt                                       | 12,196                  | 2,120                   |
| Lease obligations                                    | 984                     | 1,328                   |
| Liability for employees' retirement benefits         | 15,806                  | 16,827                  |
| Liability for directors' retirement benefits         | 287                     | 264                     |
| Other  | 6,292                   | 6,879                   |
| Total long-term liabilities                          | <u>45,567</u>           | <u>37,419</u>           |
| Total liabilities                                    | <u>130,964</u>          | <u>133,849</u>          |
| <b>Net assets</b>                                    |                         |                         |
| Shareholders' capital                                |                         |                         |
| Common stock   | 26,648                  | 26,648                  |
| Additional paid-in capital                           | 35,188                  | 35,188                  |
| Retained earnings                                    | 97,411                  | 93,641                  |
| Treasury stock                                       | (646)                   | (623)                   |
| Total shareholders' capital                          | <u>158,601</u>          | <u>154,855</u>          |
| Valuation and translation adjustments                |                         |                         |
| Net unrealized gain on available-for-sale securities | 2,829                   | 1,586                   |
| Foreign currency translation adjustments             | (8,507)                 | (9,530)                 |
| Total valuation and translation adjustments          | <u>(5,678)</u>          | <u>(7,944)</u>          |
| Minority interests                                   | 215                     | 395                     |
| Total net assets                                     | <u>153,139</u>          | <u>147,306</u>          |
| Total liabilities and net assets                     | <u>284,104</u>          | <u>281,155</u>          |



**(2) Consolidated Statements of Operations**

(In million yen)

|   | Year ended<br>March 31, 2010 | Year ended<br>March 31, 2009 |
|---|------------------------------|------------------------------|
| Net sales   | 238,255                      | 272,833                      |
| Cost of sales   | 151,204                      | 167,861                      |
| Gross profit  | 87,050                       | 104,971                      |
| Selling, general and administrative expenses                              | 76,756                       | 85,358                       |
| Operating income  | 10,294                       | 19,613                       |
| Other income:   |                              |                              |
| Interest income   | 106                          | 218                          |
| Dividend income   | 109                          | 178                          |
| Insurance payments received   | 365                          | 295                          |
| Rent received   | 187                          | 160                          |
| Other   | 867                          | 749                          |
| Total other income  | 1,636                        | 1,601                        |
| Other expenses:   |                              |                              |
| Interest expense  | 612                          | 523                          |
| Foreign exchange loss, net  | 274                          | 1,021                        |
| Other   | 1,228                        | 1,937                        |
| Total other expenses  | 2,115                        | 3,482                        |
| Ordinary income   | 9,816                        | 17,731                       |
| Extraordinary income:   |                              |                              |
| Gain on sale of investment securities                                     | 60                           | 13                           |
| Gain on sale of property, plant and equipment                             | 19                           | 25                           |
| Gain on contribution of securities to employees' retirement benefit trust | -                            | 1,450                        |
| Total extraordinary income  | 79                           | 1,489                        |
| Extraordinary losses:   |                              |                              |
| Loss on disposal of property, plant and equipment                         | 253                          | 270                          |
| Loss on sale of investment securities                                     | 40                           | -                            |
| Loss on write-down of investment securities                               | 12                           | 1,320                        |
| Loss on write-down of inventories   | -                            | 1,752                        |
| Loss on change of retirement benefits plan                                | -                            | 458                          |
| Environmental preservation expenses                                       | -                            | 196                          |
| Total extraordinary losses  | 307                          | 3,999                        |
| Income before income taxes and minority interests                         | 9,588                        | 15,221                       |
| Income taxes  | 3,128                        | 4,913                        |
| Refund of income taxes for past fiscal years                              | (389)                        | -                            |
| Income taxes adjustments  | 705                          | 1,746                        |
| Total income taxes and income taxes adjustments                           | 3,444                        | 6,660                        |
| Minority interests in net income  | 13                           | 24                           |
| Net income  | 6,130                        | 8,536                        |

### (3) Consolidated Statement of Changes in Shareholders' Capital

|   | Year ended<br>March 31, 2010 | (In million yen)<br>Year ended<br>March 31, 2009 |
|---|------------------------------|--|
| <b>Shareholders' capital</b>  |                              |  |
| Common stock  |                              |  |
| Balance at end of previous year   | 26,648                       | 26,648   |
| Balance at end of year  | <u>26,648</u>                | <u>26,648</u>                                    |
| Additional-paid in capital  |                              |  |
| Balance at end of previous year   | 35,188                       | 35,188   |
| Balance at end of year  | <u>35,188</u>                | <u>35,188</u>                                    |
| Retained earnings   |                              |  |
| Balance at end of previous year   | 93,641                       | 87,574   |
| Changes during the period   |                              |  |
| Cash dividends paid   | (2,360)                      | (2,804)  |
| Increase (decrease) in retained earnings due to changes in accounting policies applied to overseas subsidiaries | -                            | 215  |
| Increase (decrease) in retained earnings due to an increase in the number of consolidated subsidiaries          | -                            | 119  |
| Net income  | 6,130                        | 8,536  |
| Total changes during the period   | <u>3,769</u>                 | <u>6,067</u>                                     |
| Balance at end of year  | <u>97,411</u>                | <u>93,641</u>                                    |
| Treasury stock  |                              |  |
| Balance at end of previous year   | (623)                        | (536)  |
| Changes during the period   |                              |  |
| Purchase of treasury stock  | (22)                         | (87)   |
| Total changes during the period   | <u>(22)</u>                  | <u>(87)</u>                                      |
| Balance at end of year  | <u>(646)</u>                 | <u>(623)</u>                                     |
| Total shareholders' capital   |                              |  |
| Balance at end of previous year   | 154,855                      | 148,875  |
| Changes during the period   |                              |  |
| Distribution of retained earnings   | (2,360)                      | (2,804)  |
| Increase (decrease) in retained earnings due to changes in accounting policies applied to overseas subsidiaries | -                            | 215  |
| Increase (decrease) in retained earnings due to an increase in the number of consolidated subsidiaries          | -                            | 119  |
| Net income  | 6,130                        | 8,536  |
| Purchase of treasury stock  | (22)                         | (87)   |
| Total changes during the period   | <u>3,746</u>                 | <u>5,979</u>                                     |
| Balance at end of year  | <u>158,601</u>               | <u>154,855</u>                                   |

**Valuation and translation adjustments**

## Net unrealized gain on available-for-sale securities

|   |       |         |
|---|-------|---------|
| Balance at end of previous year                       | 1,586 | 3,211   |
| Changes during the period                             |       |         |
| Net changes in items other than shareholders' capital | 1,242 | (1,625) |
| Total changes during the period                       | 1,242 | (1,625) |
| Balance at end of year                                | 2,829 | 1,586   |

## Foreign currency translation adjustments

|   |         |         |
|---|---------|---------|
| Balance at end of previous year                       | (9,530) | (1,779) |
| Changes during the period                             |         |         |
| Net changes in items other than shareholders' capital | 1,022   | (7,751) |
| Total changes during the period                       | 1,022   | (7,751) |
| Balance at end of year                                | (8,507) | (9,530) |

## Total valuation and translation adjustments

|   |         |         |
|---|---------|---------|
| Balance at end of previous year                       | (7,944) | 1,432   |
| Changes during the period                             |         |         |
| Net changes in items other than shareholders' capital | 2,265   | (9,376) |
| Total changes during the period                       | 2,265   | (9,376) |
| Balance at end of year                                | (5,678) | (7,944) |

**Minority interests**

|   |       |     |
|---|-------|-----|
| Balance at end of previous year                       | 395   | 404 |
| Changes during the period                             |       |     |
| Net changes in items other than shareholders' capital | (179) | (9) |
| Total changes during the period                       | (179) | (9) |
| Balance at end of year                                | 215   | 395 |

**Total net assets**

|   |         |         |
|---|---------|---------|
| Balance at end of previous year   | 147,306 | 150,712 |
| Changes during the period   |         |         |
| Cash dividends paid   | (2,360) | (2,804) |
| Increase (decrease) in retained earnings due to changes in accounting policies applied to overseas subsidiaries | -       | 215     |
| Increase (decrease) in retained earnings due to an increase in the number of consolidated subsidiaries          | -       | 119     |
| Net income  | 6,130   | 8,536   |
| Purchase of treasury stock  | (22)    | (87)    |
| Net changes in items other than shareholders' capital   | 2,086   | (9,386) |
| Total changes during the period   | 5,833   | (3,406) |
| Balance at end of year  | 153,139 | 147,306 |

#### **(4) Consolidated Statements of Cash Flows**

|  | Year ended<br>March 31, 2010 | (In million yen)<br>Year ended<br>March 31, 2009 |
|--|------------------------------|--|
| I. Cash flows from operating activities:   |                              |  |
| Income before income taxes and minority interests  | 9,588                        | 15,221   |
| Depreciation and amortization  | 8,301                        | 8,503  |
| Increase (decrease) in allowance for doubtful receivables                                    | 165                          | 263  |
| Increase (decrease) in allowance for employees' bonuses                                      | 265                          | (747)  |
| Increase (decrease) in allowance for director's bonuses                                      | (126)                        | (13)   |
| Provision for (reversal of) accrued retirement benefits for employees                        | (1,059)                      | (570)  |
| (Gain) loss on contribution of securities to employees' retirement benefit trust             | -                            | (1,450)  |
| Interest and dividends income  | (216)                        | (396)  |
| Interest expense   | 612                          | 523  |
| Foreign exchange (gain) loss, net  | 15                           | 8  |
| Net (gain) loss on sale and valuation of investment securities                               | (6)                          | 1,308  |
| Net (gain) loss on sale and disposal of property, plant and equipment                        | 234                          | 244  |
| (Increase) decrease in trade receivables   | (3,138)                      | 3,730  |
| (Increase) decrease in inventories   | 6,493                        | (8,457)  |
| Increase (decrease) in trade payables  | (1,459)                      | (3,141)  |
| Other, net   | (1,704)                      | 2,465  |
| Subtotal   | <u>17,964</u>                | <u>17,492</u>                                    |
| Interest and dividends received  | 218                          | 398  |
| Interest paid  | (577)                        | (618)  |
| Income taxes paid  | (3,847)                      | (4,349)  |
| Net cash provided by (used in) operating activities  | <u>13,756</u>                | <u>12,923</u>                                    |
| II. Cash flows from investing activities:  |                              |  |
| Proceeds from sale of marketable securities  | -                            | 129  |
| Purchase of property, plant and equipment  | (7,281)                      | (9,890)  |
| Proceeds from sale of property, plant and equipment  | 197                          | 196  |
| Purchase of investment securities  | (206)                        | (153)  |
| Proceeds from sale of investment securities  | 76                           | 26   |
| Investments in subsidiaries  | (193)                        | -  |
| Increase in long term receivables  | (19)                         | (599)  |
| Decrease in long term receivables  | 82                           | 87   |
| Other, net   | (332)                        | (237)  |
| Net cash provided by (used in) investing activities  | <u>(7,675)</u>               | <u>(10,441)</u>                                  |
| III. Cash flows from financing activities:   |                              |  |
| Borrowing of short-term loans  | 4,867                        | 9,785  |
| Repayment of short-term loans  | (2,472)                      | (1,475)  |
| Borrowing of long-term debt  | 10,787                       | 1,000  |
| Repayment of long-term debt  | (1,089)                      | (1,540)  |
| Issuance of commercial paper   | 11,000                       | 4,000  |
| Redemption of commercial paper   | (11,000)                     | (4,000)  |
| Redemption of unsecured bonds  | (10,000)                     | (15,000)   |
| Cash dividends paid  | (2,360)                      | (2,805)  |
| Dividends payments to minority shareholders  | (11)                         | (7)  |
| Repayment of guarantee deposits received   | (333)                        | (431)  |
| Payment of finance lease obligations   | (1,120)                      | (1,195)  |
| Other, net   | (22)                         | (87)   |
| Net cash provided by (used in) financing activities  | <u>(1,754)</u>               | <u>(11,757)</u>                                  |
| IV. Foreign currency translation adjustments on cash and cash equivalents                    | 243                          | (2,631)  |
| V. Net increase (decrease) in cash and cash equivalents                                      | <u>4,569</u>                 | <u>(11,907)</u>                                  |
| VI. Cash and cash equivalents, beginning of period   | 23,673                       | 35,077   |
| VII. Increase in cash and cash equivalents due to inclusion of subsidiaries in consolidation | -                            | 503  |
| VIII. Cash and cash equivalents, end of period   | <u>28,242</u>                | <u>23,673</u>                                    |

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

Not applicable

**(6) Basis of preparation of consolidated financial statements**

There are no material changes from the information stated in the Company's most recent regulatory securities report (filed June 29, 2009). An updated disclosure has therefore been omitted.

**(7) Notes on Consolidated Financial Statements**

*Omitted disclosures*

Notes on consolidated balance sheets, consolidated statements of operations, consolidated statements of changes in shareholders' capital, consolidated statements of cash flows, lease transactions, related party transactions, tax-effect accounting, financial instruments, securities, derivatives trading, retirement benefits and investment and rental property are omitted from this report.

## (8) Segment Information

### 1) Industry Segment Information

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

(In million yen)

|  | Analytical & Measuring Instruments | Medical Systems | Aircraft Equipment & Industrial Machinery | Other  | Total   | Eliminations/corporate | Consolidated total |
|--|------------------------------------|-----------------|---|--------|---------|------------------------|--------------------|
| I. Net sales                                     |                                    |                 |   |        |         |                        |                    |
| (1) Sales to customers                           | 134,407                            | 50,483          | 47,795                                    | 5,568  | 238,255 | -                      | 238,255            |
| (2) Inter-segment sales                          | 222                                | 5               | 87  | 849    | 1,165   | (1,165)                | -                  |
| Total  | 134,629                            | 50,489          | 47,883                                    | 6,417  | 239,420 | (1,165)                | 238,255            |
| Operating expenses                               | 117,606                            | 49,229          | 47,542                                    | 4,966  | 219,345 | 8,614                  | 227,960            |
| Operating income                                 | 17,022                             | 1,259           | 340                                       | 1,451  | 20,074  | (9,779)                | 10,294             |
| II. Assets, depreciation and capital expenditure |                                    |                 |   |        |         |                        |                    |
| Assets   | 115,178                            | 42,532          | 70,463                                    | 13,822 | 241,997 | 42,106                 | 284,104            |
| Depreciation                                     | 2,939                              | 989             | 2,068                                     | 486    | 6,484   | 1,817                  | 8,301              |
| Capital expenditure                              | 3,082                              | 2,483           | 905                                       | 191    | 6,663   | 1,945                  | 8,608              |

Year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

(In million yen)

|  | Analytical & Measuring Instruments | Medical Systems | Aircraft Equipment & Industrial Machinery | Other  | Total   | Eliminations/corporate | Consolidated total |
|--|------------------------------------|-----------------|---|--------|---------|------------------------|--------------------|
| I. Net sales                                     |                                    |                 |   |        |         |                        |                    |
| (1) Sales to customers                           | 152,402                            | 51,050          | 63,122                                    | 6,258  | 272,833 | -                      | 272,833            |
| (2) Inter-segment sales                          | 175                                | 10              | 91  | 957    | 1,235   | (1,235)                | -                  |
| Total  | 152,578                            | 51,061          | 63,213                                    | 7,215  | 274,069 | (1,235)                | 272,833            |
| Operating expenses                               | 131,407                            | 49,884          | 58,359                                    | 5,460  | 245,112 | 8,108                  | 253,220            |
| Operating income                                 | 21,171                             | 1,176           | 4,854                                     | 1,754  | 28,957  | (9,344)                | 19,613             |
| II. Assets, depreciation and capital expenditure |                                    |                 |   |        |         |                        |                    |
| Assets   | 117,290                            | 38,585          | 74,298                                    | 12,098 | 242,273 | 38,881                 | 281,155            |
| Depreciation                                     | 3,160                              | 998             | 2,298                                     | 497    | 6,955   | 1,547                  | 8,503              |
| Capital expenditure                              | 3,313                              | 1,635           | 2,444                                     | 110    | 7,503   | 1,485                  | 8,989              |

Notes:

1. Classification of business segments

The Group's operations are classified into four principal segments: Analytical & Measuring Instruments, Medical Systems, Aircraft Equipment & Industrial Machinery, and Other, based on the market use of products handled by each segment.

2. Operating expenses under "Eliminations/corporate" include unallocated operating expenses of 9,360 million yen and 9,795 million yen for the years ended March 31, 2009 and 2010 respectively, consisting principally of general corporate expenses incurred by fundamental research and development, advertisement expenses and administration of the Company.

3. Assets under "Eliminations/corporate" include corporate assets of 40,655 million yen and 43,796 million yen for the years ended March 31, 2009 and 2010 respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to the Company's administration headquarters.

## 2) Geographic Segment Information

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

(In million yen)

|                         | Japan   | The Americas | Europe | Asia and Oceania | Total   | Eliminations/corporate | Consolidated total |
|-------------------------|---------|--------------|--------|------------------|---------|------------------------|--------------------|
| I. Net sales            |         |              |        |                  |         |                        |                    |
| (1) Sales to customers  | 162,219 | 17,101       | 16,921 | 42,011           | 238,255 | -                      | 238,255            |
| (2) Inter-segment sales | 30,322  | 5,763        | 1,919  | 2,402            | 40,407  | (40,407)               | -                  |
| Total                   | 192,542 | 22,865       | 18,840 | 44,414           | 278,662 | (40,407)               | 238,255            |
| Operating expenses      | 178,926 | 21,851       | 18,017 | 40,845           | 259,639 | (31,679)               | 227,960            |
| Operating income        | 13,615  | 1,014        | 823    | 3,569            | 19,022  | (8,728)                | 10,294             |
| II. Assets              | 190,573 | 14,725       | 15,057 | 28,224           | 248,581 | 35,522                 | 284,104            |

Year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

(In million yen)

|                         | Japan   | The Americas | Europe | Asia and Oceania | Total   | Eliminations/corporate | Consolidated total |
|-------------------------|---------|--------------|--------|------------------|---------|------------------------|--------------------|
| I. Net sales            |         |              |        |                  |         |                        |                    |
| (1) Sales to customers  | 180,754 | 23,788       | 21,628 | 46,661           | 272,833 | -                      | 272,833            |
| (2) Inter-segment sales | 37,493  | 7,819        | 1,902  | 4,364            | 51,580  | (51,580)               | -                  |
| Total                   | 218,248 | 31,607       | 23,531 | 51,026           | 324,414 | (51,580)               | 272,833            |
| Operating expenses      | 198,074 | 29,278       | 22,146 | 47,073           | 296,573 | (43,353)               | 253,220            |
| Operating income        | 20,174  | 2,329        | 1,384  | 3,952            | 27,840  | (8,227)                | 19,613             |
| II. Assets              | 193,324 | 17,227       | 14,070 | 26,480           | 251,103 | 30,052                 | 281,155            |

### Notes:

- Method of geographic segmentation: by geographic proximity.
- Major countries or regions in each segment:
  - The Americas: U.S.
  - Europe: U.K. and Germany
  - Asia and Oceania: China, India, Southeast Asian nations, and Australia
- Operating expenses under "Eliminations/corporate" include unallocated operating expenses of 9,360 million yen and 9,795 million yen for the years ended March 31, 2009 and 2010 respectively, consisting principally of general corporate expenses incurred by fundamental research and development, advertisement expenses and administration of the Company.
- Assets under "Eliminations/corporate" include corporate assets of 40,655 million yen and 43,796 million yen for the years ended March 31, 2009 and 2010 respectively, consisting principally of working funds and investing funds held by the Company and assets attributed to the Company's administration headquarters.

### 3) Overseas sales

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

(In million yen)

|  | The Americas | Europe | Asia and Oceania | Total   |
|--|--------------|--------|------------------|---------|
| I. Overseas sales                                  | 21,589       | 17,423 | 52,441           | 91,454  |
| II. Consolidated sales                             |              |        |                  | 238,255 |
| III. Ratio of overseas to total consolidated sales | 9.1%         | 7.3%   | 22.0%            | 38.4%   |

Year ended March 31, 2009 (April 1, 2008 – March 31, 2009)

(In million yen)

|  | The Americas | Europe | Asia and Oceania | Total   |
|--|--------------|--------|------------------|---------|
| I. Overseas sales                                  | 27,610       | 22,654 | 65,693           | 115,958 |
| II. Consolidated sales                             |              |        |                  | 272,833 |
| III. Ratio of overseas to total consolidated sales | 10.1%        | 8.3%   | 24.1%            | 42.5%   |

Notes:

1. Method of geographic segmentation: by geographic proximity.
2. Major countries or regions in each segment:
  - (1) The Americas: U.S.
  - (2) Europe: U.K. and Germany
  - (3) Asia and Oceania: China, India, Southeast Asian nations and Australia
3. "Overseas sales" includes sales by the Company and its consolidated subsidiaries to countries and regions other than Japan.